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DELTA REPORT

10-K

FRST - PRIMIS FINANCIAL CORP.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	10469
CHANGES	492
DELETIONS	5079
ADDITIONS	4898

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

FORM 10-K

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

For the fiscal year ended December 31, 2022 December 31, 2023

or

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

For the transition period from to

Commission file number: 001-33037

PRIMIS FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

Virginia	**20-1417448**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

6830 Old Dominion 1676 International Drive, Suite 900

McLean, Virginia 22101 22102

(Address of principal executive offices) (Zip code)

(703) 893-7400

(Registrant's telephone number including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	FRST	Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b – 2 of the Exchange Act.:

Large accelerated filer ☐ ☐	Accelerated filer ☒ ☒	Smaller reporting company ☐ ☐	Emerging growth company ☐ ☐
Non-accelerated filer ☐ ☐			

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issues its audit report. ☒ Yes ☐ No

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

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐ ☒

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2022 June 30, 2024 was approximately $297.6 million $227.9 million based on the closing price of the common stock on such date.

The number of shares of common stock outstanding as of March 6, 2023 September 16, 2024 was 24,685,458. 24,690,064.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement pursuant to Regulation 14A of the Securities Exchange Act of 1934 in conjunction with the registrant's 2023 Annual Meeting of Shareholders are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

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PRIMIS FINANCIAL CORP.

FORM 10-K

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CAUTIONARY NOTE
REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements about future expectations, activities and events that constitute forward-looking statements within the meaning of, and subject to the protection of, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act and are intended to be covered by the safe harbor provided by the same. Forward-looking statements are not historical facts and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. The words "believe," "may," "forecast," "should," "anticipate," "contemplate," "estimate," "expect," "project," "predict," "intend," "continue," "would," "could," "hope," "might," "assume," "objective," "seek," "plan," "strive" or similar words, or the negatives of these words, identify forward-looking statements.

Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements. In addition to the other factors discussed in the "Risk Factors" section of this Annual Report on Form 10-K, factors that could contribute to those differences include, but are not limited to:

- the effects of future economic, business and market conditions and disruptions in the credit and financial markets, domestic and foreign;
- the ongoing impact of COVID-19 pandemic on our assets, business, cash flows, financial condition, liquidity, prospects and results of operations; potential increases in the provision for credit losses; losses and other general competitive, economic, political, and market factors, including those affecting our business, operations, pricing, products, or services;
- fraudulent and negligent acts by loan applicants, mortgage brokers and our employees;
- our ability to recover certain losses related to fraudulent loans under the Company's insurance policies and to successfully complete the claims process and minimize the financial impact of these loans;
- our ability to implement our various strategic and growth initiatives, including our Panacea Financial and Life Premium Finance Divisions, new digital banking platform, V1BE fulfillment service and Primis Mortgage Company; Company as well as our cost saving project to reduce administrative and branch expenses;
- adverse results from current or future litigation, regulatory examinations or other legal and/or regulatory actions;
- changes in the local economies in our market areas which adversely affect our customers and their ability to transact profitable business with us, including the ability of our borrowers to repay their loans according to their terms or a change in the value of the related collateral;
- changes in interest rates, inflation, loan demand, real estate values, or competition, as well as labor shortages, supply chain disruptions, the threat of recession and volatile equity capital markets;
- changes in the availability of funds resulting in increased costs or reduced liquidity, as well as the adequacy of our cash flow from operations and borrowings to meet our short-term liquidity needs;
- a deterioration or downgrade in the credit quality and credit agency ratings of the investment securities in our investment securities portfolio;

- impairment concerns and risks related to our investment securities portfolio of collateralized mortgage obligations, agency mortgage-backed securities and obligations of states and political subdivisions;
- the incurrence and possible impairment of goodwill associated with current or future acquisitions and possible adverse short-term effects on our results of operations;
- increased credit risk in our assets and increased operating risk caused by a material change in commercial, consumer and/or real estate loans as a percentage of our total loan portfolio, including as a result of the financial impact of COVID-19, rising or elevated interest rates, inflation and recessionary concerns;
- the concentration of our loan portfolio in loans collateralized by real estate;
- our level of construction and land development and commercial real estate loans;

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- failure risk related to prevent a breach third-party's ability to our Internet-based system and online commerce security; satisfy its contractual obligation to reimburse us for waived interest on loans with promotional features that pay off early;
- our ability to identify and address potential cybersecurity risks on our systems and/or third party vendors and service providers on which we rely, heightened by increased use of our virtual private network platform, including data security breaches, credential stuffing, malware, "denial-of-service" attacks, "hacking" and identity theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information, disruption or damage to our systems, increased costs, losses, or adverse effects to our reputation;
- changes in the levels of loan prepayments and the resulting effects on the value of our loan portfolio;

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- the failure of assumptions and estimates underlying the establishment of and provisions made to the allowance for credit losses;
- our ability to expand and grow our business and operations, including the establishment of additional branches and acquisition of additional branches and banks, and our ability to realize the cost savings and revenue enhancements we expect from such activities;
- government intervention in the U.S. financial system, including the effects of legislative, tax, accounting and regulatory actions and reforms, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the Jumpstart Our Business Startups Act, the Consumer Financial Protection Bureau, the capital ratios of Basel III as adopted by the federal banking authorities, the Tax Cuts and Jobs Act of 2017 and the CARES Act, as well as the possibility that the U.S. could default on its debt obligations and the risk of inflation and interest rate increases resulting from monetary and fiscal stimulus response, which may have unanticipated adverse effects on our customers, and our financial condition and results of operations;
- uncertainty related to the transition away from the London Inter-bank Offered Rate ("LIBOR");
- increased competition for deposits and loans adversely affecting rates and terms;
- the continued service of key management personnel;
- the potential payment of interest on demand deposit accounts to effectively compete for customers;
- potential environmental liability risk associated with properties that we assume upon foreclosure;
- increased asset levels and changes in the composition of assets and the resulting impact on our capital levels and regulatory capital ratios;
- risks of current or future mergers and acquisitions, including the related time and cost of implementing transactions and the potential failure to achieve expected gains, revenue growth or expense savings;
- increases in regulatory capital requirements for banking organizations generally, which may adversely affect our ability to expand our business or could cause us to shrink our business;

- acts of God or of war or other conflicts, including the current conflicts in Ukraine/Russia conflict, and the Middle East, acts of terrorism, pandemics or other catastrophic events that may affect general economic conditions;
- changes in accounting policies, rules and practices and applications or determinations made thereunder, including the impact of the adoption of the current expected credit losses ("CECL") methodology; thereunder;
- fraudulent any inability or failure to implement and negligent acts by loan applicants, mortgage brokers and maintain effective internal control over financial reporting and/or disclosure control or inability to remediate our employees; existing material weaknesses in our internal controls deemed ineffective;
- failure to maintain effective internal controls and procedures;
- the risk that our deferred tax assets could be reduced if future taxable income is less than currently estimated, if corporate tax rates in the future are less than current rates, or if sales of our capital stock trigger limitations on the amount of net operating loss carryforwards that we may utilize for income tax purposes;
- our ability to attract and retain qualified employees, including as a result of heightened labor shortages;
- risks related to environmental, social and governance ("ESG" ("ESG") strategies and initiatives, the scope and pace of which could alter our reputation and shareholder, associate, customer and third-party affiliations;
- our ability to de-consolidate Panacea Financial Holdings, Inc. ("PFH") and recognize gains on our investment in PFH common stock as a result of de-consolidation;
- negative publicity and the impact on our reputation;
- our ability to realize the value of derivative assets that are recorded at fair value due to changes in fair value driven by actual results being materially different than our assumptions; and
- other factors and risks described under "Risk Factors" herein and in any of our subsequent the reports that we file with the Securities and Exchange Commission (the "Commission" or "SEC") under the Exchange Act.

Forward-looking statements are not guarantees of performance or results and should not be relied upon as representing management's views as of any subsequent date. A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe we have chosen these assumptions or bases in good faith

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and that they are reasonable. We caution you, however, that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. When considering forward-looking statements, you should refer to the risk factors and other cautionary statements in this Annual Report on Form 10-K and in our periodic and current reports filed with the SEC for specific factors that could cause our actual results to be different from those expressed or implied by our forward-looking statements. These statements speak only as of the date of this Annual Report on Form 10-K (or an earlier date to the extent applicable). Except as required by applicable law, we undertake no obligation to update publicly these statements in light of new information or future events.

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PART I

Item 1. Business

Overview

Primis Financial Corp. (“Primis,” “we,” “us,” “our” or the “Company”) is the bank holding company for Primis Bank (“Primis Bank” or the “Bank”), a Virginia state-chartered bank which commenced operations on April 14, 2005. Primis Bank provides a range of financial services to individuals and small and medium-sized businesses.

As of December 31, 2022 December 31, 2023, Primis had $3.57 billion $3.9 billion in total assets, $2.95 billion $3.2 billion in total loans, $2.72 billion $3.3 billion in total deposits and $394.4 million $397.6 million in total stockholders’ equity. At December 31, 2022 As of December 31, 2023, Primis Bank had thirty-two twenty-four full-service branches in Virginia and Maryland and also provides services to customers through certain online and mobile applications. Thirty Twenty-two full-service retail branches are in Virginia and two full-service retail branches are in Maryland. The Company is headquartered in McLean, Virginia and has an administrative offices office in Tysons Corner, Virginia and Glen Allen, Virginia and an operations center in Atlee, Virginia. Primis Mortgage Company, a residential mortgage lender headquartered in Wilmington, North Carolina, is also a consolidated subsidiary of Primis Bank. PFH, is a consolidated subsidiary of Primis and owns the rights to the Panacea Financial brand and its intellectual property and partners with the Bank to offer a suite of financial products and services for doctors, their practices, and ultimately the broader healthcare industry. Our deposits are insured, up to applicable limits, by the Federal Deposit Insurance Corporation (the “FDIC”). Primis Bank also owns Primis Mortgage Company, a residential mortgage lender.

We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available free of charge on our website at www.primisbank.com as soon as reasonably practicable after we electronically file such material with the SEC. These reports are also available without charge on the SEC’s website at www.sec.gov.

Strategy

Primis is focused on building a new, innovative, and better banking experience for its consumers and small and medium-sized businesses. The bank Bank intends to grow its business, expand its customer base and improve profitability. This is being achieved through a seven-pronged approach: profitability by focusing on the following three areas:

1. Ensuring deposit Maintaining a strong and lending products are competitive, easy to understand and readily accessible; efficient community bank in core markets;
2. Developing Supplementing core community bank growth and profitability with business lines that can generate above-average risk-adjusted returns such as the Panacea Financial Division, the Life Premium Finance Division and cash management services that are robust and easy to use;
3. Supporting lines of business that offer differentiable value to consumers and businesses;
4. Executing intuitive, forward-thinking and pioneering electronic banking services that go beyond merely providing access to finances 24-hours a day, 7-days a week;
5. Maintaining a relationship-oriented and needs-based approach to banking;
6. Providing employees with resources for personal and professional development; Primis Mortgage Company; and

7. 3. Providing Perfecting enhanced digital offerings that allow Primis communities to attract new deposit customers at scale both in and the people within them purposeful and meaningful financial support and volunteerism. out of our footprint.

Critical to executing this approach:

- *Utilizing the Primis Management Team's Strength*. The experience and market knowledge of the Bank's management team is one of its greatest strengths and competitive advantages. Since the Company's board of

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directors appointed Mr. Dennis J. Zember, Jr. as the new president and chief executive officer, Chief Executive Officer, effective February 19, 2020, Mr. Zember has added several members to the executive management team. These additional members all bring strong expertise and years of experience.

- *Leveraging the Existing Foundation for Additional Growth.* Based on the management team's depth of experience and certain infrastructure investments, Primis looks to take advantage of certain economies of scale typically enjoyed by larger organizations, thus expanding its operations both organically and through strategic cost-effective branch or bank acquisitions. Primis' investments in data processing, risk management infrastructure,

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and the staff and branch network will support a much larger asset base. Primis is committed to controlling additional growth in a manner designed to minimize risk and to maintain strong capital ratios.

- *Investing in Technology to Differentiate the Bank in the Marketplace.* The success of the Bank's digital platform was the direct result of a visionary approach to crafting new products and services. Management constantly looks for ways to adopt and deploy technology solutions that provide a competitive advantage and advance the strategies outlined above.

- *Continuing to Pursue Selective Acquisition Opportunities*. Primis has the skillsets and experience necessary to acquire and successfully integrate financial institutions, banks, and branches. This, along with its strong capital position, well-positions Primis to take advantage of acquisition opportunities.

- *Focusing on the Business Owner*. Primis looks to be the primary bank for small- and medium-sized businesses by offering a suite of competitive electronic banking services, robust treasury services and comprehensive lending options. We believe that Primis' localized decision-making capabilities, prompt credit decisions, and superior customer service, supported by a highly experienced and knowledgeable management team, offers Primis a distinct competitive advantage in the marketplace.

- *Focusing on Asset Quality and Underwriting*. Strong asset quality is of primary importance. Therefore, despite the growth in the Bank's loan portfolio, Primis has taken measures to ensure it maintains a strong asset quality by upholding its well-defined underwriting standards.

- *Building a Stable Core Deposit Base*. Primis continues to grow a stable core deposit base of business and retail customers. Primis intends to continue its practice of developing a deposit relationship with each of its loan customers.

BANKING SERVICES

Our principal business is the acquisition of deposits from the general public through our branch offices, digital platform, and deposit intermediaries and the use of these deposits to fund our loan and investment security portfolios. We seek to be a full service bank that provides a wide variety of financial services to our middle market corporate clients as well as to our retail clients. We are an active commercial lender, and also invest funds in mortgage-backed securities, collateralized mortgage obligations, securities issued by agencies of the federal government and obligations of states and political subdivisions.

Lending Activities Overview

Primis offers a wide range of commercial banking services; however, we are focused on making loans secured primarily by commercial real estate and other types of secured and unsecured commercial loans to small and medium-sized businesses in a number of industries, as well as loans to individuals for a variety of purposes, including home equity lines of credit. We are a Small Business Administration ("SBA") lender with Preferred Lending Partner ("PLP") status that allows us to offer this program nationwide. We also invest in real estate-related securities, including collateralized mortgage obligations and agency mortgage backed securities. Our principal sources of funds for loans and investing in securities are deposits and, to a lesser extent, borrowings.

The following is a discussion of each of the major types of lending in which we engage. For more information on our lending activities, see "Item 7. Management's Discussion and Analysis of Financial Condition."

Commercial Lending

Commercial Business Lending. These loans consist of lines of credit, revolving credit facilities, demand loans, term loans, equipment loans, SBA loans, stand-by letters of credit, and unsecured loans. Commercial business loans are generally secured by business assets, equipment, accounts receivable, inventory and other collateral, such as readily marketable stocks and bonds with adequate margins, cash value in life insurance policies and savings and time deposits at Primis Bank.

Commercial Real Estate Lending. Commercial real estate lending includes loans for permanent financing. Commercial real estate lending typically involves higher loan principal amounts and the repayment of loans is dependent, in large part,

on sufficient income from the properties securing the loans to cover operating expenses and debt service. Owner occupied real estate is evaluated in conjunction with the operations of the business.

Construction Lending. Primis provides construction loans for commercial, multi-family, assisted living and other non-residential properties, and builder/developer lines for established companies in our market footprint. Construction loan borrowers are generally pre-qualified for the permanent loan by us or a third party.

Secured Asset Based Lending (SABL). Primis has developed a proprietary Asset Based Lending software system that allows the Bank to monitor the collateral of its commercial borrowers who have pledged their working assets (accounts receivables and other qualifying assets such as inventory) as collateral. SABL has the ability to track other offsets (liabilities, e.g. (e.g. other loans the customer has with the Bank) to the line of credit. SABL serves to provide more stringent controls and supervision that this type of lending requires.

SBA Lending. Primis has developed expertise in the federally guaranteed SBA programs. The SBA programs provide economic development programs which finance start-up and expansion of small businesses. We are a nationwide Preferred Lender. As an SBA Preferred Lender, our pre-approved status allows us to quickly respond to customers' needs. Under the SBA program, we generally originate and fund SBA 7(a) and 504 loans. Benefits to Primis are low LTV commercial loans and government guarantees up to 80%.

Panacea Practice Solutions. Primis, through its Panacea Financial division, provides financing for medical, dental and veterinary businesses. Financing purposes cover a range of needs in this sector of the borrowers to include acquisition, start-up, expansion, real estate purchase and refinance, leasehold, equipment financing, as well as practice buy-ins.

Mortgage Warehouse Lending. Primis provides warehouse lending lines of credit to residential mortgage originators. Program parameters and underwriting guidelines are processed and monitored through our Warehouse Loan System (WLS) to ensure program compliance.

Consumer Lending

Primis offers various types of secured and unsecured consumer loans. We make consumer loans primarily for personal, family or household purposes.

Residential Mortgage. Primis originates residential mortgage loans for its portfolio through Primis Mortgage Company. Primis also purchases originated residential mortgages from our Warehouse Line clients, as well as other loan pools. originators. We have no sub-prime loans.

Home Equity Lines of Credit. Primis offers credit lines secured by primary residential properties with maximum loan-to-values of 80%. The product provides for a 10 year draw period followed by a 20 year repayment period.

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Secured Personal Loans. Primis offers secured personal loans for a variety of purposes including auto, motorcycle, boats, and recreational vehicles. Pledged collateral could also include marketable securities and certificates of deposits.

Life Premium Life Finance. Primis offers life insurance premium financing. The loan is utilized to pay the annual premiums due on the whole or universal life policy. The loan is fully secured by the cash value of the policy and personal liquid assets of the borrower or guarantor.

Unsecured Personal Loans. Primis offers unsecured personal loans up to $50,000 and overdraft protection loans up to $10,000, based on specified underwriting criteria. We also offer these types of loans through an agreement with a third-party that sources and originates them for us based on our credit underwriting criteria.

Panacea Consumer Loans. Panacea Financial offers several unsecured consumer loan products to include student loan refinancing and pro re nata ("PRN") loans. PRN loans may be utilized by graduating doctors to fund costs as they move into their chosen professions. Strict criteria has been established around these products.

Because future loan losses are so closely intertwined with our underwriting policy, we have instituted what management believes is a stringent loan underwriting policy. Our underwriting guidelines are tailored for particular credit types, including lines of credit, revolving credit facilities, demand loans, term loans, equipment loans, real estate loans, SBA loans, stand-by letters of credit and unsecured loans. We have instituted a no exceptions policy for our consumer credit programs.

Deposit Activities Overview

We offer a broad range of deposit products, including checking, NOW, savings, and money market accounts and certificates of deposit, supporting the needs of businesses and individuals. We actively pursue business relationships by utilizing the business contacts of our senior management, other bank officers and our directors, thereby capitalizing on our knowledge of our local market areas.

Commercial deposit products are enhanced by a robust suite of treasury and cash management services, including:

- Investment/sweep accounts
- Wire transfer services
- Employer services/payroll processing services
- Zero balance accounts
- Night depository services
- Depository transfers
- Merchant services (third party)
- ACH originations
- Business debit cards
- Controlled disbursement accounts
- Remote deposit capture
- Mobile and online banking

Other products and services offered by the Bank include: Debit cards, ATM services, notary services, and wire transfer.

Lines of Businesses

Panacea Financial. In November 2020, the Company launched the Panacea Financial division, which focuses on providing unique financial products and services for the medical, dental and veterinary communities. Panacea Financial offers personal loans, student debt refinance and practice loans as well as deposit products nationally. Panacea Financial has partnerships with fourteen national and state associations. Additionally, its In-Training Medical/Dental School Loan Refinance product allows physicians and dentists that are in training the opportunity to refinance their student debt at a lower interest rate, while benefiting from affordable monthly payments during training. As of December 31, 2022 December 31, 2023, Panacea Financial had approximately $248.4 million $322.8 million in outstanding loans. The division has successfully built a nationally-recognized brand and finished 2022 with a growing team of industry-leading commercial bankers experienced in providing financial services to its target communities across the United States.

Life Premium Financing. The Company launched a division in the fourth quarter of 2021 focused on financing life insurance premiums for high net worth individuals across the United States. As of December 31, 2022 December 31, 2023, the Life Premium Finance Division had outstanding balances, net of deferred fees, of $193.8 million $382.1 million. Outstanding balances on these loans grow over three to five years. Consequently, the Company expects a sustainable growth rate in the division with each new loan originated.

Primis Mortgage Company. On May 31, 2022, In May 2022, Primis Bank acquired Primis Mortgage Company (previously SeaTrust Mortgage Company), a regional residential mortgage company headquartered in Wilmington, North Carolina. Primis Mortgage Company has since expanded to offer residential mortgages in the majority of the U.S. Residential mortgage loans originated through Primis Mortgage Company are primarily sold in the secondary market for fee income. As of December 31, 2022 During the year ended December 31, 2023, Primis Mortgage originated $294.9 million $592.3 million loans.

Digital Banking

In 2022, Primis successfully launched its new digital bank platform. The platform includes an all-new mobile banking application that provides a quick and seamless account opening process all from within the app. During 2023 we brought in over $1 billion in deposits through our digital platform.

Also in the fourth quarter of In 2021, Primis launched its new V1BE service, the first bank delivery app for on-demand ordering of branch services. V1BE brings in-branch banking services right to the customer's doorstep, including cash delivery/withdrawals, cash pick-up/deposits, check deposits, change orders, cashier checks, and the instant issue of replacement debit cards. V1BE was initially piloted in the Richmond market but now covers the majority of our footprint, including the greater Washington, D.C. region. With V1BE, Primis is able to support any market and grow customer relationships without the need for a large branch presence.

Funding and Revenue Sources

The principal sources of funds for our lending and investment activities are deposits, repayment of loans, prepayments from mortgage-backed securities, repayments of maturing investment securities, Federal Home Loan Bank ("FHLB") advances and other borrowed money.

Principal sources of revenue are interest and fees on loans and investment securities as well as fee income derived from the maintenance of deposit accounts and income from bank-owned life insurance policies. Our principal expenses include interest paid on deposits, advances from the FHLB, of Atlanta, junior subordinated debt, senior subordinated notes and other borrowings, and other operating expenses.

CREDIT ADMINISTRATION

Because future loan losses are so closely intertwined with our underwriting policy, we have instituted what management believes are well-defined loan underwriting criteria and portfolio management practices. Our underwriting guidelines are tailored for particular credit types, including lines of credit, revolving credit facilities, demand loans, term

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loans, equipment loans, real estate loans, SBA loans, stand-by letters of credit and unsecured loans. We will make extensions of credit based, among other factors, on the potential borrower's creditworthiness and likelihood of repayment.

The Board of Directors has delegated assignment of individual credit authorities up to $10 million to the Chief Executive Officer and Chief Credit Officer. For loans less than $2.5 million up to $5.0 million, we have named Credit Officers and Officers. We also have two Specialty Executive Credit Officers, each with extensive industry specific experience with individual credit authority to $4 million $7.5 million. These individual lending authorities are based on the individual's technical ability and experience. All credits over $10 million are reviewed and approved by Executive Loan Committee, as defined in credit policy. For approval of third-party originated loans, we have delegated authority within an approved framework. All credit extensions in excess of 60% of the Bank's legal lending limit are also reviewed and approved by the Board of Directors. As of December 31, 2022 December 31, 2023, our legal lending limit was approximately $62.2 million $63.2 million.

Portfolio management is an integral part of sound credit practices. The responsible relationship manager in conjunction with credit administration will service loan credits through their life cycle. Primis has a dedicated Special Assets team that provides oversight on credit collection activities, to include legal negotiations, forbearance agreements, collateral sale, foreclosures and management of other real estate owned ("OREO"). This coordinated approach to credit provides a high quality portfolio. Credit Administration is responsible for monthly reporting to the Board of Directors on asset quality and performance.

COMPETITION

The banking business is highly competitive, and our profitability depends principally on our ability to compete in the market areas in which our banking operations are located. We experience substantial competition in attracting and retaining deposits and in lending funds. The primary factors we encounter in competing for deposits are convenient office locations and rates offered. Direct competition for deposits comes from other commercial bank and thrift institutions, money market mutual funds and corporate and government securities which may offer more attractive rates than insured depository institutions are willing to pay. The primary factors we encounter in competing for loans include, among others, interest rate and loan origination fees and the range of services offered. Competition for origination of loans normally comes from other commercial banks, thrift institutions, mortgage bankers, mortgage brokers, insurance companies and fintech or digital lending companies. We have been able to compete effectively with other financial institutions by:

- emphasizing customer service and technology;
- establishing long-term customer relationships and building customer loyalty; and
- providing products and services designed to address the specific needs of our customers.

HUMAN CAPITAL

At Primis, we are committed to ensuring that our employees reach their personal, professional and financial peaks. We are attracting, developing, retaining and planning for the succession of key talent and executives to achieve our strategic objectives. Primis is continually investing in our workforce to further emphasize diversity, equity and inclusion ("DEI") and to foster our employees' growth and career development. At December 31, 2022 As of December 31, 2023, we had 565 528 employees, nearly all of whom are full-time and of which approximately 66% 64% were female and 21% were minorities.

Employee Feedback. Fostering an inclusive environment requires that all employees are heard. Our Intranet houses the "Employee Voice," which is a vehicle for employees to make suggestions, asks questions or voice opinions regarding the Company's practices.

Recruitment. While the majority of our employees reside in Virginia, our recruitment efforts are both local and nationwide. We utilize a wide range of recruitment vehicles ranging from college recruitment sites such as "Handshake", a "V3" program to recruit veterans to posting on popular job boards and conducting nationwide profile searches to find diverse and qualified candidates. Primis realizes that great people know other great people so we also offer a referral bonus to our employees.

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Benefits. Primis offers a comprehensive and competitive benefits package to meet a variety of individual needs. We offer three different medical plans, two of which allow for the employee to make contributions and receive an employer

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match on a Health Savings Account. In addition to dental insurance, supplemental insurance and a 401k, Primis offers employer paid short-term and long-term disability and life insurance. Our employees also enjoy a cash an incentive for participating in our Wellness Program.

Development. All new employees benefit from training to learn how to utilize key Company systems. New employees are also required to complete multiple learning modules that cover important compliance and regulatory requirements in the banking industry. Continuing education and advance advanced training is offered to employees throughout their tenure at Primis. We encourage all employees to obtain job related training by covering the cost of the classes and/or learning materials and tests.

Volunteerism. Primis is committed to the communities we serve and to supporting our employees in their volunteerism. Beginning in 2021, each Each employee receives eight paid hours to volunteer in their community or charity of choice each year. We maintain a commitment to the prosperity of each community the Company serves, donating to community, civic and philanthropic organizations in 2022. 2023. In addition to providing financial products built for the needs of our customers, the Company uses associate volunteerism and corporate philanthropy to build strong community partnerships. The Our employees volunteered for 125 200 hours in 2022. 2023.

SUPERVISION AND REGULATION

Bank holding companies and banks are extensively regulated under federal and state law. This discussion is a summary and is qualified in its entirety by reference to the particular statutory and regulatory provisions described below, and is not intended to be an exhaustive description of the statutes or regulations applicable to Primis or the Bank. The business of Primis and the Bank is subject to extensive regulation and supervision under federal and state law, including oversight by the Board of Governors of the Federal Reserve System (“Federal Reserve”) and the Virginia Bureau of Financial Institutions (“VBFI”), a regulatory division of the Virginia State Corporation Commission.

Changes in laws and regulations may alter the structure, regulation and competitive relationships of financial institutions. In addition, bank regulatory agencies may issue enforcement actions, policy statements, interpretive letters and similar written guidance applicable to us or the Bank. It cannot be predicted whether and in what form new laws and regulations, or interpretations thereof, may be adopted or the extent to which the business of Primis and the Bank may be affected thereby, but they may have a material adverse effect on our business, operations, and earnings.

Violations of laws and regulations, or other unsafe and unsound practices, may result in regulatory agencies imposing fines or penalties, cease and desist orders, or taking other enforcement actions. Under certain circumstances, these agencies may enforce these remedies directly against officers, directors, employees and other parties participating in the affairs of a bank or bank holding company. Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions, federal and state banking regulators have the authority to compel or restrict certain actions on our part if they determine that we have insufficient capital or other resources, or are otherwise operating in a manner that may be deemed to be inconsistent with safe and sound banking practices. Under this authority, our bank regulators can require us or our subsidiaries to enter into informal or formal supervisory agreements, including board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders, pursuant to which we would be required to take identified corrective actions to address cited concerns and to refrain from taking certain actions.

If we become subject to and are unable to comply with the terms of any future regulatory actions or directives, supervisory agreements, or orders, then we could become subject to additional, heightened supervisory actions and orders, possibly including consent orders, prompt corrective action restrictions and/or other regulatory actions, including prohibitions on the payment of dividends on our common stock and preferred stock. If our regulators were to take such additional supervisory actions, then we could, among other things, become subject to significant restrictions on our ability to develop any new business, as well as restrictions on our existing business, and we could be required to raise additional capital, dispose of certain assets and liabilities within a prescribed period of time, or both. The terms of any such supervisory action could have a material negative effect on our business, reputation, operating flexibility, financial condition, and the value of our common stock and preferred capital stock.

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Supervision, regulation, and examination of Primis, the Bank, and our respective subsidiaries by the appropriate regulatory agencies, as described herein, are intended primarily for the protection of consumers, bank depositors and the Deposit Insurance Fund ("DIF") of The Federal Deposit Insurance Corporation ("FDIC") and the U.S. banking and financial system, rather than holders of our capital stock.

Bank Holding Company Regulation

Primis is subject to extensive supervision and regulation by the Federal Reserve pursuant to the Bank Holding Company Act of 1956, as amended (the "Bank Holding Company Act"). We are required to file with the Federal Reserve periodic reports and such other information as the Federal Reserve may request. Ongoing supervision is provided through regular examinations by the Federal Reserve and other means that allow the regulators to gauge management's ability to identify, assess and control risk in all areas of operations in a safe and sound manner and to ensure compliance with laws and regulations. In addition to regulation by the Federal Reserve as a bank holding company, Primis is subject to supervision and regulation by the VBFI under the banking and general business corporation laws of the Commonwealth of Virginia.

Activity Limitations. Primis is registered with the Federal Reserve as a bank holding company under the Bank Holding Company Act and has elected to be a financial holding company. As a financial holding company, Primis is permitted to engage directly or indirectly in a broader range of activities than those permitted for a bank holding company. Bank holding companies generally are limited to the business of banking, managing or controlling banks, and other activities that the Federal Reserve determines to be closely related to banking, or managing or controlling banks as to be a proper incident thereto. Bank holding companies are prohibited from acquiring or obtaining control of more than five percent (5%) of the outstanding voting interests of any company that engages in activities other than those activities permissible for bank holding companies. Examples of activities that the Federal Reserve has determined to be permissible are making, acquiring, brokering, or servicing loans; leasing personal property; providing certain investment or financial advice; performing certain data processing services; acting as agent or broker in selling credit life insurance and other insurance products in certain locations; and performing certain insurance underwriting activities. The Bank Holding Company Act does not place geographic limits on permissible non-banking activities of bank holding companies. Even with respect Financial holding companies, such as us, may also engage in activities that are considered to permissible activities, however, be financial in nature, as well as those incidental or, if so determined by the Federal Reserve, complementary to financial activities. Primis and the Bank must each remain "well-capitalized" and "well-managed" and the Bank must receive a Community Reinvestment Act ("CRA") rating of at least "Satisfactory" at its most recent examination in order for the Company to maintain its status as a financial holding company. In addition, the Federal Reserve has the power to order a financial holding company or its subsidiaries to terminate any non-banking activity or terminate its ownership or control of any non-bank subsidiary, when the Federal Reserve it has reasonable cause to believe that continuation of such activity or such ownership or control of such subsidiary would pose constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that financial holding company. As further described below, each of Primis and the Bank is well-capitalized as of December 31, 2023, and Primis Bank achieved a rating of "Satisfactory" in its most recent CRA evaluation.

Source of Strength Obligations. A bank holding company is required to act as a source of financial and managerial strength to its subsidiary bank. The term "source of financial strength" means the ability of a company, such as us, that directly or indirectly owns or controls an insured depository institution, such as the Bank, to provide financial assistance to such insured depository institution in the event of financial distress. The appropriate federal banking agency for the depository institution (in the case of the Bank, this agency is the Federal Reserve) may require reports from us to assess our ability to serve as a source of strength and to enforce compliance with the source of strength requirements by requiring us to provide financial assistance to the Bank in the event of financial distress. If we were to enter bankruptcy or become subject to the orderly liquidation process established by the Dodd-Frank Act, any commitment by us to a federal bank regulatory agency to maintain the capital of the Bank would be assumed by the bankruptcy trustee or the FDIC, as appropriate, and entitled to a priority of payment. In addition, the FDIC provides that any insured depository institution generally will be liable for any loss incurred by the FDIC in connection with the default of, or any assistance provided by the FDIC to, a commonly controlled insured depository institution. The Bank is an FDIC-insured depository institution and thus subject to these requirements.

Acquisitions. The Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve or waiver of such prior approval before it (1) acquires ownership or control of any voting shares of any bank if, after such acquisition, such bank holding company will own or control more than five percent (5%) of the voting shares of such bank, (2) acquires all of the assets of a bank, or (3) merges with any other bank holding company. In reviewing a proposed covered acquisition, among other factors, the Federal Reserve considers (1) the financial and managerial resources of the companies involved, including pro forma capital ratios; (2) the risk to the stability of the United States banking or financial system; (3) the convenience and needs of the communities to be served, including performance under the CRA; and (4) the effectiveness of the companies in combatting money laundering. The Federal Reserve also reviews any indebtedness to be incurred by a bank holding company in connection with a proposed acquisition

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to ensure that the bank holding company can service such indebtedness without adversely affecting its ability to serve as a source of strength to its bank subsidiaries. Well capitalized and well managed bank holding companies are permitted to acquire control of banks in any state, subject to federal regulatory approval, without regard to whether such a transaction is prohibited by the laws of any state. However, a bank holding company may not, following an interstate acquisition, control more than 10% of nationwide insured deposits or 30% of deposits within any state in which the acquiring bank operates.

Change in Control. Federal law restricts the amount of voting stock of a bank holding company or a bank that a person (including an entity) may acquire without the prior approval of banking regulators. Under the federal Change in Bank Control Act and the regulations thereunder, a person or group must give advance notice to and obtain approval from the Federal Reserve before acquiring control of any bank holding company, such as Primis. The Change in Bank Control Act creates a rebuttable presumption of control if a person or group acquires the power to vote 10% or more of our outstanding common stock. The overall effect of such laws is to make it more difficult to acquire a bank holding company or a bank by tender offer or similar means than it might be to acquire control of another type of corporation. Consequently, shareholders of the Company may be less likely to benefit from the rapid increases in stock prices that may result from tender offers or similar efforts to acquire control of other companies. Investors should be aware of these requirements when acquiring shares of our stock.

Virginia Law. Certain state corporation laws may have an anti-takeover affect. Virginia law restricts transactions between a Virginia corporation and its affiliates and potential acquirers. The following discussion summarizes the two Virginia statutes that may discourage an attempt to acquire control of Primis.

Virginia Code Sections 13.1-725 – 727.1 govern "Affiliated Transactions." These provisions, with several exceptions discussed below, require approval by the holders of at least two-thirds of the remaining voting shares of material acquisition transactions between a Virginia corporation and any holder of more than 10% of its outstanding voting shares. Affiliated Transactions include mergers, share exchanges, material dispositions of corporate assets not in the ordinary course of business, any dissolution of the corporation proposed by or on behalf of an interested shareholder, or any reclassification, including a reverse stock split, recapitalization, or merger of the corporation with its subsidiaries which increases the percentage of voting shares owned beneficially by any 10% shareholder by more than 5%.

These provisions were designed to deter certain takeovers of Virginia corporations. In addition, the statute provides that, by affirmative vote of a majority of the voting shares other than shares owned by any 10% shareholder, a corporation can adopt an amendment to its articles of incorporation or bylaws providing that the Affiliated Transactions provisions shall not apply to the corporation. Primis "opted out" of the Affiliated Transactions provisions when it incorporated.

Virginia law also provides that shares acquired in a transaction that would cause the acquiring person's voting strength to meet or exceed any of the three thresholds (20%, 33.33% or 50%) have no voting rights for those shares exceeding that threshold, unless granted by a majority vote of shares not owned by the acquiring person. This provision empowers an acquiring person to require the Virginia Corporation to hold a special meeting of shareholders to consider the matter within 50 days of the request. Primis also "opted out" of this provision at the time of its incorporation.

Governance and Financial Reporting Obligations. We are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as rules and regulations adopted by the SEC, the Public Company Accounting Oversight Board, and NASDAQ. In particular, we are required to include management and independent registered public accounting firm reports on internal controls as part of our Annual Report

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on Form 10-K in order to comply with Section 404 of the Sarbanes-Oxley Act. We have evaluated our controls, including compliance with the SEC rules on internal controls, and have and expect to continue to spend significant amounts of time and money on compliance with these rules. Our failure to comply with these internal control rules may materially adversely affect our reputation, ability to obtain the necessary certifications to financial statements, and the values of our securities.

Corporate Governance. The Dodd-Frank Act addressed many investor protections, corporate governance, and executive compensation matters that will affect most U.S. publicly traded companies. The Dodd-Frank Act (1) granted shareholders of U.S. publicly traded companies an advisory vote on executive compensation; (2) enhanced independence

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requirements for Compensation Committee members; and (3) required companies listed on national securities exchanges to adopt incentive-based compensation claw-back policies for executive officers.

Incentive Compensation. Our compensation practices are subject to oversight by the Federal Reserve and by other financial regulatory agencies. The federal banking regulators have issued joint guidance on executive compensation designed to ensure that the incentive compensation policies of banking organizations take into account risk factors and are consistent with the safety and soundness of the organization. The guidance also provides that supervisory findings with respect to incentive compensation will be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or other corporate decisions. The guidance further provides that the regulators may pursue enforcement actions against a banking organization if its incentive compensation and related risk management, control or governance processes pose a risk to the organization's safe and sound practices. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness, and the organization is not taking prompt and effective measures to correct the deficiencies. In addition, the Dodd-Frank Act required requires the federal banking agencies and the SEC to establish joint rules or guidelines for issue regulations requiring covered financial institutions with more than $1.0 billion in assets, such as Primis and the Bank, which to prohibit incentive compensation arrangements that the agencies determine to encourage inappropriate risks by providing compensation that is excessive or that could lead to material financial loss to the institution. The federal banking agencies issued proposed rules in 2011 and previously issued guidance on sound incentive compensation policies. In 2016, the federal banking agencies also proposed rules that would, depending upon the assets of the institution, directly regulate incentive compensation arrangements and would require enhanced oversight and recordkeeping. As of December 31, 2022, these rules have not been implemented. We and Primis Bank have undertaken efforts to ensure that our incentive compensation plans do not encourage inappropriate risks, consistent with three key principles—that incentive compensation arrangements should appropriately balance risk and financial rewards, be compatible with effective controls and risk management, and be supported by strong corporate governance. On October 26, 2022, October 2022, the SEC adopted final rules to implement implementing the incentive-based compensation recovery ("clawback") provisions mandated by Section 954 of the Dodd-Frank Act that Act. The final rules directed U.S. stock exchanges to require public listed companies to adopt implement, disclose and disclose a policy for the recovery of enforce clawback policies to recover excess incentive-based compensation received by that current or former executive officers that is received based on erroneously reported financial information in reporting measures that are later restated. In June 2023, the event of a required accounting restatement. The rules also require disclosure SEC approved the proposed clawback listing standards of the policy, including filing Nasdaq Stock Market, LLC ("Nasdaq"), which now require Nasdaq-listed companies, to (i) adopt and implement a compliant clawback policy; (ii) file the clawback policy as an exhibit to their annual reports on Form 10-K reports; and additional disclosure in (iii) provide certain disclosures relating to any compensation recovery triggered by the event an accounting restatement is required and recovery is triggered under the policy. The stock exchanges have up to 90 days after publication of the rules in the Federal Register to submit proposed listing standards to the SEC for approval, and the proposed listing standards must be effective no later than one year after the publication date. Following the effective date of the new listing standards, public companies will have 60 days to adopt the required clawback policy. Our clawback policy was approved by the board in November 2023 and is filed herein as Exhibit 97.

Shareholder Say-On-Pay Votes. The Dodd-Frank Act requires public companies to take shareholders' votes on proposals addressing compensation (known as say-on-pay), the frequency of a say-on-pay vote, and the golden parachutes available to executives in connection with change-in-control transactions. Public companies must give shareholders the opportunity to vote on the compensation at least every three years and the opportunity to vote on frequency at least every six years, indicating whether the say-on-pay vote should be held annually, biennially, or triennially.

Anti-tying rules. A bank holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with extensions of credit, leases or sales of property, or furnishing of services.

Capital Requirements

Primis and the Bank are each required under federal law to maintain certain minimum capital levels based on ratios of capital to total assets and capital to risk-weighted assets. The required capital ratios are minimums, and the federal banking agencies may determine that a banking organization, based on its size, complexity, or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner. Risks such as concentration of credit risks and the risk arising from non-traditional activities, as well as the institution's exposure to a decline in the economic value of its capital due to changes in interest rates, and an institution's ability to manage those risks are important factors that are to be taken into account in assessing an institution's overall capital adequacy. The following is a brief description of the relevant provisions of these capital rules and their potential impact on our capital levels.

Primis and the Bank are each subject to the following risk-based capital ratios: a common equity Tier 1 ("CET1") risk-based capital ratio, a Tier 1 risk-based capital ratio, which includes CET1 and additional Tier 1 capital, and a total risk-based capital ratio, which includes Tier 1 and Tier 2 capital. CET1 is primarily comprised of the sum of common stock instruments and related surplus net of treasury stock, plus retained earnings and certain qualifying minority interests, less certain adjustments and deductions, including with respect to goodwill, intangible assets, mortgage servicing assets and deferred tax assets subject to temporary timing differences. Additional Tier 1 capital is primarily comprised of noncumulative perpetual preferred stock, tier 1 minority interests and grandfathered trust preferred securities. Tier 2 capital consists of instruments disqualified from Tier 1 capital, including qualifying subordinated debt, other preferred stock and certain hybrid capital instruments, and a limited amount of loan loss reserves up to a maximum of 1.25% of risk-weighted assets, subject to certain eligibility criteria. The capital rules also define the risk-weights assigned to assets and off-balance sheet items to determine the risk-weighted asset components of the risk-based capital rules, including, for example, certain "high volatility" commercial real estate, past due assets, structured securities and equity holdings.

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The leverage capital ratio, which serves as a minimum capital standard, is the ratio of Tier 1 capital to quarterly average total consolidated assets net of goodwill, certain other intangible assets, and certain required deduction items. The required minimum leverage ratio for all banks is 4%.

In addition, effective January 1, 2019, the capital rules require a capital conservation buffer of CET1 of 2.5% above each of the minimum capital ratio requirements (CET1, Tier 1, and total risk-based capital), which is designed to absorb losses during periods of economic stress. These buffer requirements must be met for a bank or bank holding company to be able to pay dividends, engage in share buybacks or make discretionary bonus payments to executive management without restriction.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), among other things, requires the federal bank regulatory agencies to take "prompt corrective action" regarding depository institutions that do not meet minimum capital requirements. FDICIA establishes five regulatory capital tiers: "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized", and "critically undercapitalized". A depository institution's capital tier will depend upon how its capital levels compare to various relevant capital measures and certain other factors, as established by regulation. FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. The FDICIA imposes progressively more restrictive restraints on operations, management and capital distributions, depending on the category in which an institution is classified.

To be well-capitalized, the Bank must maintain at least the following capital ratios:

- 6.5% CET1 to risk-weighted assets;
- 8.0% Tier 1 capital to risk-weighted assets;
- 10.0% Total capital to risk-weighted assets; and
- 5.0% leverage ratio.

The Federal Reserve has not yet revised the well-capitalized standard for bank holding companies to reflect the higher capital requirements imposed under the current capital rules. For purposes of the Federal Reserve's Regulation Y, bank holding companies, such as Primis, must maintain a Tier 1 risk-based capital ratio of 6.0% or greater and a total risk-based capital ratio of 10.0% or greater to be well-capitalized. If the Federal Reserve were to apply the same or a similar well-capitalized standard to bank holding companies as that applicable to the Bank, Primis' capital ratios as of December 31, 2022 December 31, 2023 would exceed such revised well-capitalized standard. Also, the Federal Reserve may require bank holding companies, including Primis, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a bank holding company's particular condition, risk profile and growth plans.

Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our operations or financial condition. Failure to meet minimum capital requirements could also result in restrictions on Primis' or the Bank's ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications or other restrictions on its growth.

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Both Primis and the Bank's regulatory capital ratios were above the applicable well-capitalized standards and met the capital conservation buffer as of December 31, 2022 December 31, 2023. Based on current estimates, we believe that Primis and the Bank will continue to exceed all applicable well-capitalized regulatory capital requirements and the capital conservation buffer in 2023. 2024.

On October 29, 2019, the federal banking agencies jointly issued a final rule to simplify the regulatory capital requirements for eligible banks and holding companies with less than $10 billion in consolidated assets that opt into the Community Bank Leverage Ratio ("CBLR") framework. A qualifying community banking organization with total consolidated assets of less than $10 billion that exceeds the CBLR threshold would be exempt from the agencies' current capital framework, including the risk-based capital requirements and capital conservation buffer described above, and would be deemed well-capitalized under the agencies' prompt corrective action regulations. Under the final rule, if a

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qualifying community banking organization elects to use the CBLR framework, it will be considered "well-capitalized" so long as its CBLR is greater than 9%. Primis does not use the CBLR framework.

Payment of Dividends

Primis is a legal entity separate and distinct from the Bank and other subsidiaries. Its primary source of cash, other than securities offerings, is dividends from the Bank. Under the Federal Deposit Insurance Act, no dividends may be paid by an insured bank if the bank is in arrears in the payment of any insurance assessment due to the FDIC. The payment of dividends by the Bank may also be affected by other regulatory requirements and policies, such as the maintenance of adequate capital. If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in, or is about to engage in, an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that the bank cease and desist from that practice. The Federal Reserve has formal and informal policies which provide that insured banks should generally pay dividends only out of current operating earnings.

Under a Federal Reserve policy adopted in 2009, the board of directors of a bank holding company must consider certain factors to ensure that its dividend level is prudent relative to maintaining a strong financial position, and is not based on overly optimistic earnings scenarios, such as potential events that could affect its ability to pay, while still maintaining a strong financial position. As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should consult with the Federal Reserve and eliminate, defer or significantly reduce the bank holding company's dividends if:

- its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends;
- its prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition; or
- it will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

Bank Regulation

The operation of the Bank is subject to state and federal statutes applicable to state banks and the regulations of the Federal Reserve, the FDIC and the Consumer Financial Protection Bureau ("CFPB"). The operations of the Bank may also be subject to applicable Office of the Comptroller of the Currency ("OCC") regulation to the extent state banks are granted parity with national banks. Such statutes and regulations relate to, among other things, required reserves, investments, loans, mergers and consolidations, issuances of securities, payments of dividends, establishment of branches, consumer protection and other aspects of the Bank's operations. Violations of laws and regulations, or other unsafe and unsound practices, may result in these agencies imposing fines or penalties, cease and desist orders, or taking other enforcement actions. Under certain circumstances, these agencies may enforce these remedies directly against officers, directors, employees and other parties participating in the affairs of a bank or bank holding company.

Safety and Soundness. The Federal Deposit Insurance Act requires the federal prudential bank regulatory agencies, such as the Federal Reserve, to prescribe, by regulation or guideline, operational and managerial standards for all insured depository institutions relating to: (1) internal controls; (2) information systems and audit systems; (3) loan documentation;

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(4) credit underwriting; (5) interest rate risk exposure; and (6) asset quality. The agencies also must prescribe standards for asset quality, earnings, and stock valuation, as well as standards for compensation, fees and benefits. The federal banking agencies have adopted regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement these required standards. These guidelines set forth the safety and soundness standards used to identify and address problems at insured depository institutions before capital becomes impaired. Under the regulations, if a regulator determines that a bank fails to meet any standards prescribed by the guidelines, the regulator may require the bank to submit an acceptable plan to achieve compliance, consistent with deadlines for the submission and review of such safety and soundness compliance plans.

Examinations. The Bank is subject to regulation, reporting, and periodic examinations by the Federal Reserve and the VBFI. These regulatory authorities routinely examine the Bank's reserves, loan and investment quality, consumer

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compliance, management policies, procedures and practices and other aspects of operations. The Federal Reserve has adopted the Federal Financial Institutions Examination Council's ("FFIEC") rating system and assigns each financial institution a confidential composite rating based on an evaluation and rating of six essential components of an institution's financial condition and operations, including Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk, as well as the quality of risk management practices.

Consumer Protection. The Dodd-Frank Act established the CFPB, an independent regulatory authority housed within the Federal Reserve having centralized authority, including examination and enforcement authority, for consumer protection in the banking industry. The CFPB has rule writing, examination, and enforcement authority with regard to the Bank's (and Primis') compliance with a wide array of consumer financial protection laws, including the Truth in Lending Act, the Real Estate Settlement Procedures Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, the S.A.F.E. Mortgage Licensing Act, the Fair Credit Reporting Act (except Sections 615(e) and 628), the Fair Debt Collection Practices Act, and the Gramm-Leach-Bliley Act (sections 502 through 509 relating to privacy), among others. The CFPB has broad authority to enforce a prohibition on unfair, deceptive, or abusive acts and practices. Authority to supervise and examine Primis and the Bank for compliance with federal consumer laws remains largely with the Federal Reserve. However, the CFPB may participate in examinations on a "sampling basis" and may refer potential enforcement actions against such institutions to their primary regulators. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB, and state attorneys general are permitted to enforce consumer protection rules adopted by the CFPB against certain institutions.

Deposit Insurance Assessments. The Deposit Insurance Fund ("DIF") of the FDIC insures the deposits of the Bank generally up to a maximum of $250,000 per depositor, per insured bank, for each account ownership category. The FDIC charges insured depository institutions quarterly premiums to maintain the DIF. Deposit insurance assessments are based on average total consolidated assets minus its average tangible equity and take into account certain risk-based financial ratios and other factors. The assessment rate schedule can change from time to time, at the discretion of the FDIC, subject to certain limits.

As of June 30, 2020, the DIF reserve ratio fell to 1.30%, below the statutory minimum of 1.35%. The FDIC, as required under the Federal Deposit Insurance Act, established a plan on September 15, 2020 to restore the DIF reserve ratio to meet or exceed the statutory minimum of 1.35% within eight years. On October 18, 2022, the FDIC adopted an amended restoration a final plan to increase the likelihood that the reserve ratio would be restored to at least 1.35 percent by September 30, 2028. The FDIC's amended restoration plan increases and increased the initial base deposit insurance assessment rate schedules uniformly by 2 basis points, beginning in the first quarterly assessment period of 2023. The FDIC could further increase increased assessment rate schedules will remain in effect until the deposit insurance assessments for certain insured depository institutions, including the Bank, if the DIF reserve ratio is not restored as projected. meets or exceeds 2 percent, absent further action by the FDIC.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by a bank's federal regulatory agency. In addition, the Federal Deposit Insurance Act provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution, including those of the parent bank holding company.

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Insider Transactions. The Federal Reserve has adopted regulations that restrict preferential loans and loan amounts to "affiliates" and "insiders" of banks, require banks to keep information on loans to major shareholders and executive officers and bar certain director and officer interlocks between financial institutions.

Reserves. The Bank is subject to Federal Reserve regulations that require the Bank to maintain reserves against transaction accounts (primarily checking accounts). These reserve requirements are subject to annual adjustment by the Federal Reserve. Effective March 26, 2020, reserve requirement ratios were reduced to zero percent.

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Anti-Money Laundering. A continued focus of governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing. The USA PATRIOT Act broadened the application of anti-money laundering regulations to apply to additional types of financial institutions such as broker-dealers, investment advisors and insurance companies, and strengthened the ability of the U.S. Government to help prevent, detect and prosecute international money laundering and the financing of terrorism. The principal provisions of Title III of the USA PATRIOT Act require that regulated financial institutions, including state member banks: (i) establish an anti-money laundering program that includes training and audit components; (ii) comply with regulations regarding the verification of the identity of any person seeking to open an account; (iii) take additional required precautions with non-U.S. owned accounts; and (iv) perform certain verification and certification of money laundering risk for their foreign correspondent banking relationships. Failure of a financial institution to comply with the USA PATRIOT Act's requirements could have serious legal and reputational consequences for the institution. Primis Bank has augmented its systems and procedures to meet the requirements of these regulations and will continue to revise and update its policies, procedures and controls to reflect changes required by law.

FinCEN has adopted rules that require financial institutions to obtain beneficial ownership information with respect to legal entities with which such institutions conduct business, subject to certain exclusions and exemptions. Bank regulators are focusing their examinations on anti-money laundering compliance, and we continue to monitor and augment, where necessary, our anti-money laundering compliance programs.

Bank regulators routinely examine institutions for compliance with these anti-money laundering obligations and have been active in imposing "cease and desist" and other regulatory orders and money penalty sanctions against institutions found to be in violation of these requirements. On January 1, 2021, Congress passed federal legislation that made sweeping changes to federal anti-money laundering laws, including changes that will be implemented in subsequent years.

Economic Sanctions. The Office of Foreign Assets Control ("OFAC") is responsible for helping to ensure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and acts of Congress. OFAC publishes, and routinely updates, lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, including the Specially Designated Nationals and Blocked Persons List. If we find a name on any transaction, account or wire transfer that is on an OFAC list, we must undertake certain specified activities, which could include blocking or freezing the account or transaction requested, and we must notify the appropriate authorities.

Concentrations in Lending. During 2006, the federal bank regulatory agencies released guidance on "Concentrations in Commercial Real Estate Lending" (the "Guidance") and advised financial institutions of the risks posed by CRE lending concentrations. The Guidance requires that appropriate processes be in place to identify, monitor and control risks associated with real estate lending concentrations. Higher allowances for credit losses and capital levels may also be required. The Guidance is triggered when CRE loan concentrations exceed either:

- Total reported loans for construction, land development, and other land of 100% or more of a bank's total risk based capital; or
- Total reported loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development, and other land of 300% or more of a bank's total risk based capital.

The Guidance also applies when a bank has a sharp increase in CRE loans or has significant concentrations of CRE secured by a particular property type.

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Community Reinvestment Act. The Bank is subject to the provisions of the CRA, which imposes a continuing and affirmative obligation, consistent with their safe and sound operation, to help meet the credit needs of entire communities where the bank accepts deposits, including low- and moderate-income neighborhoods. The Federal Reserve's assessment of the Bank's CRA record is made available to the public. Further, a less than satisfactory CRA rating will slow, if not preclude, expansion of banking activities and prevent a company from becoming or remaining a financial holding company. Federal CRA regulations require, among other things, that evidence of discrimination against applicants on a prohibited basis, and illegal or abusive lending practices be considered in the CRA evaluation. On September 21, 2020,

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the Federal Reserve issued an advanced notice of proposed rulemaking that would modernize and substantially revise the regulations implementing the CRA. The Bank has a rating of "Satisfactory" in its most recent CRA evaluation.

On May 5, 2022 October 24, 2023, the OCC, the FRB, and FDIC issued a notice of proposed rulemaking to provide for a coordinated approach final rule to modernize their respective CRA regulations, regulations. The revised rules substantially alter the methodology for assessing compliance with the CRA, with material aspects taking effect January 1, 2026 and revised data reporting requirements taking effect January 1, 2027. Among other things, the revised rules evaluate lending outside traditional assessment areas generated by the growth of non-branch delivery systems, such that all banks will be subject as online and mobile banking, apply a metrics-based benchmarking approach to assessment, and clarify eligible CRA activities. The final rules may make it more challenging and/or costly for the same set Bank to receive a rating of at least "satisfactory" on its CRA rules. No final rule has been issued, but the rulemaking may affect the Bank's CRA compliance obligations in the future. exam.

Consumer Regulation. Activities of the Bank are subject to a variety of statutes and regulations designed to protect consumers. These laws and regulations include, among numerous other things, provisions that:

- limit the interest and other charges collected or contracted for by the Bank, including rules respecting the terms of credit cards and of debit card overdrafts;
- govern the Bank's disclosures of credit terms to consumer borrowers;
- require the Bank to provide information to enable the public and public officials to determine whether it is fulfilling its obligation to help meet the housing needs of the community it serves;
- prohibit the Bank from discriminating on the basis of race, creed or other prohibited factors when it makes decisions to extend credit;
- govern the manner in which the Bank may collect consumer debts; and
- prohibit unfair, deceptive or abusive acts or practices in the provision of consumer financial products and services.

Mortgage Rules. Pursuant to rules adopted by the CFPB, banks that make residential mortgage loans are required to make a good faith determination that a borrower has the ability to repay a mortgage loan prior to extending such credit, require that certain mortgage loans contain escrow payments, obtain new appraisals under certain circumstances, comply with integrated mortgage disclosure rules, and follow specific rules regarding the compensation of loan originators and the servicing of residential mortgage loans.

Transactions with affiliates. There are various restrictions that limit the ability of the Bank to finance, pay dividends or otherwise supply funds to Primis or other affiliates. In addition, banks are subject to certain restrictions under Section 23A and B of the Federal Reserve Act on certain transactions, including any extension of credit to its bank holding company or any of its other affiliates, on investments in the securities thereof, and on the taking of such securities as collateral for loans to any borrower.

Privacy and Cybersecurity. The Bank is subject to federal and state banking regulations that limit its ability to disclose non-public information about consumers to non-affiliated third parties. These limitations require us to periodically disclose our privacy policies to consumers and allow consumers to prevent disclosure of certain personal information to a non-affiliated third party under certain circumstances. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services. Banking institutions are required to implement a comprehensive information security program that includes administrative, technical, and physical safeguards to ensure the security and confidentiality of customer records and information. These security and privacy policies and procedures for the protection of confidential and personal information are in effect across our lines of business. Furthermore, the federal banking regulators regularly issue guidance regarding cybersecurity intended to enhance cyber risk management. A financial institution is expected to implement multiple lines of defense against cyber-attacks and ensure that their risk management procedures address the risk posed by potential cyber threats. A financial institution is further expected to maintain procedures to effectively respond to a cyber-attack and resume operations following any such attack. Primis has adopted and implemented policies and procedures to comply with these privacy, information security, and cybersecurity requirements. On November 18, 2021, the The federal banking agencies issued a new rule effective in 2022 that requires require banks to notify their regulators within 36 hours of a “computer-security incident” that rises to the level of a “notification incident.”

Non-Discrimination Policies. Primis Bank is also subject to, among other things, the provisions of the Equal Credit Opportunity Act and the Fair Housing Act, both of which prohibit discrimination based on race or color, religion, national origin, sex, and familial status in any aspect of a consumer or commercial credit or residential real estate transaction. The Department of Justice, and the federal bank regulatory agencies have issued an Interagency Policy Statement on Discrimination in Lending that provides guidance to financial institutions in determining whether discrimination exists,

how the agencies will respond to lending discrimination, and what steps lenders might take to prevent discriminatory lending practices. The DOJ has increased its efforts to prosecute what it regards as violations of the ECOA and FHA.

LIBOR. On March 15, 2022, Congress enacted the Adjustable Interest Rate (LIBOR) Act (the “LIBOR Act”) to address references to LIBOR in contracts that (i) are governed by U.S. law; (ii) will not mature before June 30, 2023; and (iii) lack fallback provisions providing for a clearly defined and practicable replacement for LIBOR. On December 16, 2022, the FRB adopted a final rule to implement the LIBOR Act by identifying benchmark rates based on SOFR (Secured Overnight Financing Rate) that will replace LIBOR in certain financial contracts after June 30, 2023. The final rule identifies replacement benchmark rates based on SOFR to replace overnight, one-month, three-month, six-month, and 12-month LIBOR in contracts subject to the LIBOR Act. The Company has replaced LIBOR with SOFR in applicable contracts.

Audit Reports. Insured institutions with total assets of $500 million or more must submit annual audit reports prepared by independent auditors to federal and state regulators. In some instances, the audit report of the institution’s holding company can be used to satisfy this requirement. Independent auditors must receive examination reports, supervisory agreements and reports of enforcement actions. For insured institutions with total assets of $1.0 billion or more, financial statements prepared in accordance with U.S. GAAP, management’s certifications concerning responsibility for the financial statements, internal controls and compliance with legal requirements designated by the FDIC, and an attestation by the independent auditor regarding the statements of management relating to the internal controls must be submitted. For insured institutions with total assets of more than $3.0 billion, independent auditors may be required to review quarterly financial statements. The FDICIA requires that institutions with total assets of $1.0 billion or more have independent audit committees, consisting of outside directors only. The committees of insured institutions with total assets of $3.0 billion or more must include members with experience in banking or financial management, must have access to outside counsel, and must not include representatives of large customers.

The foregoing is only a brief summary of certain statutes, rules, and regulations that may affect Primis and the Bank. Numerous other statutes and regulations also will have an impact on the operations of Primis and the

Bank. Supervision, regulation and examination of banks by the regulatory agencies are intended primarily for the protection of depositors, not shareholders.

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Item 1A. Risk Factors

An investment in our common stock involves risks. The following is a description of the material risks and uncertainties that Primis Financial Corp. believes affect its business and should be considered before making an investment in our common stock. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us and our business. If any of the risks described in this Annual Report on Form 10-K were to actually occur, our financial condition, results of operations and cash flows could be materially and adversely affected. If this were to happen, the value of our common stock could decline significantly and you could lose part or all of your investment. This Form 10-K also contains forward-looking statements that may not be realized as a result of certain factors, including, but not limited to, the risks described herein and in our other public filings with the SEC. Please refer to the section in this Form 10-K entitled "Special Cautionary Notice Regarding Forward-Looking Statements" for additional information regarding forward-looking statements.

Summary

Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows and prospects. These risks are discussed more fully after the summary, and risks include, but are not limited to, the following:

- We are subject to risks related to our concentration of construction and land development and commercial real estate loans.
- We have a meaningful amount of consumer loans that are unsecured and if the borrower defaults on the loan we have no recourse to collateral in which to recover any potential losses.
- A portion of our consumer loan portfolio is originated and serviced by a third-party and includes a credit enhancement from that third-party which may not be realizable.
- A significant amount of our third-party serviced consumer loans were originated with a zero interest promotional period, exposing us to the credit risk of the third-party that is providing reimbursement to us for interest foregone.
- A significant amount of our loans are secured by real estate and any declines in real estate values in our primary markets could be detrimental to our financial condition and results of operations.
- If our nonperforming assets increase, our earnings will suffer.
- If our allowance for credit losses is not adequate to cover actual loan losses, our earnings will decrease.
- We are subject to credit quality risks and our credit policies may not be sufficient to avoid losses.
- The Company's mortgage revenue is cyclical and is sensitive to the level of interest rates, changes in economic conditions, decreased economic activity, and slowdowns in the housing market, any of which could adversely impact our profits.
- Our geographic concentration makes us vulnerable to local weather catastrophes, public health issues, and other external events, which could adversely affect our results of operations and financial condition.
- Our business is subject to interest rate risk and variations in interest rates may negatively affect our financial performance.
- Unstable global economic conditions may have serious adverse consequences on our business, financial condition, and operations.
- Declines in asset values may result in impairment charges and adversely affect the value of our investment securities, financial performance and capital.
- The value of an estimated reimbursement due from a third-party that originated consumer loans with promotional features on our behalf is recorded in our balance sheet at fair value as a derivative and actual results and a significant decline in the third-party's credit risk may impact the value of the derivative and our ability to realize that value.
- Our stock price can be volatile.
- The trading volume in our common stock is less than that of other larger financial services companies.
- Inflation could negatively impact our business, our profitability and our stock price.

- ESG risks could adversely affect our reputation and shareholder, employee, client, and third party relationships and may negatively affect our stock price.

- Our business strategy includes strategic growth, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.
- We must respond to rapid technological changes and these changes may be more difficult or expensive than anticipated.
- New lines of business, products or services and technological advancements may subject us to additional risks.
- We may not be able to successfully integrate our acquisitions or to realize the anticipated benefits of them.
- The carrying value of goodwill and other intangible assets may be adversely affected.
- We rely on third-party vendors to provide key components of our business infrastructure.
- We face significant cyber and data security risk that could result in the disclosure of confidential information, adversely affect our business or reputation and expose us to significant liabilities.
- Our business is susceptible to fraud.
- We are dependent on key personnel and the loss of one or more of those key personnel could impair our relationship with our customers and adversely affect our business.
- Deposit insurance premiums levied against banks may increase if the number of bank failures increase or the cost of resolving failed banks increases.
- Liquidity risk could impair our ability to fund operations and jeopardize our financial condition, results of operations and cash flows.
- Adverse developments affecting the financial services industry could adversely affect our current and projected business operations and its financial condition and results of operations.
- Future growth or operating results may require us to raise additional capital, but that capital may not be available, be available on unfavorable terms or may be dilutive.
- We may issue a new series of preferred stock or debt securities, which would be senior to our common stock and may cause the market price of our common stock to decline.
- We currently intend to pay dividends on our common stock; however, our future ability to pay dividends is subject to restrictions.
- Changes in applicable laws and regulations or failures to comply with such laws and regulations may adversely affect our operations and our financial results.
- Primis and the Bank must maintain certain required levels of regulatory capital that may limit our operations and potential growth.
- We are subject to commercial real estate lending guidance issued by the federal banking regulators that impacts our operations and capital requirements.
- Changes in accounting standards or assumptions in applying accounting policies could adversely affect us.
- Failure to maintain an effective system of disclosure controls and procedures could have a material adverse effect on our business, results of operations and financial condition and could impact the price of our common stock.

Credit Risks

We are subject to risks related to our concentration of construction and land development and commercial real estate loans.

As of December 31, 2022 December 31, 2023, we had $148.7 million $164.7 million of construction and land development loans, or 5.0% 5.1% of our loan portfolio. Construction and land development loans are subject to risks during the construction phase that are not present in standard residential real estate and commercial real estate loans. These risks include:

- the viability of the contractor;
- the contractor's ability to successfully complete the project, to meet deadlines and time schedules and to stay within cost estimates, especially in the event of supply disruptions and labor shortages; and
- concentrations of such loans with a single contractor and its affiliates.

Real estate construction and land development loans may involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan and also present risks of default in the event of declines in property values or volatility in the real estate market during the construction phase. Our practice, in the majority of instances, is to secure the personal guaranty of individuals in support of our real estate construction and land development loans which provides us with an additional source of repayment. As of December 31, 2022 December 31, 2023, we did not have any nonperforming construction and land development loans. If one or more of our larger borrowers were to default on their construction and land development loans, and we did not have alternative sources of repayment through personal guarantees or other sources, or if any of the aforementioned risks were to occur, we could incur significant losses.

As of December 31, 2022 December 31, 2023, we had $1.19 billion $1.17 billion of commercial real estate loans outstanding, or 40.3% 36.3% of our loan portfolio, including multi-family residential loans and loans secured by farmland. Commercial real estate lending typically involves higher loan principal amounts and the repayment is dependent, in large part, on sufficient income from the properties securing the loan to cover operating expenses and debt service.

We have a meaningful amount of consumer loans that are unsecured and if the borrower defaults on the loan we have no recourse to collateral in which to recover any potential losses.

Our consumer loan portfolio that are unsecured is $328.0 million, or approximately 10.0% of our total loan portfolio, as of December 31, 2023. Included in this portfolio is $199.3 million of loans sourced based on our credit underwriting criteria and managed by a third party. Consumer loan repayment is primarily driven by the borrower's personal income which is impacted by various factors that are outside of the control of the borrower including macroeconomic conditions such as inflation and interest rates. Further, a downturn in the economy or other company-specific decisions that result in a borrower losing their job could cause the borrower's primary source of income for repayment of the loan to decline. Each of these factors may cause a borrower to evaluate their debts and as a result they may prioritize payment of other debts above the consumer loan due to us. Although macroeconomic conditions and the economy are currently stable, such conditions can change relatively quick and may not remain at current levels. If conditions change and macroeconomic conditions and the economy worsen borrowers may stop paying their loans and it could require us to increase our provision for credit losses and adversely affect our financial condition and results of operations.

A portion of our consumer loan portfolio is originated and serviced by a third-party and includes a credit enhancement from that third-party which may not be realizable and the inability to utilize it could be detrimental to our financial condition and results of operations.

We receive a credit enhancement from the third-party managing $199.3 million of consumer loans that are recorded on our balance sheet as of December 31, 2023. The credit enhancement is primarily provided through cash flows derived from loan originations. If lending slows or stops it would cause monthly cash receipts related to this credit enhancement to decline, which may adversely affect our financial condition and results of operations.

A significant amount of our third-party serviced consumer loans were originated with a zero interest promotional period exposing us to the credit risk of the third-party that is providing reimbursement to us for interest foregone in the event of borrower prepayment and failure of the third-party to perform under its reimbursement obligation could be detrimental to our financial condition and results of operations.

Within the $199.3 million third-party originated and serviced consumer loan portfolio there is 45% of the portfolio that is in a promotional interest period as of December 31, 2023. The loans in these promotional interest periods legally accrue interest at the stated rate of the note agreement but the interest is not required to be paid during the promotional period. Further, if the borrower repays all of the principal on the note prior to the end of the promotional period the accrued interest is waived, but if there is any principal balance remaining at the end of the promotional period the borrower must repay all of the interest that has accrued. As of December 31, 2023, the amount of deferred interest on these loans was $12.2 million. Through an agreement with the third-party servicer, we are entitled to payment of all accrued interest that is waived on loans that repay all principal within the promotional period. There is a large concentration of these loans originated within proximity to each other resulting in 70% of the current balance of promotional loans ending their promotional period in the second half of 2024 through the first quarter of 2025. If a high percentage of these loans repay at the end of their promotional period a large amount of interest reimbursement will be due in a short period of time from the third-party servicer and if they cannot perform then we may not be able to realize any income on a significant amount of loans in our portfolio, which may adversely impact the realization of the fair value of the derivative asset recognized.

A significant amount of our loans are secured by real estate and any declines in real estate values in our primary markets could be detrimental to our financial condition and results of operations.

Real estate lending (including commercial, construction, land development, and residential loans) is a large portion of our loan portfolio, constituting $2.01 billion $2.0 billion, or approximately 68.2% 62.2% of our total loan portfolio, as of December 31, 2022 December 31, 2023. Although residential and commercial real estate values are currently strong in our market area, such values may not remain elevated. If loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, then we may not be able to realize the full value of the collateral that we anticipated at the time of originating the loan, which could require us to increase our provision for credit losses and adversely affect our financial condition and results of operations.

As of December 31, 2022 December 31, 2023, 40.3% 36.3% of our loan portfolio was comprised of loans secured by commercial real estate, including multi-family residential loans and loans secured by farmland. As of December 31, 2022 December 31, 2023, $674.9 million $665.9 million, or approximately 22.9% 20.7% of our total loans, were secured by single-family residential real estate. This includes $609.7 million $606.2 million in residential 1-4 family loans and $65.2 million $59.7 million in home equity lines of credit. If housing prices in our market areas do not remain strong or deteriorate, we may experience an increase in nonperforming loans, provision for credit losses and charge-offs. If we are required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, our earnings and capital could be adversely affected.

If our nonperforming assets increase, our earnings will suffer.

At December 31, 2022 December 31, 2023, our nonperforming assets (which consist of nonaccrual loans, loans past due 90 days and accruing and OREO) totaled $38.8 million $10.8 million, or 1.32% 0.34% of total loans and OREO, which is an increase a decrease of $22.4 million $28.0 million, or 135.8% 72.2%, compared with nonperforming assets of $16.5 million $38.8 million, or 0.70% 1.32% of total non-covered loans and OREO at December 31, 2021 December 31, 2022. At December 31, 2020, our non-covered nonperforming assets (which consist of non-covered nonaccrual loans, loans past due 90 days and accruing and OREO) totaled $17.5 million, or 0.72% of total non-covered loans and OREO.

Economic and market conditions are have been unstable, and although our nonperforming assets as a percentage of total loans and OREO remains manageable, we may incur losses if there is an increase in nonperforming assets in the future. Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on nonaccrual loans or OREO, thereby adversely affecting our net interest income, and increasing loan administration costs. When we take collateral in foreclosures and similar proceedings, we are required to mark the related loan to the then fair value of the collateral, which may ultimately result in a loss. We must reserve for probable expected losses, which is established through a current period charge to the provision for credit losses as well as from time to time, as appropriate, a write down of the value of properties in our OREO portfolio to reflect changing market values. Additionally, there are legal fees associated with the resolution of problem assets as well as carrying costs such as taxes, insurance and maintenance related to our OREO. Further, the resolution of nonperforming assets requires the active involvement of management, which can distract them from more profitable activity. Finally, an increase in the level of nonperforming assets increases our regulatory risk profile. There can be no assurance that we will not experience future increases in nonperforming assets.

If our allowance for credit losses is not adequate to cover actual loan losses, our earnings will decrease.

As a lender, we are exposed to the risk that our borrowers may not repay their loans according to the terms of these loans, and the collateral securing the payment of these loans may be insufficient to ensure repayment. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of the borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. The amount of the allowance represents management's best estimate of current expected credit losses on loans considering available information, from internal and external sources, relevant to assessing collectability over the loans' contractual terms, adjusted for expected prepayments when appropriate. If our assumptions prove to be incorrect or if we experience significant loan losses, our current allowance may not be sufficient to cover actual loan losses and adjustments may be necessary to allow for different economic conditions or adverse developments in our loan portfolio. A material addition to the allowance for credit losses could cause our earnings to decrease. Due to the relatively unseasoned nature of portions of our loan portfolio, we may experience an increase in delinquencies and losses as these loans continue to mature.

In addition, federal regulators periodically review our allowance for credit losses and may require us to increase our provision for credit losses or recognize further charge-offs, based on judgments different than those of our management. Any significant increase in our allowance for credit losses or charge-offs required by these regulatory agencies would result in a decrease in net income and capital and could have a material adverse effect on our results of operations and financial condition.

We are subject to credit quality risks and our credit policies may not be sufficient to avoid losses.

We are subject to the risk of losses resulting from the failure of borrowers, guarantors and related parties to pay interest and principal amounts on their loans. Although we maintain credit policies and credit underwriting, monitoring and

collection procedures, these policies and procedures may not prevent losses, particularly during periods in which the local, regional or national economy suffers a general decline. If borrowers fail to repay their loans, our financial condition and results of operations would be adversely affected.

Interest rates on our outstanding financial instruments might be subject to change based on developments related to LIBOR, which could adversely affect our revenue, expense, and the value of our financial instruments.

On July 27, 2017, the FCA, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. On November 30, 2020, a joint announcement by the Board of Governors of theFederal Reserve, the FDIC, and the OCC was released and included a statement that the administrator of LIBOR has announced it will consult on its intention to cease the publication of the one week and two month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publications on June 30, 2023. In the U.S., the Alternative Reference Rates Committee has proposed SOFR as the preferred alternative to LIBOR. SOFR is a broad measure of the cost of borrowing cash in the overnight U.S. treasury repurchase market. On December 16, 2022, the FRB adopted a final rule that implements the Adjustable Interest Rate (LIBOR) Act by identifying benchmark rates based on SOFR that will replace LIBOR in certain financial contracts after June 30, 2023. At this time, various iterations of the SOFR index are being used within the market, as are other indices such as the Bloomberg Short-Term Bank Yield index and the American Financial Exchange's AMERIBOR index. It is unclear as to the degree to which the market will adopt such non-LIBOR indices or how the industry may transition various products to an accepted alternative to LIBOR.

The uncertainty regarding the future of LIBOR as well as the transition from LIBOR to another benchmark rate or rates is complex and could have a range of adverse effects on our business, financial condition and results of operations. In particular, any such transition could:

- adversely affect the interest rates paid or received on, and the revenue and expense associated with, and the value of floating rate obligations, loans, deposits and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR's role in determining market interest rates globally;
- prompt inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with an alternative reference rate;
- result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language, or the absence of such language, in LIBOR-based instruments, including securities and loans;
- result in customer uncertainty and disputes around how variable rates should be calculated in light of the foregoing, thereby damaging our reputation and resulting in a loss of customers and additional costs to us; and
- require the transition to or development of appropriate systems and analytics to effectively transition risk management processes from LIBOR-based products to those based on an applicable alternative pricing benchmark.

The manner and impact of this transition, as well as the effect of these developments on our funding costs, loan, and investment and trading securities portfolios, asset liability management and business are uncertain.

The Company's mortgage revenue is cyclical and is sensitive to the level of interest rates, changes in economic conditions, decreased economic activity, and slowdowns in the housing market, any of which could adversely impact our profits.

The Bank originates residential mortgage loans through Primis Mortgage Company which lends to borrowers nationwide. The success of our mortgage business is dependent upon its ability to originate loans and sell them to investors, in each case at or near current volumes. Loan production levels are sensitive to changes in the level of interest rates and changes in economic conditions. Loan production levels may suffer if we experience a slowdown in housing markets, tightening credit conditions or increasing interest rates. Any sustained period of decreased activity caused by fewer refinancing transactions, higher interest rates, housing price pressure, or loan underwriting restrictions would adversely

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affect our mortgage originations and, consequently, could significantly reduce our income from mortgage activities. As a result, these conditions would also adversely affect the Company's our financial condition and results of operations.

Deteriorating economic conditions may also cause home buyers to default on their mortgages. In certain cases, where the we have originated loans and sold them to investors, we may be required to repurchase loans or provide a financial settlement to investors if it is proven that the borrower failed to provide full and accurate information on, or related to, their loan application, if appraisals for such properties have not been acceptable or if the loan was not underwritten in accordance with the loan program specified by the loan investor. In the ordinary course of business, we record an indemnification reserve relating to mortgage loans previously sold based on historical statistics and loss rates. If such reserves were insufficient to cover claims from investors, such repurchases or settlements would adversely affect our financial condition and results of operations.

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Market Risks

Our profitability depends significantly on local economic conditions in the areas where our operations and loans are concentrated, and our geographic concentration makes us vulnerable to local weather catastrophes, public health issues, and other external events, which could adversely affect our results of operations and financial condition.

We operate in a mixed market environment with influences from both rural and urban areas. Our profitability depends on the general economic conditions in our market areas of Northern Virginia, Maryland, Washington, D.C., Charlottesville, Northern Neck, Middle Peninsula, Richmond, Hampton Roads and the surrounding areas. Unlike larger banks that are more geographically diversified, we provide banking and financial services to clients primarily in these market areas. As of December 31, 2022 December 31, 2023, a significant portion of our commercial real estate, real estate construction and residential real estate loans were made to borrowers in our market area. The local economic conditions in this area have a significant impact on our commercial, real estate and construction and consumer loans, the ability of the borrowers to repay these loans and the value of the collateral securing these loans. In addition, if the population or income growth in these market areas slows, stops or declines, income levels, deposits and housing starts could be adversely affected and could result in the curtailment of our expansion, growth and profitability. Political conditions could also impact our earnings.

Our business is subject to interest rate risk and variations in interest rates may negatively affect our financial performance.

The majority of our assets and liabilities are monetary in nature and subject us to significant risk from changes in interest rates. These rates are highly sensitive to many factors beyond our control, including general economic conditions and the policies of the Federal Reserve and other governmental and regulatory agencies. Like most financial institutions, changes in interest rates can impact our net interest income as well as the valuation of our assets and liabilities, which is the difference between interest earned from interest-earning assets, such as loans and investment securities, and interest paid on interest-bearing liabilities, such as deposits and borrowings. We expect that we will periodically experience “gaps” in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, this “gap” will negatively impact our earnings.

Based on our analysis of the interest rate sensitivity of our assets, an increase in the general level of interest rates may negatively affect the market value of the portfolio equity as well as negatively affect our net interest income since a majority of our assets are fixed rate loans. Additionally, an increase in interest rates may, among other things, reduce the demand for loans and our ability to originate loans as well as increase our funding costs. A decrease in the general level of interest rates may affect us through, among other things, increased prepayments on our loan and mortgage-backed securities portfolios, but also allow us to reduce funding costs. Accordingly, changes in the level of market interest rates affect our net yield on interest-earning assets, loan origination volume, loan and mortgage-backed securities portfolios, funding, and our overall results. While it is not expected that the FRB will continue to increase the target federal funds rate in 2023 2024 to combat recent inflationary trends as it did in 2023, we are unable to predict changes in interest rates, which are affected by factors beyond our control, including inflation, deflation, recession, unemployment, money supply, and other changes in financial markets.

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Although our asset liability management strategy is designed to keep our risk within acceptable parameters, it may not be able to prevent changes in interest rates from having a material adverse effect on our results of operations and financial condition.

Unstable global economic conditions may have serious adverse consequences on our business, financial condition, and operations.

We are operating in an uncertain economic environment. The global credit and financial markets have experienced extreme volatility and disruptions over the past few years, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, high rates of inflation, and uncertainty about economic stability and a potential recession. The U.S. government's decisions regarding its debt ceiling and the possibility that the U.S. could default on its debt obligations may cause further interest rate increases, disrupt access to capital markets, and deepen recessionary conditions. While our management team continually monitors market conditions and economic factors, throughout our footprint, we are unable to predict the duration or severity of such

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conditions or factors. If conditions were to worsen nationally, regionally, or locally, then we could see a sharp increase in our total net charge-offs and also be required to significantly increase our allowance for credit losses. Furthermore, the demand for loans and our other products and services could decline. An increase in our non-performing assets and related increases in our provision for loan losses, coupled with a potential decrease in the demand for loans and other products and services, could negatively affect our business and could have a material adverse effect on our capital, financial condition, results of operations, and future growth. Our clients may also be adversely impacted by changes in regulatory, trade (including tariffs), and tax policies and laws, all of which could reduce demand for loans and adversely impact our borrowers' ability to repay our loans.

There can be no assurance that further deterioration in markets and confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn or recession, volatile business environment, hostile third-party action, or continued unpredictable and unstable market conditions. The effects of any economic downturn or recession could continue for many years after the downturn or recession is considered to have ended.

Declines in asset values may result in impairment charges and adversely affect the value of our investment securities, financial performance and capital.

We maintain an investment securities portfolio that includes, but is not limited to, collateralized mortgage obligations, agency mortgage-backed securities and municipal securities. The market value of investment securities may be affected by factors other than the underlying performance of the issuer or composition of the bonds themselves, such as ratings downgrades, adverse changes in the business climate and a lack of liquidity for resales of certain investment securities. At each reporting period, we evaluate investment securities and other assets for impairment indicators. We may be required to record additional impairment charges in our income statements through an allowance for credit losses if our investment securities suffer a decline in value that is considered other-than-temporary. below their amortized cost. During the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, we incurred no other-than-temporary an insignificant amount of impairment charges related to credit losses or sales of on our investment securities. If in future periods we determine that a significant impairment has occurred, we would be required to charge against earnings the credit-related portion of the other-than-temporary impairment, which could have a material adverse effect on our financial condition and results of operations in the periods in which the write-offs impairments occur.

A portion of our income on a portfolio of consumer loans with promotional features is due from a third-party that originated the loans on our behalf. The value of this estimated reimbursement is recorded in our balance sheet at fair value as a derivative and actual results and a significant decline in the third-party's credit risk may impact the value of the derivative and our ability to realize that value which could affect our financial performance and results of operations.

We record a derivative asset as of December 31, 2023, which mostly reflects our estimate of the fair value of the interest reimbursement due to us from the third-party loan servicer that manages an unsecured consumer loan portfolio with promotional features for us. This derivative asset reflects the interest anticipated to be waived to borrowers under the assumed pre-payment of the borrowers' loans that the third party will be required to pay to us. The derivative is required to be valued at fair value under U.S. GAAP with the use of various assumptions including borrower pre-payment, expected credit losses, and third-party servicer credit risk. Assumptions used to determine the value of the derivative are sensitive to various factors not within our control that include borrower repayment risk and the credit risk of the third-party servicer. These assumptions are determined based on the information available to the Company as of each balance sheet date. Actual results that differ significantly from our prior assumptions may result in an inability to realize the value of the derivative and require updates to future fair value calculations of the derivative which could result in a significant increase or decrease in the derivative value that is recorded in our results of operations, which could have a material adverse effect on our financial condition and results of operations in future periods.

Our stock price can be volatile.

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price can fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in quarterly results of operations;

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- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry;
- perceptions in the marketplace regarding us and/or our competitors;

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- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- changes in valuations of Goodwill and other Intangible Assets;
- changes in government regulations; and
- geopolitical conditions such as acts or threats of terrorism, military conflicts or pandemics.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause our stock price to decrease regardless of operating results.

The trading volume in our common stock is less than that of other larger financial services companies.

Although our common stock is listed for trading on the NASDAQ Global Market, the trading volume is low, and you are not assured liquidity with respect to transactions in our common stock. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of our common stock, significant sales of our common stock, or the expectation of these sales, could cause our stock price to fall.

Inflation could negatively impact our business, our profitability and our stock price.

Prolonged periods of inflation may impact our profitability by negatively impacting our fixed costs and expenses, including increasing funding costs and expense related to talent acquisition and retention, and negatively impacting the demand for our products and services. Additionally, inflation may lead to a decrease in consumer and client's purchasing power and negatively affect the need or demand for our products and services. If significant inflation continues, our business could be negatively affected by, among other things, decreases in loan collateral values and increased default rates leading to credit losses which could decrease our appetite for new credit extensions. These inflationary pressures could result in missed earnings and budgetary projections causing our stock price to suffer.

ESG risks could adversely affect our reputation and shareholder, employee, client, and third party relationships and may negatively affect our stock price.

Our business faces increasing public scrutiny related to ESG activities. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as DEI, environmental stewardship, including with respect to climate change, human capital management, support for our local communities, corporate governance, and transparency, or fail to consider ESG factors in our business operations.

Furthermore, as a result of our diverse base of clients and business partners, we may face potential negative publicity based on the identity of our clients or business partners and the public's (or certain segments of the public's) view of those entities. Such publicity may arise from traditional media sources or from social media and may increase rapidly in size and scope. If our client or business partner relationships were to become intertwined in such negative publicity, our ability to attract and retain clients, business partners, and employees may be negatively impacted, and our stock price may also be negatively impacted. Additionally, we may face pressure to not do business in certain industries that are viewed as harmful to the environment or are otherwise negatively perceived, which could impact our growth.

Additionally, investors and shareholder advocates are placing ever increasing emphasis on how corporations address ESG issues in their business strategy when making investment decisions and when developing their investment theses and proxy recommendations. We may incur meaningful costs with respect to our ESG efforts and if such efforts are negatively perceived, our reputation and stock price may suffer.

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Operational Risks

Our business strategy includes strategic growth, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

We intend to continue pursuing a growth strategy for our business. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by growing companies such as the continuing need for infrastructure and personnel, the time and costs inherent in integrating a series of different operations and the ongoing expense of acquiring and staffing new banks or branches. We may not be able to expand our presence in our existing markets or successfully enter new markets and any expansion could adversely affect our results of operations. Failure to manage our growth effectively could have a material adverse effect on our business, future prospects, financial condition or results of operations, and could adversely affect our ability to successfully implement our business strategy. Our ability to grow successfully will depend on a variety of factors, including the continued availability of desirable business opportunities, the competitive responses from other financial institutions in our market areas and our ability to manage our growth.

Although there can be no assurance of success or the availability of branch or financial services acquisitions in the future, we may seek to supplement our internal growth through attractive acquisitions. We cannot predict the number, size or timing of acquisitions, or whether any such acquisition will occur at all. Our acquisition efforts have traditionally focused on targeted entities in markets in which we currently operate and markets in which we believe we can compete effectively. However, as consolidation of the financial services industry continues, the competition for suitable acquisition candidates may increase and, as the number of appropriate targets decreases, the prices for potential acquisitions could increase which could reduce our potential returns, and reduce the attractiveness of these opportunities to us. We may compete with other financial services companies for acquisition opportunities, and many of these competitors have greater financial resources than we do and may be able to pay more for an acquisition than we are able or willing to pay.

We must respond to rapid technological changes and these changes may be more difficult or expensive than anticipated.

If competitors introduce new products and services embodying new technologies, or if new industry standards and practices emerge, our existing product and service offerings, technology and systems may become obsolete. Further, if we fail to adopt or develop new technologies or to adapt our products and services to emerging industry standards, we may lose current and future customers, which could have a material adverse effect on our business, financial condition and results of operations. The financial services industry is changing rapidly and in order to remain competitive, we must continue to enhance and improve the functionality and features of our products, services and technologies. These changes may be more difficult or expensive than we anticipate.

New lines of business, products or services and technological advancements may subject us to additional risks.

From time to time, we implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services we invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. services (including those related to or involving artificial intelligence, machine learning, blockchain and other distributed ledger technologies), and an established and growing demand for mobile and other phone and computer banking applications. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology driven products and services

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or be successful in marketing these products and services to our customers. In addition, our implementation of certain new technologies, such as those related to artificial intelligence, automation and algorithms, in our business processes may have unintended consequences due to their limitations or our failure to use them effectively. In addition, cloud technologies

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are also critical to the operation of our systems, and our reliance on cloud technologies is growing. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, any new line of business, new product or service and/or new technology could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business, new products or services and/or new technologies could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully integrate our acquisitions or to realize the anticipated benefits of them.

A successful integration of each acquired business with ours will depend substantially on our ability to successfully consolidate operations, corporate cultures, systems and procedures and to eliminate redundancies and costs. While we have substantial experience in successfully integrating institutions we have acquired, we may encounter difficulties during integration, such as:

- the loss of key employees;
- the disruption of operations and businesses;
- loan and deposit attrition, customer loss and revenue loss;
- possible inconsistencies in standards, control procedures and policies;
- unexpected issues with expected branch closures; and/or
- unexpected issues with costs, operations, personnel, technology and credit;

,all of which could divert resources from regular banking operations. Additionally, general market and economic conditions or governmental actions affecting the financial industry generally may inhibit our successful merger integrations.

Further, we acquire businesses with the expectation that these mergers will result in various benefits including, among other things, benefits relating to enhanced revenues, a strengthened market position for the combined company, cross selling opportunities, technology, cost savings and operating efficiencies. Achieving the anticipated benefits of these mergers is subject to a number of uncertainties, including whether we integrate these institutions in an efficient and effective manner, and general competitive factors in the marketplace. Failure to achieve these anticipated benefits could result in a reduction in the price of our shares as well as in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could materially and adversely affect our business, financial condition and operating results.

The carrying value of goodwill and other intangible assets may be adversely affected.

When the Company completes an acquisition, goodwill and other intangible assets are often recorded on the date of acquisition as an asset. Current accounting guidance requires goodwill to be tested for impairment, and we perform such impairment analysis at least annually. A significant adverse change in expected future cash flows or sustained adverse change in the value of our common stock could require the asset to become impaired. If impaired, we would incur a charge to earnings that would have a significant impact on the results of operations. Our carrying value of goodwill and net amortizable intangibles were approximately $104.6 million $93.5 million and $3.3 million $2.0 million, respectively, at December 31, 2022 December 31, 2023.

We rely on third-party vendors to provide key components of our business infrastructure.

Third-party vendors provide key components of our business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. We have selected these third-party vendors carefully and have conducted the due diligence consistent with regulatory guidance and best practices. While we have ongoing programs to review third-party vendors and assess risk, we do not control their actions.

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Any problems caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks and security breaches at a vendor, failure of a vendor to provide services for any reason or poor performance of services, could adversely affect our ability

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to deliver products and services to our customers and otherwise conduct our business. Financial or operational difficulties of a third-party vendor could also hurt our operations if those difficulties interfere with the vendor's ability to serve us. Furthermore, our vendors could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third-party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to our business operations.

We face significant cyber and data security risk that could result in the disclosure of confidential information, adversely affect our business or reputation and expose us to significant liabilities.

As a financial institution, we are under threat of loss due to hacking and cyber-attacks. This risk has increased in recent years, and continues to increase, as we continue to expand customer capabilities to utilize internet and other remote channels to transact business. Two of the most significant cyber-attack risks that we face are e-fraud and loss of sensitive customer data. Loss from e-fraud occurs when cybercriminals breach and extract funds directly from customer or our accounts. The attempts to breach sensitive customer data, such as account numbers and social security numbers, are less frequent but would present significant reputational, legal and/or regulatory costs to us if successful. Our risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cybercriminals and hackers, our plans to continue to provide internet banking and mobile banking channels, and our plans to develop additional remote connectivity solutions to serve our customers. While we have not experienced any material losses relating to cyber-attacks or other information security breaches, we have been subject to hacking and cyber-attack and there can be no assurance that we will not suffer additional losses in the future.

Due to changing behaviors since the COVID-19 pandemic, we have allowed a portion of our employees to work remotely from their homes on a full-time or hybrid schedule. Technology in employees' homes may not be as robust as in our offices and could cause the networks, information systems, applications, and other tools available to employees to be more limited or less reliable than in our offices. The continuation of these work-from-home measures also introduces additional operational risk, including increased cybersecurity risk. These cyber risks include greater phishing, malware, and other cybersecurity attacks, vulnerability to disruptions of our information technology infrastructure and telecommunications systems for remote operations, increased risk of unauthorized dissemination of confidential information, limited ability to restore the systems in the event of a systems failure or interruption, greater risk of a security breach resulting in destruction or misuse of valuable information, and potential impairment of our ability to perform critical functions, including wiring funds, all of which could expose us to risks of data or financial loss, litigation and liability and could seriously disrupt our operations and the operations of any impacted customers.

The occurrence of any cyber-attack or information security breach could result in material adverse consequences to us including damage to our reputation and the loss of customers. We also could face litigation or additional regulatory scrutiny. Litigation or regulatory actions in turn could lead to significant liability or other sanctions, including fines and penalties or reimbursement of customers adversely affected by security breach. Even if we do not suffer any material adverse consequences as a result of other future events, successful attacks or systems failures at the Bank or at other financial institutions could lead to a general loss of customer confidence in financial institutions including the Bank.

Our ability to mitigate the adverse consequences of occurrences is in part dependent on the quality of our information security procedures and contracts and our ability to anticipate the timing and nature of any such event that occurs. In recent years, we have incurred significant expense towards improving the reliability of our systems and their security from attack. Nonetheless, there remains the risk that we may be materially harmed by cyber-attacks and information security breaches in the future. Methods used to attack information systems change frequently (with generally increasing sophistication), often are not recognized until launched against a target, may be supported by foreign governments or other well-financed entities, and may originate from less regulated and remote areas around the world. As a result, we may be unable to address these methods in advance of attacks, including by implementing adequate preventive measures. If such an attack or breach does occur, we might not be able to fix it timely or adequately. To the extent that such an attack or breach relates to products or services provided by others, we seek to engage in due diligence and monitoring to limit the

risk. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

29*Our business is susceptible to fraud.*

The Company's business exposes it to fraud risk from loan and deposit customers, the parties they do business with, as well as from employees, contractors and vendors. The Company relies on financial and other data from new and existing customers which could turn out to be fraudulent when accepting such customers, executing their financial transactions and making and purchasing loans and other financial assets. In times of Contents increased economic stress the Company is at increased risk of fraud losses. The Company believes it has underwriting and operational controls in place to prevent or detect such fraud, but cannot provide assurance that these controls will be effective in detecting fraud or that the Company will not experience fraud losses or incur costs or other damage related to such fraud, at levels that adversely affect financial results or reputation. The Company's lending customers may also experience fraud in their businesses which could adversely affect their ability to repay their loans or make use of services. The Company's and its customers' exposure to fraud may increase the Company's financial risk and reputation risk as it may result in unexpected loan losses that exceed those that have been provided for in the allowance for credit losses.

We are dependent on key personnel and the loss of one or more of those key personnel could impair our relationship with our customers and adversely affect our business.

Many community banks attract customers based on the personal relationships that the banks' officers and customers establish with each other and the confidence that the customers have in the officers. We significantly depend on the continued service and performance of our key management personnel. We also believe our management team's depth and breadth of experience in the banking industry is integral to executing our business plan. The loss of the services of members of our senior management team or other key employees or the inability to attract additional qualified personnel as needed could have a material adverse effect on our business.

Our compensation practices are subject to review and oversight by the Federal Reserve, the FDIC and other regulators. The ongoing COVID-19 pandemic has adversely impacted, federal banking agencies have issued joint guidance on executive compensation designed to help ensure that a banking organization's incentive compensation policies do not encourage imprudent risk taking and could continue to adversely impact, our business, financial condition, liquidity, capital, are consistent with the safety and results of operations.

While the level of disruption caused by, and the economic impact soundness of the COVID-19 pandemic lessened in organization. In addition, the Dodd-Frank Act required those agencies, along with the SEC, to adopt rules to require reporting of incentive compensation and to prohibit certain compensation arrangements. In October 2022, there is no assurance the SEC adopted final rules requiring national securities exchanges, including Nasdaq where we are currently listed, to establish new listing standards relating to policies for the recovery of erroneously awarded incentive-based compensation, which are often referred to as "clawback policies." The final rules directed U.S. stock exchanges to require listed companies to implement, disclose and enforce clawback policies to recover excess incentive-based compensation that current or former executive officers received based on financial reporting measures that are later restated. In June 2023, the pandemic will not worsen again, included SEC approved the Nasdaq's proposed clawback listing standards, which now require us and other Nasdaq-listed companies to (i) adopt and implement a compliant clawback policy; (ii) file the clawback policy as an exhibit to our annual reports; and (iii) provide certain disclosures relating to any compensation recovery triggered by the clawback policy. If, as a result of complying with the emergence new rules, we are unable to attract and retain qualified employees, or do so at rates necessary to maintain our competitive position, or if the compensation costs required to attract and retain employees become more significant, our performance, including our competitive position, could be materially adversely affected.

Deposit insurance premiums levied against banks may increase if the number of new strains bank failures increase or the cost of resolving failed banks increases.

The FDIC maintains a Deposit Insurance Fund ("DIF") to protect insured depositors in the event of bank failures. The DIF is funded by fees assessed on depository institutions insured by the FDIC. Future deposit premiums paid by banks will depend on FDIC rules, which are subject to change, the level of the virus, or another health related emergency will not emerge. Any worsening of the pandemic, a new health related emergency, and their effects on the economy could further impact our business, our provision and allowance for credit losses, DIF and the value magnitude and cost of certain assets future bank failures. We may be required to pay significantly higher FDIC premiums if market developments change such that we carry on our the DIF balance sheet such as goodwill. Our clients, business partners, and third-party providers, including those who perform critical services for our business, may also be adversely affected. is reduced or the FDIC changes its rules to require higher premiums.

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Liquidity Risks

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition, results of operations and cash flows.

Liquidity is essential to our business. Our ability to implement our business strategy will depend on our ability to obtain funding for loan originations, working capital, possible acquisitions and other general corporate purposes. An inability to raise funds through deposits, borrowings, securities sold under agreements to repurchase, the sale of loans and other sources could have a substantial negative effect on our liquidity. We anticipate that our retail and commercial deposits will be sufficient to meet our funding needs in the foreseeable future. We may rely on deposits obtained through intermediaries, FHLB advances, and other wholesale funding sources to obtain the funds necessary to implement our growth strategy.

Our access to funding sources in amounts adequate to finance our activities or on terms which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general, including a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry. Access to liquidity may also be negatively impacted by the value of our securities portfolio, if liquidity and/or business strategy necessitate the sales of securities in a loss position. To the extent we are not successful in obtaining such funding, we will be unable to implement our strategy as planned which could have a material adverse effect on our financial condition, results of operations and cash flows.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could adversely affect our current and projected business operations and its financial condition and results of operations.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank, or SVB, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation, or the FDIC, as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. Although a statement by the Department of the Treasury, the Federal Reserve and the FDIC stated that all depositors of SVB would have access to all of their money after only one business day of

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closure, including funds held in uninsured deposit accounts, borrowers under credit agreements, letters of credit and certain other financial instruments with SVB, Signature Bank or any other financial institution that is placed into receivership by the FDIC may be unable to access undrawn amounts thereunder. If any parties with whom we conduct business are unable to access deposits with another financial institution, funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' credit quality, ability to pay their obligations to us, or to enter into new commercial arrangements requiring additional payments to us could be adversely affected. In this regard, counterparties to SVB credit agreements and arrangements, and third parties such as beneficiaries of letters of credit (among others), may experience direct impacts from the closure of SVB and uncertainty Uncertainty remains over liquidity concerns in the broader financial services industry. Additionally, confidence in the safety and soundness of regional banks specifically or the banking system generally could impact where customers choose to maintain deposits, which could materially adversely impact our liquidity, loan funding capacity, ability to raise funds, and results of operations. Similar impacts have occurred in the past, such as during the 2008-2010 financial crisis.

Inflation and rapid increases in interest rates have led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. Although the U.S. Department of Treasury, FDIC and Federal Reserve Board have announced a program to provide up to $25 billion of loans to financial institutions secured by certain of such government securities held by financial institutions to mitigate the risk of potential losses on the sale of such instruments, widespread demands for customer withdrawals or other liquidity needs of financial institutions for immediate liquidity may exceed the capacity of such program. There is no guarantee that the U.S. Department of Treasury, FDIC and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of other banks or financial institutions, or that they would do so in a timely fashion.

Although we assess our funding relationships as we believe necessary or appropriate, our access to funding sources and other arrangements in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect us, our customers, the financial institutions with which we have arrangements directly, or the financial services industry or economy in general. These factors could include, among others,

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events such as liquidity constraints or failures, the ability to perform our obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors could involve financial institutions or financial services industry companies with which we or our customers have financial or business relationships, but could also include factors involving financial markets or the financial services industry generally.

Additionally, we could be impacted by current or future negative perceptions and expectations about the prospects for the financial services industry (including the impact of Moody's Investors Service's rating change of the outlook of the US banking system from "stable" to "negative"), which could worsen over time and result in downward pressure on, and continued or accelerated volatility of, bank securities.

We also anticipate increased regulatory scrutiny – in the course of routine examinations and otherwise – and new regulations directed towards banks of similar size to the Bank, designed to address the negative developments in the banking industry, all of which may increase the Company's costs of doing business and reduce its profitability. Among other things, there may be an increased focus by both regulators and investors on deposit composition, the level of uninsured deposits, losses embedded in the held-to-maturity portion of our securities portfolio, contingent liquidity, CRE composition and concentration, capital position and our general oversight and internal control structures regarding the foregoing. As primarily a commercial bank, the Bank has an elevated degree of uninsured deposits compared to larger national banks or smaller community banks with a stronger focus on retail deposits, and also maintains a robust CRE portfolio. As a result, the Bank could face increased scrutiny or be viewed as higher risk by regulators and the investor community. In addition, bank failures have and could in the future prompt the FDIC to increase deposit insurance costs. Increases in funding, deposit insurance, or other costs as a result of these types of events have and could in the future materially adversely affect our financial condition and results of operations. Further, the disruption following these types of events have and could in the future generate significant market trading volatility among publicly traded bank holdings companies and, in particular, regional banks like the Company.

Capital Adequacy Risks

Future growth or operating results may require us to raise additional capital, but that capital may not be available, be available on unfavorable terms or may be dilutive.

Primis Bank is required by the FRB to maintain adequate levels of capital to support our operations. In the event that our future operating results erode capital, if the Bank is required to maintain capital in excess of well-capitalized standards, or if we elect to expand through loan growth or acquisitions, we may be required to raise additional capital. Our ability to raise capital will depend on conditions in the capital markets, which are outside our control, and on our financial performance. Accordingly, we cannot be assured of our ability to raise capital on favorable terms when needed, or at all. If we cannot raise additional capital when needed, we will be subject to increased regulatory supervision and the imposition of restrictions on our growth and business. These outcomes could negatively impact our ability to operate or further expand our operations through acquisitions or the establishment of additional branches and may result in increases in operating expenses and reductions in revenues that could have a material adverse effect on our financial condition and results of operations. In addition, in order to raise additional capital, we may need to issue shares of our common stock that would

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dilute the book value of our common stock and reduce our current shareholders' percentage ownership interest to the extent they do not participate in future offerings.

We may issue a new series of preferred stock or debt securities, which would be senior to our common stock and may cause the market price of our common stock to decline.

We have issued $27.0 million in aggregate principal amount of 5.875% Fixed-to-Floating Rate Subordinated Notes due January 31, 2027 and $60.0 million of fixed-to-floating rate Subordinated Notes due 2030. In the future, we may increase our capital resources by making additional offerings of debt or equity securities, which may include senior or additional subordinated notes, classes of preferred shares and/or common shares. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Preferred shares and debt, if issued, have a preference on liquidating distributions or a preference on dividend or interest payments that could limit our ability to make a distribution to the

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holders of our common stock. Future issuances and sales of parity preferred stock, or the perception that such issuances and sales could occur, may also cause prevailing market price for our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us. Further issuances of our common stock could be dilutive to holders of our common stock.

We currently intend to pay dividends on our common stock; however, our future ability to pay dividends is subject to restrictions.

We declared the first cash dividend on our common stock in February 2012, and each quarter thereafter through 2022. 2023. There are a number of restrictions on our ability to pay dividends. It is the policy of the FRB that bank holding companies should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. The policy provides that bank holding companies should not maintain a level of cash dividends that undermines the bank holding company's ability to serve as a source of strength to its banking subsidiaries.

Our principal source of funds to pay dividends on our common stock is cash dividends that we receive from the Bank. The payment of dividends by the Bank to us is subject to certain restrictions imposed by federal banking laws, regulations and authorities. The federal banking statutes prohibit federally insured banks from making any capital distributions (including a dividend payment) if, after making the distribution, the institution would be "under capitalized" as defined by statute. In addition, the relevant federal regulatory agencies have authority to prohibit an insured bank from engaging in an unsafe or unsound practice, as determined by the agency, in conducting an activity. The payment of dividends could be deemed to constitute such an unsafe or unsound practice, depending on the financial condition of the Bank. Regulatory authorities could impose administratively stricter limitations on the ability of the Bank to pay dividends to us if such limits were deemed appropriate to preserve certain capital adequacy requirements.

Regulatory Risks

We are heavily regulated by federal and state agencies; changes in laws and regulations or failures to comply with such laws and regulations may adversely affect our operations and our financial results.

We and the Bank are subject to extensive regulation, supervision and examination by federal and state banking authorities. Any change in applicable regulations or federal or state legislation could have a substantial impact on us and the Bank, and our respective operations. Additional legislation and regulations may be enacted or adopted in the future that could significantly affect our powers, authority and operations or the powers, authority and operations of the Bank, which could have a material adverse effect on our financial condition and results of operations.

Further, bank regulatory authorities have the authority to bring enforcement actions against banks and their holding companies for unsafe or unsound practices in the conduct of their businesses or for violations of any law, rule or regulation, any condition imposed in writing by the appropriate bank regulatory agency or any written agreement with the agency. Possible enforcement actions against us could include the issuance of a cease-and-desist order that could be judicially enforced, the imposition of civil monetary penalties, the issuance of directives to increase capital or enter into a strategic transaction, whether by merger or otherwise, with a third party, the appointment of a conservator or receiver, the

termination of insurance on deposits, the issuance of removal and prohibition orders against institution-affiliated parties, and the enforcement of such actions through injunctions or restraining orders. The exercise of this regulatory discretion and power may have a negative impact on us. See the discussion above at *Supervision and Regulation* for an additional discussion of the extensive regulation and supervision the Company and the Bank are subject to.

As a regulated entity, Primis and the Bank must maintain certain required levels of regulatory capital that may limit our operations and potential growth.

As further described above under Supervision and Regulation—Capital Requirements, Primis and the Bank each are subject to various regulatory capital requirements administered by the FRB.

Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional, discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's and our consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet commitments as calculated under these regulations.

As of December 31, 2022 December 31, 2023, Primis and the Bank exceeded the amounts required to be well capitalized with respect to all four required capital ratios. As of December 31, 2021 December 31, 2023, Primis' leverage, CET1 risk-based capital, Tier 1 risk-based capital and Total risk-based capital ratios were 9.68% 8.37%, 10.30% 8.96%, 10.63% 9.25%, and 14.57% 13.44%, respectively. As of December 31, 2022 December 31, 2023, the Bank's leverage, CET1 risk-based capital, Tier 1 risk-based capital and Total risk-based capital ratios were 11.39% 9.80%, 12.64% 10.88%, 12.64% 10.88% and 13.84% 12.12%, respectively.

Many factors affect the calculation of Primis and the Bank's risk-based assets and its ability to maintain the level of capital required to achieve acceptable capital ratios. For example, changes in risk weightings of assets relative to capital and other factors may combine to increase the amount of risk-weighted assets in the Tier 1 risk-based capital ratio and the Total risk-based capital ratio. Any increases in its risk-weighted assets will require a corresponding increase in its capital to maintain the applicable ratios. In addition, recognized loan losses in excess of amounts reserved for such losses, loan impairments, impairment losses on investment securities and other factors will decrease the Bank's capital, thereby reducing the level of the applicable ratios.

Primis and the Bank's failure to remain well capitalized for bank regulatory purposes could affect customer confidence, our ability to grow, our costs of funds and FDIC insurance costs, our ability to pay dividends on our capital stock, our ability to make acquisitions, and on our business, results of operations and financial condition. Under FRB rules, if the Bank ceases to be a well-capitalized institution for bank regulatory purposes, the interest rates that it pays on deposits and its ability to accept, renew or rollover brokered deposits may be restricted. As of December 31, 2022 December 31, 2023, we had $100.0 million $75.0 million of brokered certificates of deposits.

We are subject to commercial real estate lending guidance issued by the federal banking regulators that impacts our operations and capital requirements.

The federal banking regulators have issued final guidance regarding concentrations in commercial real estate lending directed at institutions that have particularly high concentrations of commercial real estate loans within their lending portfolios. This guidance suggests that institutions whose commercial real estate loans exceed certain percentages of capital should implement heightened risk management practices appropriate to their concentration risk and may be required to maintain higher capital ratios than institutions with lower concentrations in commercial real estate lending. Based on our commercial real estate concentration as of December 31, 2023, we believe that we are operating within the guidelines. However, increases in our commercial real estate lending could subject us to additional supervisory analysis. We cannot guarantee that any risk management practices we implement will be effective to prevent losses relating to our commercial real estate portfolio. Management has implemented controls to monitor our commercial real estate lending concentrations, but we cannot predict the extent to which this guidance will continue to impact our operations or capital requirements.

Changes in accounting standards or assumptions in applying accounting policies could adversely affect us.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimates or judgments were incorrectly made, we may be required to correct and restate prior-period financial statements. Accounting standard-setters and those who interpret the accounting standards, the SEC, banking regulators and our independent registered public accounting firm may also amend or even reverse their previous interpretations or positions on how various standards should be applied. These changes may be difficult to predict and could impact how we prepare and report our financial statements. In some cases, we may be required to apply a new or revised standard retrospectively, resulting in us revising prior-period financial statements.

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Financial Reporting Risks

Failure to maintain an effective system of disclosure controls and procedures could have a material adverse effect on our business, results of operations and financial condition and could impact the price of our common stock.

Failure to maintain an effective internal control environment could result in us not being able to accurately report our financial results, prevent or detect fraud, or provide timely and reliable financial information pursuant to our reporting obligations, which could have a material adverse effect on our business, financial condition, and results of operations. Further, it could cause our investors to lose confidence in the financial information we report, which could affect the trading price of our common stock.

Management regularly reviews and updates our disclosure controls and procedures, including our internal control over financial reporting. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition.

Table During the year end December 31, 2023, management identified material weaknessess in its internal controls over financial reporting related to (i) properly assessing the accounting treatment for certain loan transfer transactions, (ii) properly assessing the accounting treatment for an agreement with a third-party to originate and manage a portfolio of Contentsconsumer loans, and (iii) a process to evaluate expected credit losses on its third-party originated and managed consumer loan portfolio. Management also identified a material weakness in its internal controls over financial reporting related to (ii) above during the year ended December 31, 2022. Management is currently remediating the material weaknesses including design of and testing new controls related to the accounting and disclosure for these items. If management fails to timely and effectively remediate the deficiency in its control environment for these accounting issues it could result in additional incorrect accounting application to similar transactions in the future which may have a material adverse effect on our financial condition.

Item 1B. Unresolved Staff Comments

Primis Financial Corp. does not have any unresolved staff comments from the SEC to report for the year ended December 31, 2022 December 31, 2023.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

The Bank’s information security program is designed to protect sensitive information from unauthorized access, use, disclosure, alteration, or destruction, and to maintain the confidentiality, integrity, and availability of our information assets, including employee and customer non-public information, financial data, and internal operational information. Our Chief Information Officer (“CIO”) manages our information security strategy and development as overseen by our overarching Enterprise Risk Management (“ERM”) program. On January 16, 2024, G. Cody Sheflett, Jr., CIO of the Company, passed away. The Company has actively engaged a recruiting firm to fill the CIO vacancy, but has not formally appointed a new CIO. During such vacancy, the Company has appointed an interim CIO and unless otherwise noted, references to the CIO and his duties refer to Mr. Sheflett’s historical role and the interim CIO’s role, and the duties and obligations the Company anticipates the next CIO to abide by. The Company’s interim CIO has worked in the financial services industry for over 20 years and held similar roles at other financial institutions including four years as a Chief Information Officer and five years as a Chief Technology Officer.

The Bank's cybersecurity program, including our information security policies, is designed to align with regulatory guidance and industry practices. To protect our information systems, network, and information assets from cybersecurity threats, we use various security tools, products, and processes that help identify, prevent, investigate, and remediate cybersecurity threats and security incidents.

The Bank's Network Team monitors threat intelligence sources to research evolving threats, investigates the potential impact to financial services companies, examines company controls to detect and defend against those threats, and proactively adjusts company defenses against those threats. The Network Team also actively monitors company networks and systems to detect suspicious or malicious events, and contracts with third-party consultants to perform penetration testing and routine vulnerability scans. A managed security service provider supplements our efforts to provide 24 hours a day, seven days a week coverage.

We maintain policies and procedures for the safe storage, handling, and secure disposal of customer information. Each employee is expected to be responsible for the security and confidentiality of customer information, and we communicate this responsibility to employees upon hiring and regularly throughout their employment. Annually, we provide employees with mandatory security awareness training. The curriculum includes the recognition and appropriate handling of potential phishing emails, which could place sensitive customer or employee information at risk. The Company employs a number of technical controls to mitigate the risk of phishing emails targeting employees. We test employees monthly to determine their susceptibility to phishing test emails, and we require susceptible employees to take additional training and provide regular reports to management.

As part of our information security program, we have adopted a Cyber Incident Response Plan ("Incident Response Plan") which is administered by our CIO who closely coordinates with the Bank's Information Technology team. The Incident Response Plan describes the Bank's processes, procedures, and responsibilities for responding to cybersecurity incidents, and identifies those team members responsible for assessing potential security incidents, declaring an incident, and initiating a response. The Incident Response Plan outlines action steps for investigating, containing, and remediating a cybersecurity incident, and includes procedures for escalation and reporting of potentially significant cybersecurity incidents to the Bank's Senior Leadership Team, including the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO"), and the Board of Directors. As necessary, the Company may retain a third-party firm to assist with forensic investigation and management of cybersecurity incidents.

The Bank conducts due diligence prior to engaging third-party service providers which have access to the Bank's networks, systems, and/or customer or employee data. Risk assessments are performed using Service Organization Controls (SOC) reports, self-attestation questionnaires, and other tools. Third-party service providers are required to comply with the Bank's policies regarding non-public personal information and information security. Third parties processing non-public personal information are contractually required to meet all legal and regulatory obligations to protect customer data against security threats or unauthorized access. After contract execution, Primis requires critical and high-risk providers to have an ongoing monitoring plan.

While we do not believe that our business strategy, results of operations or financial condition have been materially adversely affected by any cybersecurity incidents, cybersecurity threats are pervasive, and cybersecurity risk has increased in recent years. Despite our efforts, there can be no assurance that our cybersecurity risk management processes and measures described will be fully implemented, complied with or effective in protecting our systems and information. We face risks from certain cybersecurity threats that, if realized, are reasonably likely to materially affect our business strategy, result of operations or financial condition. See "Item 1A. Risk Factors – Operational Risks" of this report for additional information.

Cybersecurity Governance

Our Board of Directors is responsible for overseeing the Bank's business and affairs, including risks associated with cybersecurity threats. The ERM Committee ("ERMC") of the Board has primary responsibility for overseeing the Bank's comprehensive ERM program, including its cybersecurity program. The ERM program assists senior leadership team in identifying, assessing, monitoring, and managing risk, including cybersecurity risk, in a rapidly changing environment. Cybersecurity matters and assessments are regularly included in both Audit Committee (“AC”) and ERMC meetings.

The Board’s oversight of cybersecurity risk is supported by our CIO. The CIO attends ERMC meetings and provides cybersecurity updates to these Board committees on a quarterly basis. Our CRO, in conjunction with our CIO, facilitates the involvement of the ERMC in oversight of potentially significant cybersecurity incidents. The Executive Vice President and Chief Financial Officer and the Network Manager have been attending the ERMC meetings in the CIO’s absence.

The Bank’s CIO directs the Bank’s information security program and our information technology risk management. In this role, in addition to the responsibilities discussed above, the CIO manages the Bank’s information security and day-to-day cybersecurity operations and supports the information security risk oversight responsibilities of the Board and its committees. The CIO is also responsible for the Bank’s information technology governance, risk, and compliance program and ensures that high level risks receive appropriate attention. Led by our CIO, the Network Team examines risks to the Bank’s information systems and assets, designs and implements security solutions, monitors the environment, and provides responses to threats. Our CRO has over three decades of experience in risk management, and our Network Team collectively has over 19 years of experience in cybersecurity operations.

Item 2. Properties

Primis Financial Corp.’s principal office is located at 6830 Old Dominion 1676 International Drive, McLean, Virginia. The Company has an administrative offices office in Warrenton and Glen Allen, Virginia and an operations center in Atlee, Virginia. Including these main locations, our bank owns 32 30 properties and leases 17 24 properties, all of which are used as branch locations or for housing operational units in Maryland and Virginia. At December 31, 2022 As of December 31, 2023, Primis Bank had thirty-two twenty-four full-service branches in Virginia and Maryland and also provided services to customers through certain online and mobile applications. Thirty Twenty-two full-service retail branches are in Virginia (Ashland, Burgess, Callao, Central Garage, Charlottesville, Chester, Colonial Heights, Courtland, Gloucester, Gloucester Point, Hampton, Hartfield, Heathsville, Kilmarnock, Leesburg, McLean, Mechanicsville (2), Middleburg, Midlothian, Newport News, Quinton, Richmond, Surry, Tappahannock (2), Urbanna, Warrenton, Waverly, and Williamsburg) and two full-service retail branches are in Maryland (Rockville, and Upper Marlboro). Maryland.

Primis believes its facilities are in good operating condition, are suitable and adequate for its operational needs and are adequately insured.

Item 3. Legal Proceedings

Primis and Primis Bank are from time to time a party, as both plaintiff and defendant, to various claims and proceedings arising in the ordinary course of the Bank’s our business, including administrative and/or legal proceedings that may include employment-related claims, as well as claims of lender liability, breach of contract, and other similar lending-related claims. While the ultimate resolution of these matters cannot be determined at this time, the Bank’s management presently believes that such matters, individually and in the aggregate, will not have a material adverse effect on the Bank’s our financial condition or results of operations. There are no proceedings pending, or to management’s knowledge, threatened, that represent a significant risk against Primis or Primis Bank as of December 31, 2022 December 31, 2023.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock Market Prices

Primis' common stock is traded on the Nasdaq Global Market under the symbol "FRST". There were 24,685,458 24,708,234 shares of our common stock outstanding at the close of business on March 6, 2023 September 16, 2024, which were held by 1,212 1,133 shareholders of record. As of that date, the closing price of our common stock on the NASDAQ Global Market was $11.56. $10.48.

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Recent Sales of Unregistered Securities

None.

Securities Authorized for Issuance under Equity Compensation Plans

As of December 31, 2022 December 31, 2023, Primis had outstanding stock options granted under the 2010 Stock Awards and Incentive Plan (the "2010 Plan") and the 2017 Equity Compensation Plan (the "2017 Plan"), which were approved by its shareholders. The following table provides information as of December 31, 2022 December 31, 2023 regarding Primis' equity compensation plans under which our equity securities are authorized for issuance:

Plan category	Number of securities to be issued upon exercise of outstanding options A	Weighted average exercise price of outstanding options B	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A) C	Number of securities to be issued upon exercise of outstanding options A	Weighted average exercise price of outstanding options B	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A) C
Equity compensation plans approved by security holders	203,300	$ 11.41	333,032	54,800	$ 11.49	370,582
Equity compensation plans not approved by security holders	—	—	—	—	—	—
Total	203,300	$ 11.41	333,032	54,800	$ 11.49	370,582

Issuer Purchases of Equity Securities

None.

Dividends

We declared the first cash dividend on our common stock in February 2012, and each quarter thereafter through 2022. 2023. There are a number of restrictions on our ability to pay dividends. It is the policy of the FRB that bank holding companies should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. The policy provides that bank holding companies should not maintain a level of cash dividends that undermines the bank holding company's ability to serve as a source of strength to its banking subsidiaries. Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to Primis or by Primis to shareholders. The Company's ability to pay dividends to stockholders is largely dependent upon the dividends it receives from the Bank, and the Bank is subject to regulatory limitations on the amount of cash dividends it may pay.

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Performance Graph

The following chart compares the cumulative total shareholder return on Primis common stock during the five years ended December 31, 2022 December 31, 2023, with the cumulative total return of the Russell 2000 Index and the NASDAQ Bank Index for the same period. Dividend reinvestment has been assumed. This comparison assumes $100 invested on December 31, 2017 December 31,

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2018 in Primis common stock, the Russell 2000 Index and the NASDAQ Bank Index. The historical stock price performance for Primis common stock shown on the graph below is not necessarily indicative of future stock performance.

Graphic

	2017	2018	2019	2020	2021	2022
Primis Financial Corp.	100.00	84.09	106.48	81.85	104.47	84.77
Russell 2000 Index	100.00	88.99	111.70	134.00	153.85	122.41
NASDAQ Bank Index	100.00	83.60	137.18	87.20	137.31	115.65

	2018	2019	2020	2021	2022	2023
Primis Financial Corp.	100.00	126.62	97.34	124.24	100.81	112.45
Russell 2000 Index	100.00	125.52	150.58	172.90	137.56	160.85
NASDAQ Bank Index	100.00	121.23	108.34	151.34	123.55	115.31

Item 6. [Reserved]

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Item 7 of our Annual Report on Form 10-K generally discusses year-to-year comparisons between the years ended December 31, 2022 December 31, 2023 and 2021. 2022. Discussions of comparisons between 2021 2022 and 2020 2021 are not included in this Form10-K but can be found in “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our restated Annual Report on Form10-K Form10-K/A for the year ended December 31, 2021 December 31, 2022 as filed with the SEC on October 4, 2024.

Management’s discussion and analysis is presented to aid the reader in understanding and evaluating the financial condition and results of operations of Primis. This discussion and analysis should be read with the consolidated financial statements, the footnotes thereto, and the other financial data included in this report.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

We follow accounting and reporting policies that conform, in all material respects, to accounting principles generally accepted in the United States U.S. and to general practices within the financial services industry. The preparation of financial statements in conformity with accounting principles generally accepted in the United States U.S. requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While we base estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ from those estimates.

We consider accounting estimates to be critical to reported financial results if (i) the accounting estimate requires management to make assumptions about matters that are highly uncertain and (ii) different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on our financial statements.

Allowance for credit losses

Accounting policies related to the allowance for credit losses on financial instruments including loans and off-balance-sheet credit exposures are considered to be critical as these policies involve considerable subjective judgment and estimation by management. In the case of loans, the allowance for credit losses is a contra-asset valuation account, calculated in accordance with ASC 326, which is deducted from the amortized cost basis of loans to present the net amount expected to be collected.

In the case of off-balance-sheet credit exposures, the allowance for credit losses is a liability account, calculated in accordance with ASC 326. The allowance is reported as a component of other liabilities in our consolidated balance sheets. Adjustments to the allowance are reported in our income statement as a component of other expenses.

The amount of each allowance account represents management's best estimate of current expected credit losses on these financial instruments considering available information, from internal and external sources, relevant to assessing exposure to credit loss over the contractual term of the instrument. Relevant available information includes We consider a number of external economic variables in developing the allowance including the Virginia Unemployment Rate, Virginia House Price Index (“HPI”), Virginia Gross Domestic Product (“GDP”), and, National Unemployment and National Gross Domestic Product for pools of loans with borrowers outside of our local operating footprint. In determining forecasted expected losses, we use Moody’s economic variable forecasts and apply probability weights to the related economic scenarios.We also use internal factors including loan balances, credit quality, contractual life of loans, and historical credit loss experience, current conditions and reasonable and supportable forecasts. experience. While historical credit loss experience provides the basis for the estimation of expected credit losses, adjustments to historical loss information may be made for differences in current portfolio-specific risk characteristics, environmental conditions or other relevant factors.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. While management utilizes its best judgment and information available, the ultimate adequacy of our allowance accounts is dependent upon a variety of factors beyond our control, including the performance of our portfolios, the economy, changes in interest rates and the view of the regulatory authorities toward classification of assets.

Goodwill

Goodwill represents the excess of the purchase price over the sum of the estimated fair values of the tangible and identifiable intangible assets acquired less the estimated fair value of the liabilities assumed in a business combination. As of December 31, 2022 and 2021, the balance of goodwill was $104.6 million and $101.9 million, respectively. Goodwill

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has an indefinite useful life and is evaluated classification of assets. Further, subsequent evaluations of the then-existing loan portfolio, in light of factors existing at the time of subsequent evaluation may result in significant changes to the allowance.

Goodwill

As required under U.S. GAAP, we test goodwill for impairment at least annually or and more frequently if events and circumstances indicate there are indications that the asset might goodwill could be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value.

In January 2017, the FASB issued ASU No. 2017-04, which simplifies the accounting for Our annual goodwill impairment for all entities by requiring impairment charges to be based on Step one testing date is September 30 and accordingly, we performed testing as of the previous accounting guidance's two-step impairment test under ASC Topic 350. Under the new guidance, if a September 30, 2023 of our two reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on units that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The new standard eliminates the requirement to calculate a goodwill impairment charge using Step two which involved calculating an implied fair value of goodwill for each reporting unit for which the first step indicated impairment. The standard does not change the guidance on completing Step one of the goodwill impairment test. An entity will still be able to perform today's optional qualitative goodwill impairment assessment before proceeding to the quantitative step of determining whether the reporting unit's carrying amount exceeds it fair value.

include goodwill. For our assessment of goodwill as of September 30, 2022 September 30, 2023, our annual test date, we performed a step one quantitative assessment to determine if the fair value of all our the Primis Bank and the Primis Mortgage reporting unit was units were less than its their carrying amount. We concluded that As part of the testing, we engaged an independent valuation firm to quantitatively estimate the fair value of all our each reporting unit so that it could be compared to the carrying value in assisting us in determining if impairment existed. The results of the quantitative assessment of the Primis Mortgage reporting unit indicated that its fair value was in excess of its carrying value, thus no goodwill impairment was necessary.

Our assessment of the Primis Bank reporting unit exceeded their carrying amounts and no impairment was present included the use of three approaches, each receiving various weightings to determine an ultimate fair value estimate: (1) the comparable transactions method that is based on management's assessment. No impairment was indicated comparison to pricing ratios recently paid in 2022, 2021 the sale or 2020. We determined merger of comparable banking institutions; (2) the public market peers control premium approach that is based on market pricing ratios of public banking companies adjusted for Primis Mortgage, we did not need an industry based control premium, and (3) a quantitative assessment and performed a qualitative assessment. No impairment was indicated for 2022 for the Primis Mortgage segment.

We will continue to monitor the impact discounted cash flow method (an income method), taking into consideration expectations of current economic conditions and other events on the Company's business, operating results, growth and profitability going forward. The assessment included use of various assumptions and inputs into the modeling approaches, including creating a baseline and conservative scenarios that stressed certain assumptions such as projected cash flows and financial condition. If the current economic conditions discount rate. We considered the modeled results of each scenario and other events were to deteriorate and our in light of the sustained depressed stock price falls below current levels, in the months leading up to our impairment testing as of September 30, 2023 compared to our book value we determined it was reasonable to leverage the results of a scenario that utilized more stressed inputs and assumptions. Ultimately, in third quarter of 2023, the result of the quantitative assessment indicated the Primis Bank reporting unit's book value was more than its estimated fair value. Accordingly, we took an impairment charge to Primis Bank's goodwill of $11.2 million which is reflected in our noninterest expense for the year ended December 31, 2023.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the goodwill impairment testing as of September 30, 2023 will prove to be an accurate prediction of the future. Changes in assumptions, market data (for market-based assessments), or the discount rate (for income based assessments) could produce different results that lead to higher or lower fair value determinations compared to the results of our annual impairment testing performed as of September 30, 2023. Further, because the use of inputs and assumptions are highly judgmental an analysis performed to assess the fair value of our reporting units by others may results in higher, lower, or the same fair value determination and goodwill impairment decision through the use of their judgment in application of similar inputs and assumptions as we used.

Third-party originated and serviced consumer loan portfolio

In the second half of 2021, we partnered with a third-party (the "Third Party Originator/Servicer" or "TPOS") to originate and service unsecured consumer loans through their proprietary point-of-sale technology (the "Consumer Program"). Loan options under the Consumer

Program include traditional fully-amortizing loans and promotional loans with no interest, or "same-as-cash", features if the loan is fully repaid in the promotional window. The loans are originated at par in the Bank's name and have a term of 5 to reevaluate 12 years with a much shorter effective life due to amortization and pay downs.

The Consumer Program is governed by multiple interrelated agreements including the impact loan agreement between the Bank and the customer and agreements with the TPOS. The structure of the Consumer Program is intended to generate

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loans that yield a targeted return to the Bank on a portfolio basis while also providing limited credit enhancement from the TPOS. Key characteristics of the combined arrangement include:

- The TPOS contributes funds to a reserve account at the time of origination to be used for future charge-offs if necessary.
- When a promotional loan pays off prior to the end of the promotional period, the customer owes no interest on the loan and any interest accrued during the period is waived. In that event, the TPOS reimburses the Bank for the interest the customer otherwise would have paid if the promotional period didn't exist.
- Excess yield on the portfolio after realized charge-offs and above an agreed upon target rate due to the Bank is paid to the TPOS as a "performance fee."
- In the event charge-offs exceed the amount available as a performance fee, the TPOS remits a portion of current period originations to reimburse for losses and, if necessary, releases funds from the reserve account.
- If charge-offs exceed the amounts above, they roll over to future periods to offset potential performance fees and subsequent reserve account fundings related to the portfolio.

Under U.S. GAAP, agreements with multiple counterparties, such as the customer and TPOS, are generally required to be accounted for separately even if the agreements are highly interrelated. As a result, we account for the Consumer Program under multiple units of account with the following impacts:

- The loans are accounted for as one unit of account under U.S. GAAP including revenue recognition and inclusion in our CECL allowance methodology.
    - No interest income is recognized on promotional loans until the expiration of the promotional period. If the customer doesn't pay off the loan prior to that expiration, deferred interest from the beginning of the loan becomes the obligation of the customer and is billed straight-line over the remaining life of the loan. We recognize the accumulated deferred interest at the time of expiration discounted for the time value of money with the discount amortized over the remaining life of the loan.
- The agreement that governs the "performance fee" and interest reimbursement from the TPOS is a separate unit of account and meets the definition of a derivative under U.S. GAAP and is accounted for at fair value in our financial statements. The primary drivers of the derivative value include estimated prepayment activity on promotional loans that would trigger reimbursement from the TPOS to us and estimated excess yield above projected credit losses that would lead to performance fee payments from us to the TPOS. The credit risk of the third-party and discount rates used in the calculation also impact the value of the derivative. Changes in the fair value of the derivative are recorded as gains or losses in noninterest income. Additional details on the inputs to the derivative value can be found in Item 8. Financial Statements and Supplementary Data, Note 5 - Derivatives in this Form 10-K.
- Noninterest income each period includes actual amounts received during the period for interest reimbursement and amounts paid by the TPOS under the limited credit enhancement described above.
- Noninterest expense each period includes actual amounts paid during the period for performance fees and servicing fees as defined in our agreement with the TPOS.

We have $199.3 million of loans outstanding in the Consumer Program, or 6% of our financial condition total gross loan portfolio, as of December 31, 2023. As of December 31, 2023, 45% of the loans were in a promotional period requiring no payment of interest on their loans with 70% of these promotional loan periods ending in the second half of 2024 through the first quarter of 2025. During the year ended December 31, 2023, $10.1 million of promotional loans paid off prior to the end

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of their promotional periods while $4.8 million of promotional loans reached the end of the promotional period and potential impairment of goodwill. entered amortization.

OVERVIEW

Primis Financial Corp. (“Primis,” “we,” “us,” “our” or the “Company”) is the bank holding company for Primis Bank (“Primis Bank” or the “Bank”), a Virginia state-chartered bank which commenced operations on April 14, 2005. Primis Bank provides a range of financial services to individuals and small and medium-sized businesses. At December 31, 2022 December 31, 2023, Primis Bank had thirty-two twenty-four full-service branches in Virginia and Maryland and also provides services to customers through certain online and mobile applications. Thirty Twenty-two full-service retail branches are in Virginia and two full-service retail branches are in Maryland. The Company is headquartered in McLean, Virginia and has an administrative offices office in Tysons Corner, Virginia and Glen Allen, Virginia and an operations center in Atlee, Virginia. Primis Mortgage Company, a residential mortgage lender headquartered in Wilmington, North Carolina, is a consolidated subsidiary of Primis Bank. PFH is a consolidated subsidiary of Primis and owns the rights to the Panacea Financial brand and its intellectual property and partners with the Bank to offer a suite of financial products and services for doctors, their practices, and ultimately the broader healthcare industry.

While Primis Bank offers a wide range of commercial banking services, it focuses on making loans secured primarily by commercial real estate and other types of secured and unsecured commercial loans to small and medium-sized businesses in a number of industries, as well as loans to individuals for a variety of purposes. Primis Bank invests in real estate-related securities, including collateralized mortgage obligations and agency mortgage backed securities. Primis Bank’s principal sources of funds for loans and investing in securities are deposits and, to a lesser extent, borrowings. Primis Bank offers a broad range of deposit products, including checking (NOW), savings, money market accounts and certificates of deposit. Primis Bank actively pursues business relationships by utilizing the business contacts of its senior management, other bank officers and its directors, thereby capitalizing on its knowledge of its local market areas.

FINANCIAL HIGHLIGHTS

- Net income loss attributable to common shareholders for the year ended December 31, 2022 December 31, 2023 totaled $17.7 million $7.8 million, or $0.72 $0.32 per basic and per diluted share, compared to $31.2 million net income of $14.1 million, or $1.28 $0.57 per basic and $1.27 per diluted share for the year ended December 31, 2021 December 31, 2022.
- Total assets as of December 31, 2022 December 31, 2023 were $3.57 billion $3.9 billion, an increase of 4.8% 8.1% compared to December 31, 2021 December 31, 2022.
- Total loans, excluding Paycheck Protection Program (PPP) balances as of December 31, 2022 December 31, 2023, were $2.94 billion $3.2 billion, an increase of $681.6 million $269.7 million, or 30.1% 9.2%, from December 31, 2021 December 31, 2022.

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- Total deposits were $2.72 billion $3.3 billion at December 31, 2022 December 31, 2023, a decrease an increase of 1.5% 20.1% compared to December 31, 2021 December 31, 2022.
- Non-time deposits decreased increased to $2.26 billion $2.8 billion at December 31, 2022 December 31, 2023, a decrease an increase of $145.3 million $566.9 million compared to December 31, 2021 December 31, 2022.

- Non-interest bearing demand deposits increased decreased to $582.6 million $472.9 million, or 21.4% 14.5% of total deposits, at December 31, 2022 December 31, 2023. Time deposits also increased decreased to 13.6% of total deposits at December 31, 2023 compared to 17.1% of total deposits at December 31, 2022.
- The ratio of gross loans to deposits declined to 98.3% at December 31, 2023, from 108.2% at December 31, 2022.
- Cost of deposits increased to 2.49% for the year ended December 31, 2023, compared to 0.49% for the year ended December 31, 2022, compared to 0.48% for the year ended December 31, 2021.
- Return on average assets from continuing operations totaled 0.53% (0.2%) for the year ended December 31, 2022 December 31, 2023, compared to 0.93% 0.43% for the year ended December 31, 2021 December 31, 2022.
- Net interest margin increased decreased to 3.39% 2.68% for the year ended December 31, 2022 December 31, 2023, compared to 3.01% 3.30% for the year ended December 31, 2021 December 31, 2022.
- Provision for credit losses were $32.5 million for the year ended December 31, 2023, compared to $11.3 million for the year ended December 31, 2022, compared to recovery. $20.9 million of credit losses of $5.8 million the provision for the year ended December 31, 2021. December 31, 2023, was related to the Consumer Program loan portfolio.
- Allowance for credit losses to total loans (excluding PPP balances) were 1.62% at December 31, 2023, compared to 1.17% at December 31, 2022,. Excluding the allowance on the Consumer Program loan portfolio the allowance to total loans was 0.99% as of December 31, 2023.

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- Asset quality improved meaningfully from December 31, 2022 with nonperforming assets as a percent of total assets (excluding SBA guarantees) at 0.20% at December 31, 2023 compared to 1.29% 0.98% at December 31, 2021 December 31, 2022.
- Book value per share of $15.98 $15.23 at December 31, 2022 December 31, 2023, representing a decrease of $0.78 $0.53 from December 31, 2021 December 31, 2022 after incurring a net loss of $7.8 million and $0.40 per share in dividends paid over during the last twelve months. year ended December 31, 2023.

RESULTS OF OPERATIONS

Net Income (Loss)

Net loss attributable to common shareholders for the year ended December 31, 2023 was $7.8 million, or $0.32 per basic and diluted share, compared to net income from continuing operations of $14.1 million, or $0.57 per basic and diluted share for the year ended December 31, 2022. The 155.3% decrease in the net income attributable to common shareholders during the year ended December 31, 2023 compared to the year ended December 31, 2022 was $17.7 million, or $0.72 per basic and per diluted share, compared primarily related to $31.0 million, or $1.27 basic and $1.26 diluted earnings per share, for the year ended December 31, 2021. The 42.8% decrease a $11.2 million goodwill impairment charge taken in the net income during third quarter of 2023 and $20.9 million of provision for credit losses on the year ended December 31, 2022 compared to the year ended December 31, 2021 Consumer Program loan portfolio. The decrease was primarily also driven by higher noninterest expenses from an increase in employee compensation and benefits expense due to the growth of Primis Mortgage and the Panacea Financial division of the Bank, higher data processing, and FDIC insurance assessment expense driven by the increase in customer accounts and related transactions on our digital deposit platform. These expenses were partially offset by higher interest income on our loan portfolio due to average loan growth of $600 million along with higher interest rates in 2023, mortgage banking income due to the growth of Primis Mortgage, an increase in interest earned on other earnings assets, and increased derivative gains primarily driven by the increase in the current year. The decrease in net income was also attributable to provision for credit losses in 2022 compared to a recovery of credit losses in 2021 primarily as a result of robust loan growth.

Net income from discontinued operations for the year ended December 31, 2022 was zero, or zero basic and diluted earnings per share, compared to net income from discontinued operation for the year ended December 31, 2021 of $0.23 million, or $0.01 basic and diluted earnings per share. The net income from discontinued operation for the year ended December 31, 2021 was derivative asset related to the closing of the STM transaction in 2021, as discussed in Note 1 - Organization and significant accounting policies. Consumer Program loan portfolio.

Net Interest Income

Our operating results depend primarily on our net interest income, which is the difference between interest and dividend income on interest-earning assets such as loans and investments, and interest expense on interest-bearing liabilities such as deposits and borrowings.

Net interest income was $104.5 million for the year ended December 31, 2022, compared to $94.2 million for the year ended December 31, 2021. Primis' net interest margin for the year ended December 31, 2022 was 3.39%, compared to 3.01% for the year ended December 31, 2021. Net interest margin was impacted heavily by the origination of PPP loans in 2021. Net PPP fee income recognized was $0.3 million for the year ended December 31, 2022 versus $11.7 million for the year ended December 31, 2021. Total income on interest-earning assets was $126.1 million and $113.2 million for the years ended December 31, 2022 and 2021, respectively. The yield on average interest-earning assets was 4.09% and 3.62% for the years ended December 31, 2022 and 2021, respectively. The increase was primarily driven by market conditions. The cost of average interest-bearing deposits increased 4 basis points to 0.64% for the year ended December 31, 2022, compared to 0.60% cost on average interest-bearing deposits for the year ended December 31, 2021. Interest and fees on loans totaled $117.9 million and $107.0 million for the years ended December 31, 2022 and 2021, respectively. The

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accretion of the discount on loans acquired in the acquisitions contributed $0.9 million to net interest income during the year ended December 31, 2022, compared to $2.0 million during the year ended December 31, 2021. The decrease in accretion was due to slowdown in the volume of acquired loan prepayments and payoffs. Average loans during the year ended December 31, 2022 were $2.61 billion compared to $2.34 billion during the year ended December 31, 2021. The Company's loan growth over the past year and the improved asset mix has been the driver of positive movements in both margins and net interest income.

The following table details average balances of interest-earning assets and interest-bearing liabilities, the amount of interest earned/paid on such assets and liabilities, and the yield/rate for the periods indicated:

Average Balance Sheets and Net Interest Analysis For the Year Ended									Average Balance Sheets and Net Interest Margin Analysis For the Year Ended					
December 31, 2022			December 31, 2021			December 31, 2020			December 31, 2023			December 31, 2022		
Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
(Dollar amounts in thousands)														

(Dollar amounts in thousands)

Assets															
Interest-earning assets:															
Loans held for sale	$ 12,722	$ 705	5.54 %	$ -	$ -	- %	$ -	$ -	- %	$ 44,643	$ 2,806	6.29 %	$ 12,722	$ 705	5.54 %
Loans, net of deferred fees (1) (2)	2,592,801	117,162	4.52 %	2,342,802	107,021	4.57 %	2,400,896	$111,647	4.65 %	3,126,717	169,982	5.44 %	2,590,635	114,375	4.41 %
Investment securities	278,162	5,964	2.14 %	224,505	4,440	1.98 %	217,932	4,730	2.17 %	237,452	6,373	2.68 %	278,162	5,964	2.14 %
Other earning assets	200,828	2,243	1.12 %	560,994	1,782	0.32 %	114,275	1,402	1.23 %	281,052	13,457	4.79 %	200,828	2,243	1.12 %
Total earning assets	3,084,513	126,074	4.09 %	3,128,301	113,243	3.62 %	2,733,103	117,779	4.31 %	3,689,864	192,618	5.22 %	3,082,347	123,287	4.00 %
Allowance for credit losses	(30,236)			(33,088)			(20,638)			(35,382)			(30,236)		
Investments in mortgage company - held for sale	—			11,974			12,168								
Total non-earning assets	264,333			261,791			261,505			296,647			264,388		
Total assets	$3,318,610			$3,368,978			$2,986,138			$3,951,129			$3,316,499		
Liabilities and stockholders' equity															
Interest-bearing liabilities:															
NOW and other demand accounts	$ 698,907	$ 2,303	0.33 %	$ 860,482	$ 4,010	0.47 %	$ 481,470	$ 3,505	0.73 %	$ 784,680	$ 15,404	1.96 %	$ 698,907	$ 2,303	0.33 %
Money market accounts	807,330	6,357	0.79 %	726,059	4,246	0.58 %	508,260	4,188	0.82 %	831,196	23,717	2.85 %	807,330	6,357	0.79 %
Savings accounts	224,682	737	0.33 %	208,202	618	0.30 %	167,567	490	0.29 %	777,143	29,774	3.83 %	224,755	737	0.33 %
Time deposits	350,720	3,884	1.11 %	405,670	4,238	1.04 %	645,123	12,149	1.88 %	474,178	14,795	3.12 %	350,720	3,884	1.11 %
Total interest-bearing deposits	2,081,639	13,281	0.64 %	2,200,413	13,112	0.60 %	1,802,420	20,332	1.13 %	2,867,197	83,690	2.92 %	2,081,712	13,281	0.64 %
Borrowings	193,050	8,306	4.30 %	218,955	5,928	2.71 %	358,087	5,807	1.62 %	159,442	10,217	6.41 %	193,050	8,306	4.30 %
Total interest-bearing liabilities	2,274,689	21,587	0.95 %	2,419,368	19,040	0.79 %	2,160,507	26,139	1.21 %	3,026,639	93,907	3.10 %	2,274,762	21,587	0.95 %

Noninterest-bearing liabilities:															
Demand deposits	614,285			522,683			416,249			495,107			614,285		
Other liabilities	23,825			22,358			24,693			35,494			24,285		
Total liabilities	2,912,799			2,964,409			2,601,449			3,557,240			2,913,332		
Stockholders' equity	405,811			404,569			384,689								
Primis common stockholders' equity										393,302			403,167		
Noncontrolling interest										587			—		
Total stockholders' equity										393,889			403,167		
Total liabilities and stockholders' equity	$3,318,610			$3,368,978			$2,986,138			$3,951,129			$3,316,499		
Net interest income		$104,487			$ 94,203			$ 91,640			$ 98,711			$101,700	
Interest rate spread			3.14 %			2.97 %			3.10 %			2.12 %			3.05 %
Net interest margin			3.39 %			3.01 %			3.35 %			2.68 %			3.30 %

(1) Includes loan fees in both interest income and the calculation of the yield on loans.
(2) Calculations include non-accruing loans in average loan amounts outstanding.

Net interest income was $98.7 million for the year ended December 31, 2023, compared to $101.7 million for the year ended December 31, 2022. Primis' net interest margin for the year ended December 31, 2023 was 2.68%, compared to 3.30% for the year ended December 31, 2022. The combination in the industry of rapid increase in deposit account rates and consumer preferences shifting from non-interest bearing to higher rate products impacted interest expense and net interest income during 2023. Total income on interest-earning assets was $192.6 million and $123.3 million for the year ended December 31, 2023 and 2022, respectively, driven by average interest-earning asset growth of $607.5 million. The yield on average interest-earning assets was 5.22% and 4.00% for the year ended December 31, 2023 and 2022, respectively. Increase in yield on average interest-earnings assets was driven by higher rates on cash and loans in 2023 compared to 2022. Net interest margin was further affected by excess cash balances during the first half of the year that are part of average other earning assets but do not contribute meaningfully to net interest income. Beginning on June 30, 2023 we began to sweep that excess cash to other financial institutions by participating in a program that supports our deposit customers desire to obtain maximum insurance coverage on their cash deposits while also allowing us to manage cash balances and interest expense exposure. Average loans during the year ended December 31, 2023 were $3.1 billion, compared to $2.6 billion during the year ended December 31, 2022. The $0.5 billion increase in average loans combined with the 103 basis point increase in yield on the loan portfolio drove the $55.6 million increase in income on loans. The cost of average interest-bearing deposits increased 228 basis points to 2.92% for the year ended December 31, 2023,

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compared to 0.64% for the year ended December 31, 2022 as average interest-bearing liabilities grew approximately $751.9 million and the rates paid on these liabilities grew significantly due to the consistent increases in benchmark interest rates during the year. The increase was driven by higher costs in every interest-bearing category with the largest driver being an increase in average savings deposits of $552.5 million with an average increase in cost of those deposits of 3.50%. This increase was primarily a result of the aforementioned growth of the digital deposit platform and increase in benchmark interest rates.

The following table summarizes changes in net interest income attributable to changes in the volume of interest-earning assets and interest-bearing liabilities compared to changes in interest rates. The change in interest, due to both rate and volume, has been proportionately allocated between rate and volume.

	Year Ended December 31, 2022 vs. 2021			Year Ended December 31, 2021 vs. 2020			Year Ended December 31, 2023 vs. 2022		
	Increase (Decrease) Due to Change in:			Increase (Decrease) Due to Change in:			Increase (Decrease) Due to Change in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in thousands)						(in thousands)		
Interest-earning assets:									
Loans held for sale	$ 705	$ —	$ 705	$ —	$ —	$ —	$ 2,006	$ 95	$ 2,101
Loans, net of deferred fees	11,298	(1,157)	10,141	(2,725)	(1,901)	(4,626)	29,434	26,173	55,607
Investment securities	1,186	338	1,524	105	(395)	(290)	(1,626)	2,035	409
Other earning assets	(150)	611	461	471	(91)	380	1,225	9,989	11,214
Total interest-earning assets	13,039	(208)	12,831	(2,149)	(2,387)	(4,536)	31,039	38,292	69,331
Interest-bearing liabilities:									
NOW and other demand accounts	(641)	(1,066)	(1,707)	943	(438)	505	320	12,781	13,101
Money market accounts	456	1,655	2,111	152	(94)	58	215	17,145	17,360
Savings accounts	54	65	119	111	17	128	5,467	23,570	29,037
Time deposits	(676)	322	(354)	(3,591)	(4,320)	(7,911)	1,783	9,128	10,911
Total interest-bearing deposits	(807)	976	169	(2,385)	(4,835)	(7,220)	7,785	62,624	70,409
Borrowings	(587)	2,965	2,378	(193)	314	121	(1,060)	2,971	1,911
Total interest-bearing liabilities	(1,394)	3,941	2,547	(2,578)	(4,521)	(7,099)	6,726	65,594	72,320
Change in net interest income	$ 14,433	$ (4,149)	$ 10,284	$ 429	$ 2,134	$ 2,563	$24,314	$(27,303)	$ (2,989)

Provision for Credit Losses

The provision for credit losses is a current charge to earnings made in order to adjust the allowance for credit losses to an appropriate level for current expected losses in the loan portfolio based on an evaluation of the loan portfolio characteristics, current economic conditions, changes in the nature and volume of lending, historical loan experience and other known internal and external factors affecting loan collectability. collectability, and assessment of reasonable and supportable forecasts of future economic conditions that would impact collectability of the loans. Our allowance for credit losses is calculated by segmenting the loan portfolio by loan type and applying risk factors to each segment. The risk factors are determined by considering historical loss data, peer data, as well as applying management's judgment.

For the year ended December 31, 2022, the The Company recorded a provision for credit losses of $32.5 million and $11.3 million for the years ended December 31, 2023 and 2022, respectively. The provision included amounts calculated in our normal reserve process for the Consumer Program loans which totaled $29.4 million and $3.0 million during the year ended December 31, 2023 and 2022, respectively. We had charge-offs totaling $16.7 million and $8.1 million during the year ended December 31, 2023 and 2022, respectively. During the year ended December 31, 2023, $8.8 million of charge-offs were related to the Consumer Program and a majority of the remaining charge-offs were related to the resolution of the assisted living relationship that was originally placed on nonaccrual and reserved for in 2022 and which underwent a receiver-managed marketing process that ended in 2023. There were recoveries totaling $1.8 million and $2.2 million during year ended December 31, 2023 and 2022, respectively.

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Our provision for credit losses during 2023 was driven by provisions related to the Consumer Program loan portfolio. This portfolio began to experience higher losses in 2023 compared to 2022, primarily centered around loans originated from the third quarter 2022 through the first quarter of 2023. Losses on these vintages in 2023 was $7.0 million, or 79% of total losses on the Consumer Program loan portfolio in 2023. Higher loss rates continued to be seen on these vintages during 2024 through the date we filed this Form 10-K. As a recovery for result, we updated the credit losses loss experience in our allowance models as of and for the year ended December 31, 2021 of $5.8 million December 31, 2023, primarily as a result of robust on this loan growth. The portfolio to incorporate the continued higher losses seen subsequent to year end which resulted in an additional $18.2 million in provision for credit losses for the year ended December 31, 2020 was $19.5 million. We had charge-offs totaling $8.1 million recorded during 2022, $2.5 million during 2021 and $2.3 million during 2020. There were recoveries totaling $2.2 million during 2022, $1.1 million during 2021 and $0.69 million during 2020. 2023.

The Financial Condition Section of this Management's Discussion and Analysis ("MD&A") provides information on our loan portfolio, past due loans, nonperforming assets and the allowance for credit losses.

Noninterest Income

The following table presents the categories of noninterest income for the years ended December 31, 2023 and 2022 (in thousands):

	For the Year Ended December 31,		
(dollars in thousands)	**2023**	**2022**	**Change**
Account maintenance and deposit service fees	$ 5,733	$ 5,745	$ (12)
Income from bank-owned life insurance	2,021	1,994	27
Mortgage banking income	17,645	5,054	12,591
Gain on other investments	184	4,709	(4,525)
Consumer Program derivative	18,120	65	18,055
Other noninterest income	1,547	785	762
Total noninterest income	$ 45,250	$ 18,352	$ 26,898

Noninterest income increased 147% to $45.3 million for the year ended December 31, 2023, compared to $18.4 million for the year ended December 31, 2022. The increase in noninterest income was primarily related to $12.6 million of higher mortgage banking income and $18.1 million in income on the Consumer Program derivative during the year ended December 31, 2023. The increase in the mortgage banking income is related to a full year of Primis Mortgage's results in 2023 compared to only seven months in 2022 (acquisition date of May 31, 2022), coupled with meaningful growth in the business since the purchase. Mortgage banking income includes fair value adjustments, origination income, and gains on sales of mortgage loans held for sale. Primis Mortgage originated and sold $572.2 million of loans in 2023, compared to only $169.2 million in the seven months of 2022 after the acquisition, which drove the increase in origination income and gains on sales in

2023. The Consumer Program derivative is comprised of $11.3 million of fair value adjustment gains on the derivative asset and $6.8 million of realized gains on the derivative in 2023. The derivative asset and related gains are driven by anticipated cash payments due to us from the third-party when borrowers prepay their loans in a no-interest promotional period. During 2023, the value of the derivative and related gains were driven by the $52.3 million of loans with a no-interest promotional period originated early in the year. The majority of the loans originated with a promotional period will end their promotional period between the third quarter of 2024 and the second quarter of 2025. The realized gains are a result of borrowers paying off their promotional period loans before the end of the promotional period which triggers payment from the derivative counterparty of the interest accrued during the promotional period, which totaled $2.4 million. Also included in the realized income is $4.4 million of income related to the third party's reimbursement under the agreement of credit losses incurred on the loans during the year Additional details of this derivative and the components of the realized income, including assumptions used to value the derivative, are described in the Critical Accounting Estimates and Policies section of this MD&A. The increase in noninterest income was partially offset by gains on the sale of an other equity investment in the prior year that did not reoccur in the current year.

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Noninterest Income

The following tables present the major categories of noninterest income for the years ended December 31, 2022 and 2021 (in thousands):

	For the Year Ended December 31,		
(dollars in thousands)	**2022**	**2021**	**Change**
Account maintenance and deposit service fees	$ 5,745	$ 7,309	$ (1,564)
Income from bank-owned life insurance	1,994	1,687	307
Mortgage banking income	5,054	—	5,054
Gain on debt extinguishment	—	573	(573)
Gain on sale of other investments	4,144	—	4,144
Credit enhancement income	3,042	—	3,042
Other noninterest income	1,349	1,566	(217)
Total noninterest income	$ 21,328	$ 11,135	$ 10,193

Noninterest income increased 91.5% to $21.3 million for the year ended December 31, 2022, compared to $11.1 million for the year ended December 31, 2021. The increase in noninterest income was primarily driven by a $5.1 million increase in mortgage banking income in the current year associated with the Primis Mortgage acquisition in the second quarter of 2022, a $4.1 million gain on sale of other investments, and $3.0 million of credit enhancement income related to third party loan originations. These increases were offset by a decrease of $1.6 million from the previous year period in income on account maintenance and deposit service fees primarily due to a reduction in income from new debit card contracts driven by lower fees and $0.6 million gain on debt extinguishment in 2021.

Noninterest Expense

The following tables table present the major categories of noninterest expense for the years ended December 31, 2022 December 31, 2023 and 2021 2022 (in thousands):

	For the Year Ended December 31,			For the Year Ended December 31,		
(dollars in thousands)	**2022**	**2021**	**Change**	**2023**	**2022**	**Change**
Salaries and benefits	$ 49,005	$ 36,741	$ 12,264	$ 58,765	$49,005	$ 9,760

Occupancy expenses	5,628	5,956	(328)	6,239	5,628	611
Furniture and equipment expenses	5,231	3,622	1,609	6,381	5,231	1,150
Amortization of core deposit intangible	1,325	1,364	(39)	1,269	1,325	(56)
Virginia franchise tax expense	3,254	2,899	355	3,395	3,254	141
FDIC insurance assessment				2,929	890	2,039
Data processing expense	6,013	3,850	2,163	9,545	6,013	3,532
Marketing expense	3,067	1,726	1,341	1,819	3,067	(1,248)
Telephone and communication expense	1,433	1,790	(357)	1,507	1,433	74
Net (gain) loss on other real estate owned	72	87	(15)			
Net loss on bank premises and equipment	684	—	684			
Loss on bank premises and equipment and assets held for sale				476	684	(208)
Professional fees	4,787	5,467	(680)	4,641	4,787	(146)
Credit enhancement costs	1,369	—	1,369			
Miscellaneous lending expenses				3,006	1,710	1,296
Goodwill impairment				11,150	—	11,150
Fraud losses				3,311	108	3,203
Other operating expenses	10,400	7,898	2,502	8,167	8,313	(146)
Total noninterest expenses	$ 92,268	$ 71,400	$ 20,868	$122,600	$91,448	$31,152

Noninterest expenses were $92.3 million $122.6 million during the year ended December 31, 2022 December 31, 2023, compared to $71.4 million $91.4 million during the year ended December 31, 2021 December 31, 2022. The 29.2% 34.1% increase in noninterest expenses was primarily attributable to $11.2 million of goodwill impairment recognized in the third quarter of 2023 and a $12.3 million $9.8 million increase in employee compensation driven by and benefits expense mainly related to increased head count at the Bank that was driven by the Panacea Financial division and Primis Mortgage and Panacea and during the year ended December 31, 2023 compared to 2022. The compensation expense was also higher benefits expense mainly related in part due to expenses associated with the branch closures and consolidations in 2022. 2023.

The increase in noninterest expense during the year ended December 31, 2022 December 31, 2023 compared to 2022 was also driven by due to a $2.2 million $3.5 million increase in data processing expense in 2022 2023 driven by substantially higher technology application volume on the digital deposit platform as a result of a savings account rate promotion offered during 2023 that brought in approximately $1.0 billion of deposits. Increase in noninterest expenses was also attributable to $2.0 million of higher FDIC insurance costs in the current year. Other notable drivers 2023 compared to 2022 attributable to our higher assessment base as a result of the our growth from last year and a 2 basis point increase in the current year include assessment rate by the FDIC starting in the first quarter of 2023. Furniture and equipment expenses increased $1.2 million due to growth in the Bank and Primis Mortgage, and also due to write-downs of assets related to the cost savings initiative and branch consolidations in 2023. Miscellaneous lending expenses was $1.3 million higher and was primarily driven by a $0.9 million increase in servicing costs we pay the third-party that manages the Consumer Program loans which grew from $134.4 million in principal balance of loans at the end of 2022 to $199.3 million at the end of 2023. Finally, we experienced $3.3 million in fraud losses in 2023 primarily related to a substantial increase in deposit account fraud that was not isolated to Primis, but was wide-spread across the industry during the year.

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$1.3 million of higher marketing and advertising costs tied to the digital bank launch and V1BE adoption campaigns and $1.4 million of credit enhancement costs related to third party loan originations. Occupancy and furniture and equipment expenses increased $1.3 million during the year ended December 31, 2022 compared to year ended December 31, 2021. Professional fees decreased $0.7 million in 2022 compared to

2021 due to increased consulting fees and legal expenses in 2021 largely related to the STM transaction and from increased recruiter fees for management and Life Premium hires.

FINANCIAL CONDITION

Balance Sheet Overview

Total assets were $3.57 billionThe following illustrates key balance sheet categories as of December 31, 2022December 31, 2023 and $3.40 billion as of December 31, 2021. Total cash and cash equivalents were $77.9 million as of December 31, 2022 and $530.2 million as of December 31, 2021. Investment securities decreased from $294.3 million as of December 31, 2021 to $249.8 million as of December 31, 2022. Total loans increased 26.0%, from $2.34 billion at December 31, 2021 to $2.95 billion at December 31, 2022. Excluding PPP loans, loans outstanding increased $681 million, or 30.1%, since December 31, 2021. Total deposits were $2.72 billion at December 31, 2022, compared to $2.76 billion at December 31, 2021 and total equity was $394.4 million and $411.9 million at December 31, 2022 and December 31, 2021, respectively. 2022 (in thousands):

	December 31, 2023	December 31, 2022	Change
Total cash and cash equivalents	$ 77,553	$ 77,859	$ (306)
Securities available-for-sale	228,420	236,315	(7,895)
Securities held-to-maturity	11,650	13,520	(1,870)
Loans held for sale	57,691	27,626	30,065
Net loans	3,167,205	2,912,093	255,112
Other assets	314,027	299,251	14,776
Total assets	$ 3,856,546	$ 3,566,664	$ 289,882
Total deposits	$ 3,270,155	$ 2,722,467	$ 547,688
Borrowings	149,032	426,757	(277,725)
Other liabilities	39,766	28,472	11,294
Total liabilities	3,458,953	3,177,696	281,257
Total equity	397,593	388,968	8,625
Total liabilities and equity	$ 3,856,546	$ 3,566,664	$ 289,882

Stockholder's equity balances decreased $27.0 million from December 31, 2021 to December 31, 2022 as a result of unrealized mark-to-market adjustments on the Company's available-for-sale securities portfolio due to dramatic increases in market interest rates during 2022. The Company expects to hold these securities until maturity or recovery of the value and does not anticipate realizing any losses on the investments.

Loans

Total loans were $2.95 billion$3.2 billion and $2.34 billion at December 31, 2022$2.9 billion as of December 31, 2023 and 2021,2022, respectively. PPP loans totaled $2.0 million and $4.6 million at December 31, 2023 and $77.0 million at December 31, 2022 and 2021,2022, respectively. Excluding PPP loans, loans outstanding increased $681.6 million$269.7 million, or 30.1%9.2%, since December 31, 2021December 31, 2022.

As of December 31, 2022December 31, 2023 and 2021,2022, a majority of our loans were to customers located in Virginia and Maryland. We are not dependent on any single customer or group of customers whose insolvency would have a material adverse effect on our operations. Our loan portfolio grew 9% in 2023 which included declines in real estate secured loans and increases in commercial and consumer loans. The consumer loan growth was primarily driven by the increase in life insurance premium finance loans followed by originations fromthe third party managed portfolio during 2023. The increase in commercial loans was driven primarily by $30.5 million of commercial loan growth in our Panacea Financial division. These loans are diversified geographically and are spread across the nation.

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The following table summarizes the composition of our loans net held for investment portfolio consisted of unearned income, the following at December 31 for the years indicated December 31, 2023 and 2022 (in thousands):

	December 31, 2022		December 31, 2021		December 31, 2023		December 31, 2022	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Loans secured by real estate:								
Commercial real estate - owner occupied	$ 459,866	15.6 %	$ 387,703	16.6 %	$ 455,397	14.1 %	$ 459,866	15.6 %
Commercial real estate - non-owner occupied	579,733	19.7 %	588,000	25.1 %	578,600	18.0 %	579,733	19.7 %
Secured by farmland	7,116	0.2 %	8,612	0.4 %	5,044	0.2 %	5,970	0.2 %
Construction and land development	148,690	5.0 %	121,444	5.2 %	164,742	5.1 %	148,690	5.0 %
Residential 1-4 family	609,694	20.7 %	547,560	23.4 %	606,226	18.8 %	609,694	20.7 %
Multi- family residential	140,321	4.8 %	164,071	7.0 %	127,857	4.0 %	140,321	4.8 %
Home equity lines of credit	65,152	2.2 %	73,846	3.2 %	59,670	1.9 %	65,152	2.2 %
Total real estate loans	2,010,572	68.2 %	1,891,236	80.8 %	1,997,536	62.0 %	2,009,426	68.2 %
Commercial loans	521,794	17.7 %	301,980	12.9 %	602,623	18.7 %	520,741	17.7 %
Paycheck protection program loans	4,564	0.2 %	77,319	3.3 %	2,023	0.1 %	4,564	0.2 %
Consumer loans	405,278	13.7 %	60,996	2.6 %	611,583	19.0 %	405,278	13.8 %
Total Non-PCD loans	2,942,208	99.8 %	2,331,531	99.6 %	3,213,765	99.8 %	2,940,009	99.8 %
PCD loans	6,628	0.2 %	8,455	0.4 %	5,649	0.2 %	6,628	0.2 %
Total loans	$ 2,948,836	100.0 %	$ 2,339,986	100.0 %	$3,219,414	100.0 %	$2,946,637	100.0 %

The following table sets forth the contractual maturity ranges of our loan portfolio and the amount of those loans with fixed and floating interest rates in each maturity range as of December 31, 2022 December 31, 2023 (in thousands):

		After 1 Year Through 5 Years		After 5 Years Through 15 Years		After 15 Years				After 1 Year Through 5 Years		After 5 Years Through 15 Years		Af
	One Year or Less	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Total	One Year or Less	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Fixe Rate
Loans secured by real estate:														
Commercial real estate - owner occupied	$ 34,800	$117,967	$ 17,465	$ 98,737	$117,744	$ 2,358	$ 70,795	$ 459,866	$ 26,048	$108,268	$ 26,771	$119,065	$112,586	$ 2,27
Commercial real estate - non-owner occupied	31,041	182,609	21,779	60,703	57,280	1,403	224,918	579,733	35,094	206,689	39,687	51,404	66,762	11,12
Secured by farmland	2,474	1,633	40	435	1,162	—	1,372	7,116	1,718	807	158	226	828	48
Construction and land development	107,310	25,633	9,815	36	3,543	689	1,664	148,690	116,510	19,907	16,140	48	6,486	67

Residential 1-4 family	16,761	57,501	5,105	29,512	52,879	76,171	371,765	609,694	18,655	45,233	8,756	26,771	53,331	71,03
Multi- family residential	7,208	60,057	18,776	7,186	19,168	—	27,926	140,321	7,738	68,788	6,489	—	18,277	-
Home equity lines of credit	8,766	1,226	12,608	—	6,606	—	35,946	65,152	4,792	3,270	9,643	48	2,321	1
Total real estate loans	208,360	446,626	85,588	196,609	258,382	80,621	734,386	2,010,572	210,555	452,962	107,644	197,562	260,591	85,59
Commercial loans	158,759	93,072	81,054	146,303	38,594	1,144	2,868	521,794	87,640	140,719	111,367	208,425	50,584	1,10
Paycheck protection program loans	1,285	3,066	—	213	—	—	—	4,564	24	1,811	—	188	—	-
Consumer loans	2,014	203,095	50,924	87,213	59,485	2,542	5	405,278	2,582	278,797	149,554	87,169	91,386	2,08
Total Non-PCD loans	370,418	745,859	217,566	430,338	356,461	84,307	737,259	2,942,208	300,801	874,289	368,565	493,344	402,561	88,79
PCD loans	3,176	1,370	12	—	1,524	403	143	6,628	2,726	1,303	—	—	1,227	39
Total loans	$373,594	$747,229	$217,578	$430,338	$357,985	$84,710	$737,402	$2,948,836	$303,527	$875,592	$368,565	$493,344	$403,788	$89,18

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The following table sets forth the contractual maturity ranges of our Consumer Program loan portfolio as of December 31, 2023, which is only originated at fixed rates (in thousands):

	One Year or Less	After One Year to Five Years	After Five Through Ten Years	After Ten Years	Total
Consumer Program Loans	$ 611	$ 135,263	$ 55,887	$ 7,511	$ 199,272

The following table describes the period over which our Consumer Program loans that are currently in a no interest promotional period will exit that promotional period and begin to amortize. All of these promotional loans amortize over four years from the date they exit the promotional period if not prepaid before the end of the promotional period (in thousands):

	Amount ending No Interest Promo Period in next 12 months	Amount ending No Interest Promo Period in next 13-24 months	Total No Interest promo as of 12/31/23
Consumer Program Loans	$ 53,300	$ 36,097	$ 89,397

During the year ended December 31, 2023, $6.0 million of loans ended their no interest promo period and began to amortize and $3.9 million of these loans charged-off during the year after beginning to amortize.

Asset Quality; Past Due Loans and Nonperforming Assets

The following table presents a comparison of nonperforming assets for the years indicated (in thousands):

	December 31, 2023	December 31, 2022
Nonaccrual loans	$ 9,095	$ 35,484
Loans past due 90 days and accruing interest	1,714	3,361
Total nonperforming assets	10,809	38,845
SBA guaranteed amounts included in nonperforming loans	$ 3,115	$ 3,969
Allowance for credit losses to total loans	1.62 %	1.17 %
Allowance for credit losses to nonaccrual loans	574.06 %	97.35 %
Allowance for credit losses to nonperforming loans	483.04 %	88.93 %
Nonaccrual to total loans	0.28 %	1.20 %
Nonperforming assets excluding SBA guaranteed loans to total assets	0.20 %	0.98 %

Asset quality remained good improved significantly during 2022, despite an increase in classified balances, which was largely due to a downgrade 2023 on the core loan portfolio excluding the Consumer Program, as we successfully resolved many of one secured relationship, recognizing anticipated loss the prior year's nonperforming assets primarily through the sale of collateral. A substantial portion of the Bank's nonperforming assets in the fourth prior year comprised of two relationships with a combined balance of approximately $27.0 million. A large residential property with a balance of approximately $8.0 million included in that total was sold in the second quarter of 2022. While the impact of COVID-19 subsided, the residual effect of COVID-19 and its variants, as well as new risks emerging from geopolitical conflict, inflation 2023 and the threat other relationship, primarily consisting of recession continue assisted living facilities with a book balance of $19.0 million, was sold at the end of a receiver-managed marketing process in the third quarter of 2023.

We identify potential problem loans based on loan portfolio credit quality. We define our potential problem loans as internally rated as substandard loans less total nonperforming assets noted above. At December 31, 2023, our potential problem loans totaled $6.4 million. As of December 31, 2023, our total substandard loans were $17.2 million, compared to cause economic instability $41.0 million at December 31, 2022, a 58% decline. Loans rated internally as special mention loans, which is one internal credit rating higher than substandard, totaled $14.9 million as of December 31, 2023 and uncertainty in evaluating the impact on our asset quality. $32.3 million as of December 31, 2022.

We will generally place a loan on nonaccrual status when it becomes 90 days past due. Loans will also be placed on nonaccrual status in cases where we are uncertain whether the borrower can satisfy the contractual terms of the loan

terms of the loan agreement. Cash payments received while a loan is categorized as nonaccrual will be recorded as a reduction of principal as long as doubt exists as to future collections.

We maintain appraisals on loans secured by real estate, particularly those categorized as nonperforming loans and potential problem loans. In instances where appraisals reflect reduced collateral values, we make an evaluation of the borrower's overall financial condition to determine the need, if any, for impairment or write-down to their fair values. If foreclosure occurs, we record OREO at the lower of our recorded investment in the loan or fair value less our estimated costs to sell.

Our loan portfolio losses and delinquencies have been primarily limited by our underwriting standards and portfolio management practices. Whether losses and delinquencies in our portfolio will increase significantly depends upon the value of the real estate securing the loans and economic factors, such as the overall economy, in our market area, rising or elevated interest rates, historically high or persistent inflation, global supply chain issues and potential recession. recessionary concerns.

Calculated reserves (prior to qualitative adjustments) increased at We originate a portion of our consumer loans (the Consumer Program) using a third party that sources and subsequently manages the end portfolio of December 31, 2022 compared to December 31, 2021, primarily due to a growth in unguaranteed loan balances, coupled with worsened economic forecasts, specifically in the House Price Index and Gross State Product factors. At December 31, 2022 loans. As of December 31, 2023, the qualitative reserve decreased $2.5 million from the qualitative reserve applied at December 31, 2021 principal balance outstanding was $199.3 million. This decrease in qualitative reserves observed in 2022 is attributed These loans are accounted for similar to adjustments to the qualitative reserve framework's thresholds our other consumer loans and key risk indicators as part are not placed on nonaccrual because they are charged off when they become 90 days past due. The allowance on this portfolio of the annual model refresh.

The following table presents a comparison of nonperforming assets loans was $22.4 million as of December 31, for the years indicated (in thousands):

	December 31, 2022	December 31, 2021
Nonaccrual loans	$ 35,484	$ 15,029
Loans past due 90 days and accruing interest	3,361	283
Total nonperforming loans	38,845	15,312
Other real estate owned	—	1,163
Total nonperforming assets	$ 38,845	$ 16,475
Troubled debt restructurings	$ 3,599	$ 3,401
SBA guaranteed amounts included in nonperforming loans	$ 3,969	$ 1,388
Allowance for credit losses to total loans	1.17 %	1.24 %
Allowance for credit losses to nonaccrual loans	97.35 %	193.66 %
Allowance for credit losses to nonperforming loans	88.93 %	190.09 %
Nonaccrual to total loans	1.20 %	0.64 %
Nonperforming assets excluding SBA guaranteed loans to total assets	0.98 %	0.44 %

OREO at December 31, 2022 was zero, compared to $1.2 million at December 31, 2021. The decrease was primarily driven by sale of properties December 31, 2023 and write-downs on OREO during 2022.

Nonaccrual loans were $35.5 million (excluding $0.6 million of loans fully covered by SBA guarantees) at December 31, 2022, compared to 15.0 million (excluding $1.1 million of loans fully covered by SBA guarantees) at December 31, 2021, an increase of 136.1%. These increases were driven largely by one relationship that was criticized in the second quarter of 2022 and was subsequently downgraded further in the third quarter of 2022 and placed on nonaccrual. The primary businesses in the relationship are multiple assisted living facilities. Management has a receiver appointed by the court ahead of an anticipated foreclosure and aggressively valued the properties for that sale. Provisions associated with this single borrower in the fourth quarter of 2022 were approximately $5.0 million. The ratio of nonperforming assets (excluding the SBA guaranteed loans) to total assets was 0.98% and 0.44% at December 31, 2022 and 2021, respectively.

At December 31, 2022, our total substandard loans was $41.0 million. Included in the total substandard loans were SBA guarantees of $0.8 million. Special mention loans totaled $32.3 million at December 31, 2022.

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As of December 31, 2022, there were eighteen TDR loans in the amount of $3.6 million. There have been no defaults of TDRs modified during the past twelve months.

We identify potential problem loans based on loan portfolio credit quality. We define our potential problem loans as our substandard loans less total nonperforming loans noted above. At December 31, 2022, our potential problem loans totaled $2.2 million.

Allowance for Credit Losses

We are very focused on the asset quality represented 43% of our loan portfolio, both before and after a loan is made. We have established underwriting standards that we believe are effective in maintaining high credit quality in our loan portfolio. We have experienced loan officers who take personal responsibility for the loans they originate, a skilled underwriting team and highly qualified credit officers that review each loan application carefully. We have designed a credit matrix, which requires dual authority to approve any credit over $2.5 million. We have two specialty Executive Credit Officers with extensive industry experience in medical practice and life premium credit financing with authority up to $4.0 million and joint authority with the Chief Credit Officer up to $10.0 million. All credit exposures over $10.0 million are reviewed and approved by Executive Loan Committee consisting of all named Credit Officers with concurrence from the Chief Executive Officer on any credit in excess of $25.0 million. Loans in excess of 60% of the Bank's legal lending limit are approved by the full Board of Directors or two outside directors.

Our total allowance for credit losses is established through charges losses. Net charge-offs on this portfolio were $8.4 million in 2023 and represented approximately 57% of net charge-offs recorded for the year. The Company tightened its origination criteria in regard to earnings this portfolio in April of 2023 and from that point forward we generally originated loans to consumer borrowers being managed by the form third party with FICO scores over 720, whereas prior period loan production included approximately 40% of a provision loans to borrowers with weaker credit scores. This older vintage lower credit score portion of the portfolio has driven the uptick in related charge-offs in 2023 which continued into 2024 and necessitated the update of the Company's expected loss rates on this portfolio for credit losses. Management evaluates the allowance at least quarterly. In addition, on a quarterly basis our board purposes of directors reviews our loan portfolio, evaluates credit quality, reviews the loan loss provision and determining the allowance for credit losses and makes changes as may be required. In evaluating discussed in the allowance, management and the board Provision for Credit Losses section of directors consider the growth, composition and industry diversification this MD&A. The newer production represented approximately 19% of the loan portfolio historical loan loss experience, current delinquency levels at December 31, 2023 and all other known factors affecting loan collectability.

The allowance for credit losses is based on expected to improve the CECL methodology and represents management's estimate of an amount appropriate to provide for expected credit losses in the loan portfolio in the normal course of business. This estimate is based on historical credit loss information adjusted for current conditions and reasonable and supportable forecasts applied to various loan types that compose our portfolio, including the effects of known factors such as the economic environment within our market area will have on net losses. The allowance is also subject to regulatory examinations and determination by the regulatory agencies as to the appropriate level quality mix of the allowance. portfolio and result in lower realized net charge-offs in future periods.

Loan Review

Our loan review program is administrated by the Chief Risk Officer and the Loan Review Manager who reports the results directly to the Audit Committee of the Board of Directors. In 2022, 2023, the Loan Review Program performed loan review program resulted in reviews on loan balances totaling $894.8 million $936.1 million or 56.0% 47.5% of the commercial loan portfolio outstanding as of December 31, 2021 December 31, 2022. Internal Overall, the loan review program resulted in loan reviews performed reviews on loans totaling 17.9%, 30.0% of the commercial portfolio by our internal loan review function and 17.5% by an independent third party consultant performed reviews on 38.1% of this portfolio and $94.9 million consultant. The loan review program also reviewed $96.0 million in unfunded commitments.

Primis Bank's 2023 Loan Review Program 2024 loan review program (the "Program") was approved by the Audit Committee on January 26, 2023 January 25, 2024. The Program's annual goal is to have an overall review penetration rate of at least 50% 45.0% - 50.0% of the Commercial Loan Portfolio commercial loan portfolio outstanding as of December 31, 2022 December 31, 2023. The Program incorporates a robust risk-based approach review of the Bank's Loan Portfolio loan portfolio that will include the loan origination process and targeted portfolio and full-scope loan reviews. The Program's review goal remains well within regulatory standards and industry best practices. In accordance with Credit Policy, the Bank's Loan Review Program will utilize and incorporate both internal and 3rd party third-party external resources in a complementary fashion to achieve the objectives of the Program.

Allowance for Credit Losses

We are very focused on the asset quality of our loan portfolio, both before and after a loan is made. We have established underwriting standards that we believe are effective in maintaining high credit quality in our loan portfolio. We have experienced loan officers who take personal responsibility for the loans they originate, a skilled underwriting team and highly qualified credit officers that review each loan application carefully. We have designed a credit matrix, which requires dual authority to approve any credit over $5.0 million. We have two specialty Executive Credit Officers with extensive industry experience in medical practice and life premium credit financing with authority up to $7.5 million and

joint authority with the Chief Credit Officer up to $10.0 million. All credit exposures over $10.0 million are reviewed and approved by Executive Loan Committee consisting of all named Credit Officers with concurrence from the Chief Executive Officer on any credit in excess of $25.0 million. Loans in excess of 60% of the Bank's legal lending limit are approved by the full Board of Directors or two outside directors.

Our allowance for credit losses is established through charges to earnings in the form of a provision for credit losses. Management evaluates the allowance at least quarterly. In addition, on a quarterly basis our board of directors reviews our loan portfolio, evaluates credit quality, reviews the loan loss provision and the allowance for credit losses and requests management to make changes as may be required. In evaluating the allowance, management and the board of directors consider the growth, composition and industry diversification of the loan portfolio, historical loan loss experience, current delinquency levels and all other known factors affecting loan collectability.

The allowance for credit losses is based on the CECL methodology and represents management's estimate of an amount appropriate to provide for expected credit losses in the loan portfolio. This estimate is based on historical credit loss information adjusted for current conditions and reasonable and supportable forecasts applied to various loan types that compose our portfolio, including the effects of known factors such as the economic environment within our market area will have on net losses. The allowance is also subject to regulatory examinations and determination by the regulatory agencies as to the appropriate level of the allowance.

Total calculated reserves increased by $17.7 million to $52.2 million as of December 31, 2023, primarily due to modeled reserves on the Consumer Program portfolio described above. Allowance for credit losses on the Consumer Program loans was $22.4 million and $1.4 million as of December 31, 2023 and 2022. Excluding the allowances each period on this portfolio, the allowance for credit losses would have declined $3.3 million, due to lower allowances on individually evaluated loans, lower default expectations observed in the models which resulted from our annual review and refinements to model, and improved economic forecasts, specifically in the House Price Index and Gross State Product factors, partially offset by the overall loan growth experienced in 2023.

The following table sets forth the allowance for credit losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated (in thousands):

	As of December 31,				As of December 31,			
	2022		2021		2023		2022	
	Allowance for Credit Losses	Percent of Loans by Category to Total Loans	Allowance for Loan Losses	Percent of Loans by Category to Total Loans	Allowance for Credit Losses	Percent of Loans by Category to Total Loans	Allowance for Loan Losses	Percent of Loans by Category to Total Loans
Commercial real estate - owner occupied	$ 5,558	15.6 %	$ 4,562	16.6 %	$ 4,255	14.1 %	$ 5,558	15.6 %
Commercial real estate - non-owner occupied	7,147	19.7 %	9,028	25.1 %	5,822	18.0 %	7,147	19.7 %
Secured by farmland	25	0.2 %	56	0.4 %	31	0.2 %	25	0.2 %
Construction and land development	1,373	5.0 %	998	5.2 %	1,129	5.1 %	1,373	5.0 %
Residential 1-4 family	4,091	20.7 %	3,588	23.4 %	4,938	18.8 %	4,091	20.7 %
Multi- family residential	2,201	4.8 %	3,280	7.0 %	1,590	4.0 %	2,201	4.8 %
Home equity lines of credit	329	2.2 %	437	3.2 %	364	1.9 %	329	2.2 %
Commercial loans	7,853	17.7 %	4,088	12.9 %	6,320	18.7 %	7,853	17.7 %
Paycheck Protection Program loans	—	0.2 %	—	3.3 %	—	0.1 %	—	0.2 %
Consumer loans	3,895	13.7 %	787	2.6 %	26,088	19.0 %	3,895	13.7 %
PCD loans	2,072	0.2 %	2,281	0.4 %	1,672	0.2 %	2,072	0.2 %
Total	34,544	100.0 %	29,105	100.0 %	52,209	100.0 %	34,544	100.0 %
Allowance for acquired loans	—		—					
Total allocated allowance	34,544		29,105					
Unallocated allowance	—		—					
Total	$ 34,544		$ 29,105					

The following table presents an analysis of the allowance for credit losses for the periods indicated (in thousands):

	For the Years Ended December 31,		For the Years Ended December 31,	
	2022	2021	2023	2022
Balance, beginning of period	$ 29,105	$ 36,345	$ 34,544	$ 29,105
Provision charged to operations:				
Adoption of ASC 326	—	—		
Total provisions (recovery)	11,271	(5,801)		
Total provisions			32,540	11,271
Recoveries credited to allowance:				
Commercial real estate - non-owner occupied	502	—	110	502
Construction and land development			112	—
Residential 1-4 family	59	11	164	59
Home equity lines of credit	3	2	5	3
Commercial loans	1,638	1,005	948	1,638
Consumer loans	35	39	480	35
Total recoveries	2,237	1,057	1,819	2,237
Loans charged off:				
Commercial real estate - owner occupied	14	176	—	14
Commercial real estate - non-owner occupied	5,027	—	1,170	5,027
Construction and land development			2	—
Residential 1-4 family	—	469	770	—
Home equity lines of credit	14	—	32	14
Commercial loans	1,040	1,706	2,854	1,040
Consumer loans	1,974	145	11,866	1,974
Total loans charged-off	8,069	2,496	16,694	8,069

Net charge-offs	5,832	1,439	14,875	5,832
Balance, end of period	$ 34,544	$ 29,105	$ 52,209	$ 34,544
Net charge-offs to average loans, net of unearned income	0.22 %	0.07 %	0.45 %	0.22 %

We believe that the allowance for credit losses at December 31, 2022 December 31, 2023 is sufficient to absorb probable incurred future expected credit losses in our loan portfolio based on our assessment of all known factors affecting the collectability of our loan portfolio.

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Our assessment involves uncertainty and judgment; therefore, the adequacy of the allowance for credit losses cannot be determined with precision and may be subject to change in future periods. In addition, bank regulatory authorities, as part

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of their periodic examination, may require additional charges to the provision for credit losses in future periods if the results of their reviews warrant additions to the allowance for credit losses.

Net charge-offs were $14.9 million for the year ended December 31, 2023, up from $5.8 million for the year ended December 31, 2022. Included in net charge-offs is $8.4 million and $1.5 million for the years ended December 31, 2023 and 2022, respectively, related to the Consumer Program loan portfolio. Excluding these Consumer Program charge-offs we had an increase from the prior year of $2.2 million primarily related to disposition of certain nonperforming loans from December 31, 2022 that could not be collected.

As discussed previously, the increase in charge-offs on the Consumer Program loan portfolio have been driven by losses concentrated in loans originated between the third quarter of 2022 and the first quarter of 2023. Charge-offs from these vintages in 2023 were 79% of the total gross charge-offs in this portfolio of consumer loans. The charge-off percentage as compared with total loans originated in the third quarter of 2022, fourth quarter of 2022, and first quarter of 2023 was 6.9%, up 4.3%, and 3.0%, respectively. We continued to see similar levels of losses on these vintages from $1.4 million year end through the time we filed this Form 10-K and as a result we updated our loss rates on the third-party portfolio as of and for the year ended December 31, 2021. Increase December 31, 2023 which added an additional $18.2 million in net charge-offs were primarily provision and reserve during this period. The TPOS provides limited credit enhancement through certain direct payments and the release of funds from a reserve account. These amounts are recognized in our results of operations in the period in which they become available to us. During 2023, we recognized $4.4 million in our results of operations related to an impaired relationship this credit enhancement. See additional discussion of the credit enhancement in the fourth quarter of 2022. Critical Accounting Estimates and Policies in this MD&A.

Investment Securities

Our investment securities portfolio provides us with required liquidity and investment securities collateral to pledge as collateral to secure public deposits, certain other deposits, advances from the FHLB of Atlanta, and repurchase agreements.

Our investment securities portfolio is managed by our Treasurer, who has significant experience in this area, with the concurrence of our Asset/Liability Committee. In addition to our Treasurer (who is the chairman of the Asset/Liability Committee) and our Controller, this committee is comprised of outside directors and other senior officers of the Bank, including but not limited to our Chief Executive Officer and our Chief Financial Officer. Investment management is performed in accordance with our investment policy, which is approved annually by the Board of Directors. Our investment policy authorizes us to invest in:

- Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC") residential mortgage-backed securities ("MBS") and commercial mortgage backed securities ("CMBS")
- Collateralized mortgage obligations
- U.S. Treasury securities
- SBA guaranteed loan pools
- Agency securities
- Obligations of states and political subdivisions
- Corporate debt securities, with rated securities at investment grade
- Collateralized Loan Obligations ("CLOs")

MBS are securities that have been developed by pooling a number of real estate mortgages and which are principally issued by agency/government-sponsored entities ("GSEs") such as the GNMA, FNMA and FHLMC. These securities are deemed to have high credit ratings, and minimum regular monthly cash flows of principal and interest are guaranteed by the issuing agencies.

Collateralized mortgage obligations ("CMOs") are bonds that are backed by pools of mortgages. The pools can be GNMA, FNMA or FHLMC pools or they can be private-label pools. The CMOs are designed so that the mortgage collateral will generate a cash flow sufficient to provide for the timely repayment of the bonds. The mortgage collateral

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pool can be structured to accommodate various desired bond repayment schedules, provided that the collateral cash flow is adequate to meet scheduled bond payments. This is accomplished by dividing the bonds into classes to which payments on the underlying mortgage pools are allocated. The bond's cash flow, for example, can be dedicated to one class of bondholders at a time, thereby increasing call protection to bondholders. In private-label CMOs, losses on underlying mortgages are directed to the most junior of all classes and then to the classes above in order of increasing seniority, which means that the senior classes have enough credit protection to be given the highest credit rating by the rating agencies.

Obligations of states and political subdivisions (municipal securities) are purchased with consideration of the current tax position of the Bank. Both taxable and tax-exempt municipal bonds may be purchased, but only after careful assessment of the market risk of the security. Appropriate credit evaluation must be performed prior to purchasing municipal bonds.

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Primis' corporate Corporate bonds consist of senior and/or subordinated notes issued by banks. Bank subordinated debt, if rated, must be of investment grade and non-rated bonds are permissible if the credit-worthiness of the issuer has been properly analyzed.

CLOs are actively managed securitization vehicles formed for the purpose of acquiring and managing a diversified portfolio of senior secured corporate bank loans, otherwise known as “broadly syndicated loans”. The loan portfolio is transferred to bankruptcy-remote special-purpose vehicle, which finances the acquisition through the issuance of various classes of debt and equity securities with varying levels of senior claim on the underlying loan portfolio. CLOs must be rated AA or better at the time of purchase.

We classify our investment securities as either held-to-maturity or available-for-sale. Debt investment securities that Primis has the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at amortized cost. Investment securities classified as available-for-sale are those debt securities that may be sold in response to changes in interest rates, liquidity needs or other similar factors. Investment securities available-for-sale are carried at fair value, with unrealized gains or losses net of deferred taxes, included in accumulated other comprehensive income (loss) in stockholders' equity. Investment securities totaling $13.5 million were in the held-to-maturity Our portfolio at December 31, 2022, compared to $22.9 million at December 31, 2021. Investment securities totaling $236.3 million were in the available-for-sale portfolio at December 31, 2022, compared to $271.3 million at December 31, 2021. During 2022 and 2021, $37.4 million and $160.5 million, respectively, of available-for-sale investment securities were purchased. No held-to-maturity investments were purchased currently contains a material amount of unrealized mark-to-market adjustments due to increases in 2022 market interest rates since the original purchase of many of these securities. We intend to hold these securities until maturity or 2021. No investment securities were sold during 2022 or 2021. recovery of the value and do not anticipate realizing any losses on the investments.

Investment securities, in our portfolio available-for-sale and held-to-maturity, totaled $240.1 million as of December 31, 2022 were December 31, 2023, a decrease of 3.9% from $249.8 million as follows: of December 31, 2022, primarily due to paydowns, maturities, and calls of the investments during the year.

- agency commercial mortgage-backed securities in the amount of $113.4 million;
- corporate bonds in the amount of $14.8 million;
- collateralized loan obligations of $4.9 million;
- residential government-sponsored collateralized mortgage obligations in the amount of $26.9 million;
- callable agency securities in the amount of $14.6 million;
- commercial mortgage-backed securities in the amount of $37.4 million;
- SBA loan pool securities in the amount of $5.98 million; and
- municipal bonds in the amount of $36.8 million (fair value of $31.9 million) with a taxable equivalent yield of 2.56%

For additional information regarding We recognized an immaterial amount of credit impairment charges related to credit losses on our held-to-maturity investment securities refer to “Item 8. Financial Statements during 2023 and Supplementary Data, Note 3-Investment Securities.” no credit losses during 2022.

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The following table sets forth a summary of the investment securities portfolio as of the dates indicated. Available-for-sale investment securities are reported at fair value, and held-to-maturity investment securities are reported at amortized cost (in thousands).

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Available-for-sale investment securities:				
Residential government-sponsored mortgage-backed securities	$ 102,881	$ 122,610	$ 96,808	$ 102,881
Obligations of states and political subdivisions	29,178	31,231	30,080	29,178
Corporate securities	14,828	13,685	14,048	14,828
Collateralized loan obligations	4,876	5,010	4,982	4,876

Residential government-sponsored collateralized mortgage obligations	26,595	19,807	34,471	26,595
Government-sponsored agency securities	14,616	17,488	13,711	14,616
Agency commercial mortgage-backed securities	37,417	52,667	30,110	37,417
SBA pool securities	5,924	8,834	4,210	5,924
Total	$ 236,315	$ 271,332	$ 228,420	$ 236,315
Held-to-maturity investment securities:				
Residential government-sponsored mortgage-backed securities	$ 10,522	$ 13,616	$ 9,040	$ 10,522
Obligations of states and political subdivisions	2,721	3,805	2,391	2,721
Residential government-sponsored collateralized mortgage obligations	277	519	219	277
Government-sponsored agency securities	—	5,000		
Total	$ 13,520	$ 22,940	$ 11,650	$ 13,520

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The following table sets forth the amortized cost, fair value, and weighted average yield of our investment securities by contractual maturity at December 31, 2022 December 31, 2023. Weighted average yield is calculated as the tax-equivalent yield on a pro rata basis for each security based on its relative amortized cost. Yields on tax-exempt securities have been computed on a tax-equivalent basis. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands).

	Investment Securities Available-for-Sale			Investment Securities Available-for-Sale		
	Amortized Cost	Fair Value	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
Obligations of states and political subdivisions						
Due after one year through five years	$ 3,152	$ 3,038	2.98 %	$ 3,132	$ 3,056	2.99 %
Due after five years through ten years	15,200	12,809	2.16 %	17,859	15,502	2.18 %
Due after ten years	15,751	13,331	2.12 %	12,810	11,522	2.13 %
	34,103	29,178	2.21 %	33,801	30,080	2.23 %
Collateralized loan obligations						
Due after ten years	5,022	4,876	5.87 %	5,018	4,982	6.77 %
Corporate securities						
Due after five years through ten years	14,000	13,100	4.50 %	14,000	12,672	4.50 %
Due after ten years	2,000	1,728	4.50 %	2,000	1,376	4.50 %
	16,000	14,828	4.50 %	16,000	14,048	4.50 %
Government-sponsored agency securities						
Due less than one year	1,500	1,484	0.02 %	—	—	— %
Due after one year through five years	6,865	6,062	1.31 %	6,898	6,305	1.31 %
Due after five years through ten years	4,866	3,743	1.80 %	4,879	3,924	1.80 %
Due after ten years	4,488	3,327	2.09 %	4,490	3,482	2.09 %
	17,719	14,616	1.70 %	16,267	13,711	1.67 %
Residential government-sponsored mortgage-backed securities						

Due after one year through five years	4,138	3,966	2.49 %	2,009	1,947	2.40 %
Due after five years through ten years	20,117	17,236	1.56 %	20,618	18,287	1.97 %
Due after ten years	95,116	81,679	1.86 %	85,678	74,363	1.90 %
	119,371	102,881	1.84 %	110,562	96,808	1.96 %
Residential government-sponsored collateralized mortgage obligations						
Due after one year through five years	435	418	0.03 %	1,368	1,305	0.03 %
Due after five years through ten years	3,626	3,481	2.76 %	5,580	5,508	4.49 %
Due after ten years	24,582	22,696	2.99 %	28,979	27,658	3.77 %
	28,643	26,595	2.96 %	35,927	34,471	3.85 %
Agency commercial mortgage-backed securities						
Due less than one year	6,357	6,308	1.97 %	4,973	4,860	2.40 %
Due after one year through five years	7,045	6,723	2.46 %	2,003	1,928	2.58 %
Due after five years through ten years	21,846	18,431	1.49 %	20,402	17,501	1.49 %
Due after ten years	6,932	5,955	1.46 %	6,681	5,821	1.46 %
	42,180	37,417	1.72 %	34,059	30,110	1.68 %
SBA pool securities						
Due after one year through five years	618	580	2.68 %	655	638	4.79 %
Due after five years through ten years	1,422	1,426	5.38 %	709	707	7.75 %
Due after ten years	3,958	3,918	5.20 %	2,893	2,865	7.37 %
	5,998	5,924	4.99 %	4,257	4,210	7.04 %
	$ 269,036	$ 236,315	2.28 %	$ 255,891	$ 228,420	2.28 %

	Investment Securities Held-to-Maturity			Investment Securities Held-to-Maturity		
	Amortized Cost	Fair Value	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
Obligations of states and political subdivisions						
Due after one year through five years	$ 867	$ 865	2.62 %	$ 580	$ 580	2.98 %
Due after five years through ten years	1,519	1,477	2.63 %	939	899	2.40 %
Due after ten years	335	336	6.70 %			
	2,721	2,678	3.13 %	2,391	2,349	2.74 %
Residential government-sponsored mortgage-backed securities						
Due after one year through five years	639	611	2.12 %	417	402	2.18 %
Due after five years through ten years	686	649	2.83 %	950	896	2.80 %
Due after ten years	9,197	8,255	2.39 %	7,673	6,988	2.46 %
	10,522	9,515	2.40 %	9,040	8,286	2.48 %
Residential government-sponsored collateralized mortgage obligations						
Due after ten years	277	256	2.22 %	219	204	2.56 %
	277	256	2.22 %	$ 11,650	$ 10,839	2.54 %
	$ 13,520	$ 12,449	2.54 %			

For additional information regarding investment securities refer to “Item 8. Financial Statements and Supplementary Data, Note 3- Investment Securities.”

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Deposits and Other Borrowings

Deposits

The market for deposits is competitive. We offer a line of traditional deposit products that currently include noninterest-bearing and interest-bearing checking (or NOW accounts), commercial checking, money market accounts, savings accounts and certificates of deposit. We compete for deposits through our banking branches with competitive pricing, as well as nationally through advertising and online banking. We use deposits as a principal source of funding for our lending, purchasing of investment securities and for other business purposes.

Total deposits decreased 1.5% increased 20.1% to $2.72 billion at December 31, 2022 from $2.76 billion at December 31, 2021. Noninterest-bearing demand deposits increased from $530.3 million $3.27 billion as of December 31, 2021 to $582.6 million December 31, 2023 from $2.72 billion as of December 31, 2022. Time The increase in deposits increased from $360.6 million to $465.1 million and 2022 year-end was primarily driven by the substantial growth in the Bank's digital deposit platform in 2023. The majority of the overall deposit growth was in savings accounts with the remainder primarily in NOW accounts (both largely coming from the digital platform). Savings accounts increased 219% from $222.9 million $245.8 million as of December 31, 2022 to $245.7 million over $783.8 million as of December 31, 2023. NOW accounts increased 25.2% from $617.7 million as of December 31, 2022 to $773.0 million as of December 31, 2023. Our deposits are diversified in type and by underlying customer and lack significant concentrations to any type of customer (i.e. commercial, consumer, government) or industry.

Uninsured deposits are defined as the same period. portion of deposit accounts in U.S. offices that exceed the FDIC insurance limit and amounts in any other uninsured investment or deposit account that are classified as deposits and are not subject to any federal or state deposit insurance regimes. Total uninsured deposits as calculated per regulatory guidance were $1.15 billion, or 34.8% of total deposits, at December 31, 2023.

The following table sets forth the average balance and average rate paid on each of the deposit categories for the years ended December 31, 2022 December 31, 2023 and 2021: 2022 (in thousands):

	2022		2021		2023		2022	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
	(in thousands)							
Noninterest-bearing demand deposits	$ 614,285		$ 522,683		$ 495,107		$ 614,285	
Interest-bearing deposits:								
Savings accounts	224,682	0.33 %	208,202	0.30 %	777,143	3.83 %	224,755	0.33 %
Money market accounts	807,330	0.79 %	726,059	0.58 %	831,196	2.85 %	807,330	0.79 %
NOW and other demand accounts	698,907	0.33 %	860,482	0.47 %	784,680	1.96 %	698,907	0.33 %
Time deposits	350,720	1.11 %	405,670	1.04 %	474,178	3.12 %	350,720	1.11 %
Total interest-bearing deposits	2,081,639	0.64 %	2,200,413	0.60 %	2,867,197	2.92 %	2,081,712	0.64 %
Total deposits	$ 2,695,924		$ 2,723,096		$3,362,304		$2,695,997	

The variety of deposit accounts we offer allows us to be competitive in obtaining funds and in responding to the threat of disintermediation (the flow of funds away from depository institutions such as banking institutions into direct investment vehicles such as government and corporate securities). Our ability to attract and maintain deposits, and the effect of such retention on our cost of funds, has been, and will continue to be, significantly affected by the general economy and market rates of interest.

The following table sets forth the maturities of certificates of deposit of $100 thousand and over as of December 31, 2022 December 31, 2023 (in thousands):

Within 3 Months	Within 3 Months	3 to 6 Months	6 to 12 Months	Over 12 Months	Total	Within 3 Months	3 to 6 Months	6 to 12 Months	Over 12 Months	Total
$	41,151	$ 44,163	$ 80,824	$ 83,736	$249,874	86,150	$65,848	$81,485	$24,122	$257,605

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Other Borrowings

We use other borrowed funds to support our liquidity needs and to temporarily satisfy our funding needs from increased loan demand and for other shorter term purposes. We are a member of the FHLB and are authorized to obtain advances from the FHLB from time to time as needed. The FHLB has a credit program for members with different maturities and interest rates, which may be fixed or variable. We are required to collateralize our borrowings from the FHLB with our purchases of FHLB stock and other collateral acceptable to the FHLB. At December 31, 2022 December 31, 2023 and 2021, 2022, total FHLB borrowings were $325.0 million $30.0 million and $100.0 million $325.0 million, respectively. The decrease in FHLB borrowings was a result of the deposit growth during 2023 that primarily funded our loan growth and supported other funding needs. At December 31, 2022 December 31, 2023, we had $437.7 million $466.1 million of unused and available FHLB lines of credit.

Other borrowings can consist of FHLB convertible advances, FHLB overnight advances, other FHLB advances maturing within one year, federal funds purchased, secured borrowings due to failed loan sales, and securities sold under agreements to repurchase ("repo") that mature within one year, which are secured transactions with customers. The balance in repo accounts at December 31, 2022 December 31, 2023 and 2021 2022 was $6.4 million $3.0 million and $10.0 million $6.4 million, respectively.

Other borrowings consist of the following (in thousands):

	December 31, 2023	December 31, 2022
FHLB convertible advances maturing 3/1/2030	$ 30,000	$ —
Short-term FHLB advances maturing 1/03/2023	—	50,000
Short-term FHLB advances maturing 1/13/2023	—	100,000
Short-term FHLB advances maturing 1/23/2023	—	50,000
Short-term FHLB advances maturing 1/27/2023	—	125,000
Total FHLB advances	30,000	325,000
Securities sold under agreements to repurchase	3,044	6,445
Total	$ 33,044	$ 331,445
Weighted average interest rate at year end	5.57 %	4.19 %
For the periods ended December 31, 2023 and 2022:		
Average outstanding balance	$ 49,792	$ 97,795
Average interest rate during the year	4.32 %	2.72 %
Maximum month-end outstanding balance	$ 33,044	$ 331,445

We had secured borrowings as of December 31, 2023 of $20.4 million related to loan transfers to another financial institution during 2023 that did not meet the criteria to be treated as a sale under relevant accounting guidance. These borrowings reflect the cash received for transferring the loans to the other financial institution and any unamortized sale premium and are secured by approximately the same amount of loans held for investment that are recorded in our balance sheet. We retained the servicing of the loans that were transferred and accordingly receive principal and interest from the borrower as contractually required and transfer the interest to the other financial institution net of our contractually agreed upon servicing fee. The loans transferred have an average maturity of approximately ten years which will be the time over which the principal balance of the loans in our balance sheet and secured borrowings will pay down, absent borrower prepayments. There were no secured borrowings due to loan transfers as of and for the year ended December 31, 2022. For additional information on secured borrowings refer to "Item 8. Financial Statements and Supplementary Data, Note 1 –Organization and Significant Accounting Policies."

Other borrowings consist of the following (in thousands):

	December 31, 2022	December 31, 2021
FHLB convertible advances maturing 3/1/2030	$ —	$ 100,000
Short-term FHLB advances maturing 6/27/2019	50,000	—
Short-term FHLB advances maturing 6/18/2019	100,000	—
Short-term FHLB advances maturing 6/12/2019	50,000	—
Short-term FHLB advances maturing 6/11/2019	125,000	—
Total FHLB advances	325,000	100,000
Securities sold under agreements to repurchase	6,445	9,962
Total	$ 331,445	$ 109,962
Weighted average interest rate at year end	4.19 %	0.36 %
For the periods ended December 31, 2022 and 2021:		
Average outstanding balance	$ 97,795	$ 114,580
Average interest rate during the year	2.72 %	0.39 %
Maximum month-end outstanding balance	$ 331,445	$ 116,445

Junior Subordinated Debt and Senior Subordinated Notes

In 2017, the Company assumed $10.3 million of trust preferred securities that were issued on September 17, 2003 For information about junior subordinated debt and placed through a trust in a pooled underwriting totaling approximately $650.0 million. The trust issuer invested the total proceeds from the sale of the trust preferred securities in Floating Rate senior subordinated notes and their anticipated principal repayments refer to “Item 8. Financial Statements and Supplementary Data, Note 12 – Junior Subordinated Deferrable Interest Debentures. At December 31, 2022 Debt and 2021, there was $10.3 million outstanding, net of approximately $0.6 million of debt issuance costs. These securities pay cumulative cash distributions quarterly at a variable rate per annum, reset quarterly, equal to the three-month LIBOR plus 2.95%. As of December 31, 2022 and 2021, the interest rate was 7.69% and 3.17%, respectively. The dividends paid to holders of these securities, which are recorded as interest expense, are deductible for income tax purposes.

The trust preferred securities may be included in Tier 1 capital for regulatory capital adequacy determination purposes up to 25% of Tier 1 capital after its inclusion. At December 31, 2022, all of the trust preferred securities qualified as Tier 1 capital.

On January 20, 2017, Primis completed the sale of $27.0 million of its fixed-to-floating rate senior Subordinated Notes due 2027. These notes initially bore interest at 5.875% per annum until January 31, 2022; interest is currently payable at an annual floating rate equal to three-month LIBOR plus a spread of 3.95% until maturity or early redemption. At December 31, 2022, 80% of these notes qualified as Tier 2 capital.

In 2017, the Company assumed a Senior Subordinated Note Purchase Agreement, dated April 22, 2015, entered into with certain institutional accredited investors, pursuant to which $20.0 million in aggregate principal amount of its 6.50% Fixed-to-Floating Rate Subordinated Notes due 2025 was sold to the investors. On February 1, 2021, the Company redeemed all of these notes. Notes.”

On August 25, 2020, Primis completed the sale of $60.0 million of its fixed-to-floating rate Subordinated Notes due 2030. These notes will bear interest at an initial rate of 5.40% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, commencing on March 1, 2021. From and including September 1, 2025 to, but excluding the maturity date or the date of earlier redemption (the “floating rate period”), the interest rate will reset quarterly to an annual interest rate equal to the Benchmark rate, which is expected to be three-month Term SOFR, plus 531 basis points, for each quarterly interest period during the floating rate period, payable quarterly in arrears on March 1, June 1, September 1, and December 1 of each year, commencing on December 1, 2025. Notwithstanding the foregoing, in the event that the

Benchmark rate is less than zero, the Benchmark rate shall be deemed to be zero. At December 31, 2022, all of these notes qualified as Tier 2 capital.

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Interest Rate Sensitivity and Market Risk

We are engaged primarily in the business of investing funds obtained from deposits and borrowings into interest-earning loans and investments. Consequently, our earnings depend to a significant extent on our net interest income, which is the difference between the interest income on loans and other investments and the interest expense on deposits and borrowings. To the extent that our interest-bearing liabilities do not reprice or mature at the same time as our interest-earning assets, we are subject to interest rate risk and corresponding fluctuations in net interest income. Our Asset-Liability Committee ("ALCO") meets regularly and is responsible for reviewing our interest rate sensitivity position and establishing policies to monitor and limit exposure to interest rate risk. The policies established by the ALCO are reviewed and approved by our Board of Directors. We have employed asset/liability management policies that seek to manage our net interest income, without having to incur unacceptable levels of credit or investment risk.

We use simulation modeling to manage our interest rate risk and review quarterly interest sensitivity. This approach uses a model which generates estimates of the change in our economic value of equity ("EVE") over a range of interest rate scenarios. EVE is the present value of expected cash flows from assets, liabilities and off-balance sheet contracts using assumptions including estimated loan prepayment rates, reinvestment rates and deposit decay rates.

The following tables are based on an analysis of our interest rate risk as measured by the estimated change in EVE resulting from instantaneous and sustained parallel shifts in the yield curve (plus 400 basis points or minus 100 400 basis points, measured in 100 basis point increments) as of December 31, 2022 December 31, 2023 and 2021. 2022. All changes are within our Asset/Liability Risk Management Policy guidelines. guidelines (amounts in thousands).

	Sensitivity of Economic Value of Equity As of December 31, 2022				
	Economic Value of Equity			Economic Value of Equity as a % of	
Change in Interest Rates in Basis Points (Rate Shock)	Amount	$ Change From Base	% Change From Base	Total Assets	Equity Book Value
	(dollar amounts in thousands)				
Up 400	$481,135	$ (63,410)	(11.64)%	14.12 %	116.81 %
Up 300	496,136	(48,409)	(8.89)%	14.56 %	120.46 %
Up 200	510,807	(33,738)	(6.20)%	14.99 %	124.02 %
Up 100	534,163	(10,382)	(1.91)%	15.68 %	129.69 %
Base	544,545	—	— %	15.98 %	132.21 %
Down 100	539,297	(5,248)	(0.96)%	15.83 %	130.94 %
Down 200	513,948	(30,597)	(5.62)%	15.08 %	124.78 %

	Sensitivity of Economic Value of Equity As of December 31, 2021	
	Economic Value of Equity	Economic Value of Equity as a % of

Change in Interest Rates in Basis Points (Rate Shock)	Amount	$ Change From Base	% Change From Base	Total Assets	Equity Book Value
		(dollar amounts in thousands)			
Up 400	$419,520	$ 10,937	2.68 %	12.31 %	101.85 %
Up 300	419,238	10,655	2.61 %	12.30 %	101.79 %
Up 200	417,156	8,573	2.10 %	12.24 %	101.28 %
Up 100	418,107	9,524	2.33 %	12.27 %	101.51 %
Base	408,583	—	— %	11.99 %	99.20 %
Down 100	341,573	(67,010)	(16.40)%	10.02 %	82.93 %

	Sensitivity of EVE As of December 31, 2023				
	EVE			EVE as a % of	
Change in Interest Rates in Basis Points (Rate Shock)	Amount	$ Change From Base	% Change From Base	Total Assets	Equity Book Value
Up 400	$428,175	$ (54,019)	(11.20)%	11.10 %	107.69 %
Up 300	438,298	(43,896)	(9.10)%	11.37 %	110.24 %
Up 200	447,711	(34,483)	(7.15)%	11.61 %	112.61 %
Up 100	471,457	(10,737)	(2.23)%	12.22 %	118.58 %
Base	482,194	—	— %	12.50 %	121.28 %
Down 100	486,399	4,205	0.87 %	12.61 %	122.34 %
Down 200	477,430	(4,764)	(0.99)%	12.38 %	120.08 %
Down 300	456,987	(25,207)	(5.23)%	11.85 %	114.94 %
Down 400	417,079	(65,115)	(13.50)%	10.81 %	104.90 %

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	Sensitivity of EVE As of December 31, 2022				
	EVE			EVE as a % of	
Change in Interest Rates in Basis Points (Rate Shock)	Amount	$ Change From Base	% Change From Base	Total Assets	Equity Book Value
Up 400	$ 481,135	$ (63,410)	(11.64)%	13.49 %	123.70 %
Up 300	496,136	(48,409)	(8.89)%	13.91 %	127.55 %
Up 200	510,807	(33,738)	(6.20)%	14.32 %	131.32 %
Up 100	534,163	(10,382)	(1.91)%	14.98 %	137.33 %
Base	544,545	—	— %	15.27 %	140.00 %
Down 100	539,297	(5,248)	(0.96)%	15.12 %	138.65 %
Down 200	513,948	(30,597)	(5.62)%	14.41 %	132.13 %
Down 300	475,536	(69,009)	(12.67)%	13.33 %	122.26 %
Down 400	406,524	(138,021)	(25.35)%	11.40 %	104.51 %

Our interest rate sensitivity is also monitored by management through the use of a model that generates estimates of the change in the net interest income ("NII") over a range of interest rate scenarios. NII depends upon the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them. In this regard, the model assumes that the composition of our interest sensitive assets and liabilities existing at December 31, 2022 December 31, 2023 and 2021 2022 remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. All changes are within our ALM Policy guidelines at December 31, 2022 December 31, 2023 and 2021. 2022 (amounts in thousands).

Change in Interest Rates in Basis Points (Rate Shock)	Sensitivity of Net Interest Income As of December 31, 2022 Adjusted Net Interest Income Amount	$ Change From Base
	(dollar amounts in thousands)	
Up 400	$ 108,514	$ (12,447)
Up 300	111,127	(9,834)
Up 200	113,730	(7,231)
Up 100	117,811	(3,150)
Base	120,961	—
Down 100	122,070	1,109
Down 200	120,687	(1,383)

Change in Interest Rates in Basis Points (Rate Shock)	Sensitivity of Net Interest Income As of December 31, 2021 Adjusted Net Interest Income Amount	$ Change From Base	Sensitivity of NII As of December 31, 2023 Adjusted NII Amount	$ Change From Base
	(dollar amounts in thousands)			
Up 400	$ 88,531	$ 2,341	$ 98,539	$ (16,112)
Up 300	87,863	1,673	101,939	(12,712)
Up 200	87,127	937	105,326	(9,325)
Up 100	86,713	523	110,513	(4,138)
Base	86,190	—	114,651	—
Down 100	82,670	(3,520)	117,230	2,579
Down 200			118,099	3,448
Down 300			118,114	3,463
Down 400			119,065	4,414

Change in Interest Rates in Basis Points (Rate Shock)	Sensitivity of NII As of December 31, 2022 Adjusted NII Amount	$ Change From Base
Up 400	$ 108,514	$ (12,447)
Up 300	111,127	(9,834)
Up 200	113,730	(7,231)
Up 100	117,811	(3,150)
Base	120,961	—
Down 100	122,070	1,109
Down 200	120,687	(274)
Down 300	117,272	(3,689)
Down 400	113,648	(7,313)

Sensitivity of EVE and NII are modeled using different assumptions and approaches. Certain shortcomings are inherent in the methodology used in the above interest rate risk measurements. Modeling changes in EVE and NII sensitivity requires the making of certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. Accordingly, although the

EVE tables and NII tables provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on our net worth and NII. Sensitivity

Liquidity and Funds Management

The objective of our liquidity management is to ensure the ability to meet our financial obligations. These obligations include the payment of deposits on demand or at maturity, the repayment of borrowings at maturity and the ability to fund commitments and other new business opportunities. We obtain funding from a variety of sources, including customer deposit accounts, customer certificates of deposit and payments on our loans and investments. If our level of core deposits are not sufficient to fully fund our lending activities, we have access to funding from additional sources, including but not limited to borrowing from the Federal Home Loan Bank of Atlanta and institutional certificates of deposit and the sale of available-for-sale investment securities. deposits. In addition, we maintain federal funds lines of credit with two correspondent banks, totaling $75 million, and utilize securities sold under agreements to repurchase and reverse repurchase agreement borrowings from approved securities dealers. dealers as needed. For additional information about borrowings and anticipated principal repayments refer to the discussion about Contractual Obligations below and "Item 8. Financial Statements and Supplementary Data, Note 10 11 – Securities Sold Under Agreements To Repurchase And Other Short-Term Borrowings, and Note 11 12 – Junior Subordinated Debt and Senior Subordinated Notes. Notes, and Note 16 – Financial Instruments With Off-Balance-Sheet Risk."

We prepare a cash flow forecast on a 30, 60 and 90 day basis along with a one and a two year basis. The These projections incorporate expected cash flows on loans, investment securities, and deposits based on data used to prepare our interest rate risk analyses.

At December 31, 2022, we had $540.6 million of unfunded lines of credit and undisbursed construction loan funds. The amount of certificate of deposit accounts maturing in less than one year was $338.4 million as of December 31, 2022. Management anticipates that funding requirements for these commitments can be met from the normal sources of funds.

As of December 31, 2022 December 31, 2023, Primis was not aware of any known trends, events or uncertainties that have or are reasonably likely to have a material impact on our liquidity. As of December 31, 2022 December 31, 2023, Primis has no material commitments or long-term debt for capital expenditures.

Capital Resources

Capital management consists of providing equity to support both current and future operations. Primis Financial Corp. and its subsidiary, bank Primis Bank, are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action ("PCA"), we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. At December 31, 2022 As of December 31, 2023 and 2021, 2022, the most recent regulatory notifications categorized the Bank as well capitalized under regulatory framework for PCA. Federal banking agencies do not provide a similar well capitalized threshold for bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require Primis to maintain minimum amounts and ratios of Total and Tier I capital (as defined in the regulations) to average assets (as defined). Management believes, as of December 31, 2022 December 31, 2023, that Primis meets all capital adequacy requirements to which it is subject.

See "Item 1. Business, Supervision and Regulation—Capital Requirements" for more information.

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The following table provides a comparison of the leverage and risk-weighted capital ratios of Primis Financial Corp. and Primis Bank at the periods indicated to the minimum and well-capitalized required regulatory standards: standards. These ratios were not impacted by the goodwill impairment charge incurred during 2023 because goodwill is not a component of the calculations:

	Minimum Required for Capital Adequacy Purposes	To Be Categorized as Well Capitalized (1)	Actual Ratio at December 31, 2022	Actual Ratio at December 31, 2021	Minimum Required for Capital Adequacy Purposes	To Be Categorized as Well Capitalized (1)	Actual Ratio at December 31, 2023	Actual Ratio at December 31, 2022
Primis Financial Corp.								
Leverage ratio	4.00 %	n/a	9.68 %	9.41 %	4.00 %	n/a	8.37 %	9.52 %
Common equity tier 1 capital ratio	4.50 %	n/a	10.30 %	13.09 %	4.50 %	n/a	8.96 %	10.07 %
Tier 1 risk-based capital ratio	6.00 %	n/a	10.63 %	13.52 %	6.00 %	n/a	9.25 %	10.40 %
Total risk-based capital ratio	8.00 %	n/a	14.57 %	18.52 %	8.00 %	n/a	13.44 %	14.33 %
Primis Bank								
Leverage ratio	4.00 %	5.00 %	11.39 %	11.14 %	4.00 %	5.00 %	9.80 %	11.24 %
Common equity tier 1 capital ratio	7.00 %	6.50 %	12.64 %	16.18 %	7.00 %	6.50 %	10.88 %	12.40 %
Tier 1 risk-based capital ratio	8.50 %	8.00 %	12.64 %	16.18 %	8.50 %	8.00 %	10.88 %	12.40 %
Total risk-based capital ratio	10.50 %	10.00 %	13.84 %	17.43 %	10.50 %	10.00 %	12.12 %	13.59 %

(1) Prompt corrective action provisions are not applicable at the bank holding company level.

Primis Financial Corp. and Primis Bank are required to meet minimum capital requirements set forth by regulatory authorities. Bank regulatory agencies have approved regulatory capital guidelines ("Basel III") aimed at strengthening existing capital requirements for banking organizations. The Basel III Capital Rules require Primis Financial Corp. and Primis Bank to maintain (i) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 4.5%,

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plus a 2.5% "capital conservation buffer", (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer, (iii) a minimum ratio of Total capital to risk-weighted assets of at least 8.0%, plus the capital conservation buffer and (iv) a minimum leverage ratio of 4.0%. Failure to meet minimum capital requirements may result in certain actions by regulators which could have a direct material effect on the consolidated financial statements.

Primis Financial Corp. and Primis Bank remain well-capitalized under Basel III capital requirements. Primis Bank had a capital conservation buffer of 5.84%4.12% at December 31, 2022December 31, 2023, which exceeded the 2.50% minimum requirement below which the regulators may impose limits on distributions.

Primis Bank's capital position is consistent with being well capitalized under the regulatory framework for prompt corrective action.

Impact of Inflation and Changing Prices

The financial statements and related financial data presented in this Annual Report on Form 10-K concerning Primis Financial Corp. have been prepared in accordance with U.S. GAAP, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, substantially all of the assets and liabilities of a financial institution are monetary in nature. As a result, changes in interest rates have a more significant impact on our performance than do the effects of changes in the general rate of inflation and changes in prices. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. Many factors impact interest rates, including the decisions of the FRB, inflation, recession, changes in unemployment, the money supply, and international disorder and instability in domestic and foreign financial markets. Like most financial institutions, changes in interest rates can impact our net interest income which is the difference between interest earned from interest-earning assets, such as loans and investment securities, and interest paid on interest-bearing liabilities, such as deposits and borrowings, as well as the valuation of our assets and liabilities.

Our interest rate risk management is the responsibility of the Bank's Asset/Liability Management Committee (the "Asset/Liability Committee"). The Asset/Liability Committee has established policies and limits for management to monitor, measure and coordinate our sources, uses and pricing of funds. The Asset/Liability Committee makes reports to the board of directors on a quarterly basis.

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Seasonality and Cycles

We do not consider our commercial banking business to be seasonal.

Off-Balance Sheet Arrangements

Primis is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and guarantees of credit card accounts. These instruments involve elements of credit and funding risk in excess of the amount recognized in the consolidated balance sheet. sheets. Letters of credit are written conditional commitments issued by Primis to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. We had letters of credit outstanding totaling $10.7 million $9.6 million and $13.1 million $10.7 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and letters of credit is based on the contractual amount of these instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments. Unless noted otherwise, we do not require collateral or other security to support financial instruments with credit risk.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments are made predominately for adjustable rate loans, and generally have fixed

expiration dates of up to three months or other termination clauses and usually require payment of a fee. Since many of the commitments may expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis.

At December 31, 2022 For additional information about off-balance sheet arrangements, refer to the discussion "Item 8. Financial Statements and 2021, we had unfunded lines of credit and undisbursed construction loan funds totaling $540.6 million and $411.0 million, respectively. Virtually all of our unfunded lines of credit and undisbursed construction loan funds are variable rate. Supplementary Data, Note 16 – Financial Instruments With Off-Balance-Sheet Risk."

Allowance For Credit Losses - Off-Balance-Sheet Credit Exposures

The allowance for credit losses on off-balance-sheet credit exposures is a liability account, calculated in accordance with ASC 326, representing expected credit losses over the contractual period for which we are exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if we have the unconditional right to cancel the obligation. Off-balance-sheet credit exposures primarily consist of amounts available under outstanding lines of credit and letters of credit detailed above. For the period of exposure, the estimate of expected credit losses considers both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance-sheet exposure. The likelihood and expected amount of funding are based on historical utilization rates. The amount of the allowance represents management's best estimate of expected credit losses on commitments expected to be funded over the contractual life of the commitment. Estimating credit losses on amounts expected to be funded uses the same methodology as described for loans in "Item 8. Financial Statements and Supplementary Data, Note 4 - Loans and Allowance for Credit Losses", as if such commitments were funded.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

This information is incorporated herein by reference from "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

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Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, and the Board of Directors, and Audit Committee
Primis Financial Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Primis Financial Corp. (the "Company") as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of income (loss) and comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022 December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022 December 31, 2023, in conformity with accounting principles generally accepted in the United States of America. America

We did not audit the financial statements of Southern Trust Mortgage, LLC ("STM") for the year ended December 31, 2020. STM, an affiliate of the Company as of December 31, 2020, was accounted for as an equity method investment. The Company's consolidated financial statements for the year ended December 31, 2020 reported income from discontinued operations $8.4 million, or approximately 36% of the Company's net income. STM's financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for STM for the year ended December 31, 2020, is based solely on the report of the other auditors.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control – Integrated Framework: Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2023 October 15, 2024, expressed an unqualified adverse opinion thereon. thereon.

Basis for Opinion

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

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the consolidated financial statements that were communicated or required to be communicated to the Audit Committee audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as

a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses

The Company's allowance for credit losses (ACL) on loans held for investment was $34.5 million $52.2 million as of December 31, 2022. December 31, 2023. The determination of the ACL has been identified by the Company as a critical accounting policy. The ACL is measured on a collective basis when similar loan risk characteristics exist, and by individually evaluating loans that do not share similar risk characteristics. As further described in Notes 1 and 4 to the consolidated financial statements, the Company measures the ACL using a combination of probability of default (PD), probability of attrition (PA), loss given default (LGD), and exposure at default (EAD), calculated based on the application of historical loss experience, and adjusted for a reasonable and supportable forecast. Estimates are qualitatively adjusted for risk factors that are not considered within the quantitative modeling process. Estimating an appropriate allowance ACL requires management to make numerous assumptions about losses that will occur over the remaining contractual life of loans recorded as of the balance sheet date. The most significant judgments in the ACL as of December 31, 2022 December 31, 2023 included the determination of a reasonable and supportable forecast and the impact of qualitative factors. forecast.

We identified the Company's estimate of the ACL as a critical audit matter. The principal considerations for that determination were the degree of subjectivity and judgment required to audit management's identification of reasonable and supportable forecasts forecasts. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the identification reasonableness of management's significant estimates and measurement assumptions. Also, as described in the "Report of Independent Registered Public Accounting Firm" related to internal controls over financial reporting, a material weakness was identified in relation to the precision of management's review of the qualitative factors. adequacy of reserves for certain loan segments.

The primary procedures we performed to address this critical audit matter included the following:

- We obtained an understanding of the Company's process for establishing the ACL, including the determination of a reasonable and supportable forecast.

- We evaluated the design and tested the operating effectiveness of controls relating to management's determination of the ACL, including controls over:

    - o Completeness The completeness, accuracy, and accuracy relevancy of inputs into the model used to determine the ACL; AC; and,

    - o The determination of a reasonable and supportable forecast, and;
    - o The determination of qualitative factors. forecast.

- We evaluated management's application of and changes to qualitative adjustments, including testing the accuracy of the supporting calculations, evaluating whether the qualitative factors appropriately addressed risks that were not fully accounted for in the quantitative ACL component of the methodology, and evaluating the appropriateness and level of the qualitative factor adjustments.

- We evaluated management's determination of a reasonable and supportable forecast, including testing the application of the forecast in quantitative ACL calculation. We also utilized our internal valuation specialists to assist us in testing the application of the forecast to the ACL calculation.

- We tested the mathematical accuracy of the ACL, including the mathematical application of the qualitative adjustments on the loan segments. ACL.

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Goodwill Impairment Assessment

The Company has recorded $93.5 million of goodwill of $104.6 million as of December 31, 2022 December 31, 2023. The Company also recorded a goodwill impairment charge of $11.2 million during 2023 related to the Primis Bank reporting unit. The determination of the annual goodwill impairment assessment has been identified by the Company as a critical accounting policy. estimate. As further described in Notes 1 and 8 to the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level, occurring as of September 30th every year, or more frequently if events or circumstances warrant. The Company engaged a third-party valuation specialist in performing its quantitative impairment analysis, which included a combination of valuation approaches to determine the fair value of each of the Bank reporting unit. units. These valuation approaches required certain assumptions such as the discount rate, economic conditions, impacting which impact assumptions related to interest and growth rates, the control premium associated with the reporting unit, and a relative weighting weight given to the fair value valuations derived by each of the valuation approaches used. methods.

We identified the Company's quantitative goodwill impairment assessment, for the Bank reporting unit, as of September 30, September 30, 2023, as a critical audit matter. The principal considerations for that determination were the degree of subjectivity and judgment required to audit management's goodwill impairment assessment. Specifically, evaluating the valuation approaches selected and key assumptions used by management in performing its assessment, such as the selection determination of comparable publicly-traded companies the discount rate and control premium cash flows utilized in the valuation approaches.

The primary procedures we performed to address this critical audit matter included the following:

- We evaluated the design and tested the operating effectiveness of controls related to management's goodwill impairment assessment including controls over management's review of the quantitative analysis analyses performed on each of the Bank reporting unit, units, including the key assumptions used to determine the fair value of each of the Bank reporting unit. units.

- We tested key financial data used within the valuation approaches by agreeing key inputs to internal and external sources.

- We evaluated, with the assistance of our internal valuation specialists, appropriateness of valuation approaches selected by management, the selection of a control premium and of comparable publicly-traded publicly traded companies, and the overall reasonableness of the estimated fair value of each of the Bank reporting unit. units.

Consumer Program Derivative

The Company has an agreement with a third-party to originate and service consumer loans that are included in the Company's held for investment portfolio. As described in Note 1 to the consolidated financial statements, as part of the agreement, there are certain payments required between the Company and the third-party if certain events occur. The Company determined that this agreement meets the definition of a derivative financial instrument. The Company has recorded a $10.8 million derivative asset as of December 31, 2023 related to the master services agreement. The determination and valuation of the derivative asset has been identified by the Company as a critical accounting estimate. The Company engaged a third-party valuation specialist in calculating the derivative value, using a discounted cash flow model.

We identified the Company's derivative asset as a critical audit matter. The principal considerations for that determination were the degree of subjectivity and judgment required to audit management's determination that the agreement meets the definition of a derivative as well as the fair value of the derivative at the balance sheet date. This required a high degree of auditor judgment and increased extent of effort when performing audit procedures, specifically around management's determination of the discount rate, including the evaluation of the counterparty credit risk. Additionally, a material weakness was identified by the Company related to the accounting of the Consumer Program, including the identification of the derivative asset.

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The primary procedures we performed to address this critical audit matter included the following:

- We obtained management's analysis of the agreements and compared the analysis to relevant accounting literature, the executed agreements with the third party and to our understanding of the transactions gained through other audit procedures.
- We obtained an understanding of the Company's process to identify and value the derivative related to the agreement with the third-party to the Consumer Program.
- We tested key financial data used within the discounted cash flow model by agreeing key inputs to internal and external sources.
- We evaluated, with the assistance of our internal valuation specialists, appropriateness of the valuation approach selected by management, the determination of the discount rate utilized in the income valuation approach, the evaluation of counterparty credit risk, and the overall reasonableness of the estimated fair value of the derivative.

/s/ FORVIS, Forvis Mazars, LLP (Formerly, Dixon Hughes Goodman LLP)

We have served as the Company's auditor since 2013. from 2013 to 2024.

Greenville, North Carolina Tysons, Virginia

March October 15, 2023 2024

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Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, and the Board of Directors, and Audit Committee
Primis Financial Corp.

Opinion on the Internal Control over Financial Reporting

We have audited Primis Financial Corp.'s (the "Company") internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment.

> The Company did not maintain effective controls over the design and operation of its accounting determinations for transfers of financial assets, including lack of a formally designed process and procedure for evaluation of loan transfers. The existing procedures did not outline the process to be taken and individuals to be involved in the assessment of the proper accounting for loan transfers and were not sufficient to facilitate a proper conclusion on loan transfer transactions.

> The Company did not maintain effective controls over the design and operation for establishing the allowance for credit losses for a pool of third-party managed consumer loans that are originated and serviced by a third party, including evaluating recent loss history on the portfolio relative to previous model inputs. The existing process relies on publicly available peer data for historical credit loss characteristics to inform the Company's allowance calculation because the portfolio is relatively new and did not have an extended credit loss history to serve as the primary source of credit loss history when constructing the model.

> The Company did not maintain effective controls over their accounting evaluation for a complex agreement with a third-party that sources and manages a portfolio of consumer loans for the Company. The existing process did not appropriately facilitate a thorough evaluation of the entire transaction and did not include the involvement of individuals with the necessary expertise to enable identification of complex accounting matters in the agreement and to conclude on them.

These material weaknesses were considered in determining the nature, timing, and extent of auditing procedures applied in our audit of the Company's consolidated financial statements, and this report does not affect our report dated October 15, 2024 on those consolidated financial statements.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has not maintained in all material respects, effective internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and for each of the years in the three-year period ended December 31, 2022 December 31, 2023, and our report dated March 15, 2023, October 15, 2024 expressed an unqualified opinion on those consolidated financial statements. statements.

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Basis for Opinion

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

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

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

As described in management's report on internal control over financial reporting, the scope of management's assessment of internal control over financial reporting as of December 31, 2022, has excluded Primis Mortgage Company ("Primis Mortgage," formerly named SeaTrust Mortgage Company) acquired on May 31, 2022. We have also excluded Primis Mortgage from the scope of our audit of internal control over financial reporting. Primis Mortgage represented one percent of consolidated total assets as of December 31, 2022 and four percent of consolidated revenues for the year then ended.

Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting

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principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ FORVIS, Forvis Mazars, LLP (Formerly, Dixon Hughes Goodman LLP)

Greenville, North Carolina Tysons, Virginia

MarchOctober 15, 20232024

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Southern Trust Mortgage, LLC
Virginia Beach, Virginia

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Southern Trust Mortgage, LLC (the Company) as of December 31, 2020 and 2019, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes (collectively, referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. We determined that there are no critical audit matters.

/s/ Richey, May & Co., LLP.

We have served as Southern Trust Mortgage, LLC's auditor since 2014.

Englewood, Colorado

March 12, 2021

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PRIMIS FINANCIAL CORP.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share amounts)

	December 31, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents:		
Cash and due from financial institutions	$ 6,868	$ 8,380
Interest-bearing deposits in other financial institutions	70,991	521,787
Total cash and cash equivalents	77,859	530,167
Securities available-for-sale, at fair value	236,315	271,332
Securities held-to-maturity, at amortized cost (fair value of $12,449 and $23,364, respectively)	13,520	22,940
Loans held for sale, at fair value	27,626	—
Loans held for investment	2,948,836	2,339,986
Less: allowance for credit losses	(34,544)	(29,105)
Net loans	2,914,292	2,310,881
Stock in Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB)	25,815	15,521
Bank premises and equipment, net	25,257	30,410
Assets held for sale	3,115	—
Operating lease right-of-use assets	5,335	5,866
Goodwill	104,609	101,954
Intangible assets, net	3,254	4,462
Bank-owned life insurance	67,201	66,724
Other real estate owned	—	1,163
Deferred tax assets, net	18,289	9,571
Other assets	49,050	36,362
Total assets	$ 3,571,537	$ 3,407,353
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest-bearing demand deposits	$ 582,556	$ 530,282
Interest-bearing deposits:		
NOW accounts	617,687	849,738
Money market accounts	811,365	799,759
Savings accounts	245,713	222,862

Time deposits	465,057	360,575
Total interest-bearing deposits	2,139,822	2,232,934
Total deposits	2,722,378	2,763,216
Securities sold under agreements to repurchase - short term	6,445	9,962
FHLB advances	325,000	100,000
Junior subordinated debt - long term	9,781	9,731
Senior subordinated notes - long term	85,531	85,297
Operating lease liabilities	5,767	6,498
Other liabilities	22,232	20,768
Total liabilities	3,177,134	2,995,472
Commitments and contingencies (See Note 15)		
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding	—	—
Common stock, $0.01 par value. Authorized 45,000,000 shares; 24,680,097 and 24,574,619 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	246	245
Additional paid in capital	312,722	311,127
Retained earnings	107,285	99,397
Accumulated other comprehensive income (loss)	(25,850)	1,112
Total stockholders' equity	394,403	411,881
Total liabilities and stockholders' equity	$ 3,571,537	$ 3,407,353

	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents:		
Cash and due from financial institutions	$ 1,863	$ 6,868
Interest-bearing deposits in other financial institutions	75,690	70,991
Total cash and cash equivalents	77,553	77,859
Securities available-for-sale, at fair value (amortized cost of $255,891 and $269,036, respectively)	228,420	236,315
Securities held-to-maturity, at amortized cost (fair value of $10,839 and $12,449, respectively)	11,650	13,520
Loans held for sale, at fair value	57,691	27,626
Loans held for investment, collateralizing secured borrowings	20,505	—
Loans held for investment	3,198,909	2,946,637
Less: allowance for credit losses	(52,209)	(34,544)
Net loans	3,167,205	2,912,093
Stock in Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB)	14,246	25,815
Bank premises and equipment, net	20,611	25,257
Assets held for sale	6,735	3,115
Operating lease right-of-use assets	10,646	5,335
Cloud computing arrangement assets, net	10,699	10,464
Goodwill	93,459	104,609
Intangible assets, net	1,958	3,254
Bank-owned life insurance	67,588	67,201
Deferred tax assets, net	22,395	19,874

Consumer Program derivative asset	10,806	—
Other assets	54,884	34,327
Total assets	$ 3,856,546	$ 3,566,664
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest-bearing demand deposits	$ 472,941	$ 582,572
Interest-bearing deposits:		
NOW accounts	773,028	617,687
Money market accounts	794,530	811,365
Savings accounts	783,758	245,786
Time deposits	445,898	465,057
Total interest-bearing deposits	2,797,214	2,139,895
Total deposits	3,270,155	2,722,467
Securities sold under agreements to repurchase	3,044	6,445
Secured borrowings	20,393	—
FHLB advances	30,000	325,000
Junior subordinated debt	9,830	9,781
Senior subordinated notes	85,765	85,531
Operating lease liabilities	11,686	5,767
Consumer Program derivative liability	—	473
Other liabilities	28,080	22,232
Total liabilities	3,458,953	3,177,696
Commitments and contingencies (See Note 15)		
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding	—	—
Common stock, $0.01 par value. Authorized 45,000,000 shares; 24,693,172 and 24,680,097 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	247	246
Additional paid in capital	313,548	312,722
Retained earnings	84,143	101,850
Accumulated other comprehensive loss	(21,777)	(25,850)
Total Primis stockholders' equity	376,161	388,968
Noncontrolling interests	21,432	—
Total stockholders' equity	397,593	388,968
Total liabilities and stockholders' equity	$ 3,856,546	$ 3,566,664

See accompanying notes to consolidated financial statements.

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PRIMIS FINANCIAL CORP.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

(dollars in thousands, except per share amounts)

	For the Years Ended December 31,			For the Years Ended December 31,		
	2022	2021	2020	2023	2022	2021
Interest and dividend income:						
Interest and fees on loans	$ 117,867	$ 107,021	$ 111,647	$ 172,788	$ 115,080	$ 106,921
Interest and dividends on taxable securities	5,552	3,977	4,244	5,966	5,552	3,977
Interest and dividends on tax exempt securities	412	463	486	407	412	463
Interest and dividends on other earning assets	2,243	1,782	1,402	13,457	2,243	1,782
Total interest and dividend income	126,074	113,243	117,779	192,618	123,287	113,143
Interest expense:						
Interest on deposits	13,281	13,112	20,332	83,690	13,281	13,112
Interest on other borrowings	8,306	5,928	5,807	10,217	8,306	5,928
Total interest expense	21,587	19,040	26,139	93,907	21,587	19,040
Net interest income	104,487	94,203	91,640	98,711	101,700	94,103
Provision for (recovery of) credit losses	11,271	(5,801)	19,450	32,540	11,271	(5,801)
Net interest income after provision for (recovery of) credit losses	93,216	100,004	72,190	66,171	90,429	99,904
Noninterest income:						
Account maintenance and deposit service fees	5,745	7,309	6,520	5,733	5,745	7,309
Income from bank-owned life insurance	1,994	1,687	1,559	2,021	1,994	1,687
Gain on debt extinguishment	—	573	—	—	—	573
Mortgage banking income	5,054	—	—	17,645	5,054	—
Gain on sale of other investment	4,144	—	—			
Credit enhancement income	3,042	—	—			
Realized losses on sales of investment securities	—	—	(620)			
Gain on other investments				184	4,709	—
Consumer Program derivative				18,120	65	3
Other noninterest income	1,349	1,566	7,203	1,547	785	1,566
Total noninterest income	21,328	11,135	14,662	45,250	18,352	11,138
Noninterest expenses:						
Salaries and benefits	49,005	36,741	36,675	58,765	49,005	36,741
Occupancy expenses	5,628	5,956	6,142	6,239	5,628	5,956
Furniture and equipment expenses	5,231	3,622	2,725	6,381	5,231	3,622
Amortization of intangible assets	1,325	1,364	1,364	1,269	1,325	1,364
Virginia franchise tax expense	3,254	2,899	2,457	3,395	3,254	2,899
FDIC insurance assessment				2,929	890	804
Data processing expense	6,013	3,850	3,178	9,545	6,013	3,850
Marketing expense	3,067	1,726	1,770	1,819	3,067	1,726
Telephone and communication expense	1,433	1,790	1,497	1,507	1,433	1,790
Net loss on other real estate owned	72	87	960			
Loss on bank premises and equipment and assets held for sale	684	—	—	476	684	—
Professional fees	4,787	5,467	4,726	4,641	4,787	5,467
Credit enhancement costs	1,369	—	—			
Miscellaneous lending expenses				3,006	1,710	1,068
Goodwill impairment				11,150	—	—
Fraud losses				3,311	108	75
Other operating expenses	10,400	7,898	6,246	8,167	8,313	6,114
Total noninterest expenses	92,268	71,400	67,740	122,600	91,448	71,476

Income from continuing operations before income taxes	22,276	39,739	19,112			
Income tax expense	4,535	8,721	4,228			
Income from continuing operations	17,741	31,018	14,884			
Income (loss) before income taxes				(11,179)	17,333	39,566
Income tax expense (benefit)				(1,067)	3,185	8,683
Income (loss) from continuing operations				(10,112)	14,148	30,883
Income from discontinued operation before income taxes	—	294	10,789	—	—	294
Income tax expense	—	64	2,386	—	—	64
Income from discontinued operation	—	230	8,403	—	—	230
Net income	$ 17,741	$ 31,248	$ 23,287			
Net income (loss)				(10,112)	14,148	31,113
Net loss attributable to noncontrolling interests				2,280	—	—
Net income (loss) attributable to Primis' common stockholders				$ (7,832)	$ 14,148	$ 31,113
Other comprehensive income (loss):						
Unrealized gain (loss) on available-for-sale securities	$ (34,129)	$ (3,193)	$ 2,789	$ 5,250	$ (34,129)	$ (3,193)
Reclassification of loss on sales of investment securities	—	—	620			
Accretion of amounts previously recorded upon transfer to held-to-maturity from available-for-sale	—	151	12	—	—	151
Net unrealized gain (loss)	(34,129)	(3,042)	3,421			
Tax (benefit) expense	(7,167)	(669)	719			
Unrealized gain (loss) on available-for-sale securities				5,250	(34,129)	(3,042)
Tax expense (benefit)				1,177	(7,167)	(669)
Other comprehensive income (loss)	(26,962)	(2,373)	2,702	4,073	(26,962)	(2,373)
Comprehensive income (loss)	$ (9,221)	$ 28,875	$ 25,989	$ (3,759)	$ (12,814)	$ 28,740
Earnings per share from continuing operations, basic	$ 0.72	$ 1.27	$ 0.61			
Earnings (loss) per share from continuing operations, basic				$ (0.32)	$ 0.58	$ 1.26
Earnings per share from discontinued operation, basic	$ 0.00	$ 0.01	$ 0.35	$ 0.00	$ 0.00	$ 0.01
Earnings per share from continuing operations, diluted	$ 0.72	$ 1.26	$ 0.61			
Earnings (loss) per share from continuing operations, diluted				$ (0.32)	$ 0.57	$ 1.26
Earnings per share from discontinued operation, diluted	$ 0.00	$ 0.01	$ 0.35	$ 0.00	$ 0.00	$ 0.01

See accompanying notes to consolidated financial statements.

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PRIMIS FINANCIAL CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 2021 AND 2020 2021

(dollars in thousands, except per share amounts)

	Common Stock		Additional Paid in	Retained	Accumulated Other Comprehensive	
	Shares	**Amount**	**Capital**	**Earnings**	**Income (Loss)**	**Total**
Balance - December 31, 2019	**24,181,534**	**$ 241**	**$ 306,755**	**$ 69,462**	**$ 783**	**$ 377,241**
Impact of adoption of ASU 2016-13	—	—	—	(5,056)	—	(5,056)

Adjusted beginning balance	24,181,534	241	306,755	64,406	783	372,185
Net income	—	—	—	23,287	—	23,287
Changes in other comprehensive income on investment securities (net of tax expense, $719)	—	—	—	—	2,702	2,702
Dividends on common stock ($0.40 per share)	—	—	—	(9,737)	—	(9,737)
Issuances of common stock	93,250	—	—	—	—	—
Shares retired to unallocated	(8,672)	—	—	—	—	—
Stock Option exercises	—	1	708	—	—	709
Restricted stock granted	102,500	—	—	—	—	—
Vesting of restricted stock	—	1	(1)	—	—	—
Repurchase of restricted stock	—	—	(135)	—	—	(135)
Stock-based compensation expense	—	—	1,543	—	—	1,543
Balance - December 31, 2020	**24,368,612**	**$ 243**	**$ 308,870**	**$ 77,956**	**$ 3,485**	**$ 390,554**
Net income	—	—	—	31,248	—	31,248
Changes in other comprehensive loss on investment securities (net of tax benefit $669)	—	—	—	—	(2,373)	(2,373)
Dividends on common stock ($0.40 per share)	—	—	—	(9,807)	—	(9,807)
Issuances of common stock	159,000	—	—	—	—	—
Shares retired to unallocated	(1,043)	—	—	—	—	—
Stock Option exercises	—	2	1,524	—	—	1,526
Restricted stock granted	55,250	—	—	—	—	—
Restricted stock forfeited	(7,200)	—	—	—	—	—
Repurchase of restricted stock	—	—	(14)	—	—	(14)
Stock-based compensation expense	—	—	747	—	—	747
Balance - December 31, 2021	**24,574,619**	**$ 245**	**$ 311,127**	**$ 99,397**	**$ 1,112**	**$ 411,881**
Net income	—	—	—	17,741	—	17,741
Changes in other comprehensive loss on investment securities (net of tax benefit, $7,167)	—	—	—	—	(26,962)	(26,962)
Dividends on common stock ($0.40 per share)	—	—	—	(9,853)	—	(9,853)
Issuances of common stock	60,000	—	—	—	—	—
Shares retired to unallocated	(780)	—	—	—	—	—
Stock option exercises	—	1	571	—	—	572
Restricted stock granted	1,500	—	—	—	—	—
Restricted stock forfeited	(2,400)	—	—	—	—	—
Repurchase of restricted stock	—	—	(11)	—	—	(11)
Stock-based compensation expense	—	—	395	—	—	395
Shares issued in lieu of cash bonus	47,158	—	640	—	—	640
Balance - December 31, 2022	**24,680,097**	**$ 246**	**$ 312,722**	**$ 107,285**	**$ (25,850)**	**$ 394,403**

	Common Stock		Additional Paid in	Retained	Accumulated Other Comprehensive	Noncontrolling	
	Shares	**Amount**	**Capital**	**Earnings**	**Income (Loss)**	**Interests**	**Total**
Balance - December 31, 2020	**24,368,612**	**$ 243**	**$ 308,870**	**$ 76,249**	**$ 3,485**	**$ —**	**$ 388,847**
Dividends on common stock ($0.40 per share)	—	—	—	(9,807)	—	—	(9,807)
Shares retired to unallocated	(1,043)	—	—	—	—	—	—
Stock option exercises	159,000	2	1,524	—	—	—	1,526
Restricted stock granted	55,250	—	—	—	—	—	—
Vesting of restricted stock	(7,200)	—	—	—	—	—	—
Repurchase of restricted stock	—	—	(14)	—	—	—	(14)
Stock-based compensation expense	—	—	747	—	—	—	747
Net income	—	—	—	31,113	—	—	31,113
Other comprehensive loss	—	—	—	—	(2,373)	—	(2,373)

Balance - December 31, 2021	**24,574,619**	**$ 245**	**$ 311,127**	**$ 97,555**	**$ 1,112**	**$ —**	**$ 410,039**
Dividends on common stock ($0.40 per share)	—	—	—	(9,853)	—	—	(9,853)
Shares retired to unallocated	(780)	—	—	—	—	—	—
Stock option exercises	60,000	1	571	—	—	—	572
Restricted stock granted	1,500	—	—	—	—	—	—
Restricted stock forfeited	(2,400)	—	—	—	—	—	—
Repurchase of restricted stock	—	—	(11)	—	—	—	(11)
Stock-based compensation expense	—	—	395	—	—	—	395
Shares issued in lieu of cash bonus	47,158	—	640	—	—	—	640
Net income	—	—	—	14,148	—	—	14,148
Other comprehensive loss	—	—	—	—	(26,962)	—	(26,962)
Balance - December 31, 2022	**24,680,097**	**$ 246**	**$ 312,722**	**$ 101,850**	**$ (25,850)**	**$ —**	**$ 388,968**
Issuance of Panacea Financial Holdings stock, net of costs	—	—	—	—	—	23,712	23,712
Dividends on common stock ($0.40 per share)	—	—	—	(9,875)	—	—	(9,875)
Shares retired to unallocated	(1,033)	—	—	—	—	—	—
Stock option exercises	13,500	—	146	—	—	—	146
Restricted stock granted	13,000	1	—	—	—	—	1
Restricted stock forfeited	(12,392)	—	—	—	—	—	—
Repurchase of restricted stock	—	—	(32)	—	—	—	(32)
Stock-based compensation expense	—	—	712	—	—	—	712
Net income (loss)	—	—	—	(7,832)	—	(2,280)	(10,112)
Other comprehensive income	—	—	—	—	4,073	—	4,073
Balance - December 31, 2023	**24,693,172**	**$ 247**	**$ 313,548**	**$ 84,143**	**$ (21,777)**	**$ 21,432**	**$ 397,593**

See accompanying notes to consolidated financial statements.

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PRIMIS FINANCIAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	For the Year Ended December 31,		
	2022	2021	2020
Operating activities:			
Net income from continuing operations	$ 17,741	$ 31,018	$ 14,884
Adjustments to reconcile net income from continuing operations to net cash and cash equivalents provided by operating activities:			
Depreciation and amortization	7,433	8,040	8,194
Net amortization (accretion) of premiums and discounts	480	(1,989)	(4,346)
Provision for (recovery of) for credit losses	11,271	(5,801)	19,450
Origination of loans held for sale	(175,613)	—	—
Proceeds from sale of loans held for sale	169,189	—	—
Net gains on mortgage banking	(5,054)	—	—

Loss on bank premises and equipment and assets held for sale	684	—	—
Earnings on bank-owned life insurance	(1,542)	(1,681)	(1,559)
Gain on bank-owned life insurance death benefit	(452)	(6)	—
Stock-based compensation expense	395	747	1,543
Loss on sales of investment securities	—	—	620
Loss on other real estate owned	72	87	960
Gain on debt extinguishment	—	(573)	—
Gain on sale of other investment	(4,144)	—	—
Credit enhancement income	(3,042)	—	—
Provision (benefit) for deferred income taxes	(2,214)	6,054	(1,411)
Net increase in other assets	(1,462)	(588)	(11,942)
Net increase (decrease) in other liabilities	(637)	(7,620)	2,707
Net cash and cash equivalents provided by operating activities from continuing operations	13,105	27,688	29,100
Investing activities:			
Proceeds from sales of securities held-to-maturity	—	—	1,660
Proceeds from sales of securities available-for-sale	—	—	1,910
Purchases of securities held-to-maturity	—	—	(15,197)
Purchases of securities available-for-sale	(37,361)	(160,531)	(38,938)
Proceeds from paydowns, maturities and calls of securities available-for-sale	36,960	37,878	50,068
Proceeds from paydowns, maturities and calls of securities held-to-maturity	9,338	17,652	44,738
Net (increase) decrease of FRB and FHLB stock	(10,294)	1,406	905
Net (increase) decrease in loans	(613,791)	109,375	(251,000)
Proceeds from bank-owned life insurance death benefit	586	371	—
Proceeds from sales of other real estate owned, net of improvements	1,091	2,014	2,663
Purchases of bank premises and equipment	(1,012)	(2,456)	(1,082)
Proceeds from sale of other investment	3,606	—	—
Purchases of other investments	(2,080)	—	—
Business acquisition, net of cash acquired	(4,554)	—	—
Net cash and cash equivalents (used in) provided by investing activities from continuing operations	(617,511)	5,709	(204,273)
Financing activities:			
Net (decrease) increase in deposits	(40,838)	330,610	307,888
Cash dividends paid on common stock	(9,853)	(9,807)	(9,737)
Proceeds from exercised stock options	572	1,526	709
Repurchase of restricted stock	(11)	(14)	(135)
Issuance of subordinated notes, net of cost	—	—	58,600
Extinguishment of senior subordinated notes	—	(20,000)	—
Repayment of FHLB advances, long-term	(100,000)	—	—
Proceeds from short-term FHLB advances, net of repayments	325,000	—	—
Repayment of short-term borrowings acquired	(19,254)	—	(21,640)
Increase (decrease) in securities sold under agreements to repurchase	(3,518)	(6,103)	3,182
Net cash and cash equivalents provided by financing activities from continuing operations	152,098	296,212	338,867
Net change in cash and cash equivalents from continuing operations	(452,308)	329,609	163,694
Cash flows provided from discontinued operation:			
Net cash and cash equivalents used in operating activities	—	(373)	(2,593)
Net cash and cash equivalents provided by investing activities	—	4,746	3,156
Net change in cash and cash equivalents from discontinued operation	—	4,373	563
Net change in cash and cash equivalents	(452,308)	333,982	164,257
Cash and cash equivalents at beginning of period	530,167	196,185	31,928
Cash and cash equivalents at end of period	$ 77,859	$ 530,167	$ 196,185
Supplemental disclosure of cash flow information			

	2023	2022	2021
Cash payments for:			
Interest	$ 20,190	$ 20,234	$ 27,988
Income taxes	$ 3,046	$ 6,151	$ 7,693
Supplemental schedule of noncash investing and financing activities:			
Bank premises transferred to held for sale	$ 3,667	$ —	$ —
Shares issued in lieu of cash bonus	$ 640	$ —	$ —
Proceeds from sale of other investment included in other assets	$ 538	$ —	$ —
Proceeds from bank-owned life insurance death benefit included in other assets	$ 931	$ —	$ —
Transfer from loans to other real estate owned	$ —	$ 186	$ 477
Notes receivable from discontinued operation, included in loans	$ —	$ 8,500	$ —
Fair value of assets and liabilities from acquisition:			
Fair value of tangible assets acquired	$ 21,947	$ —	$ —
Other intangible assets acquired	2,790	—	—
Fair value of liabilities assumed	(20,183)	—	—
Total merger consideration, net of $2,446 of cash acquired	$ 4,554	$ —	$ —

	For the Year Ended December 31,		
	2023	2022	2021
Operating activities:			
Net income (loss) from continuing operations	$ (10,112)	$ 14,148	$ 30,883
Adjustments to reconcile net income from continuing operations to net cash and cash equivalents (used in) provided by operating activities:			
Depreciation and amortization	9,093	7,433	8,040
Net amortization of premiums and (accretion of discounts)	(583)	480	(1,989)
Provision for (recovery of) credit losses	32,540	11,271	(5,801)
Proceeds from sales of loans	52,744	—	—
Net change in mortgage loans held for sale	(28,301)	(6,424)	—
Mortgage banking income	(17,645)	(5,054)	—
Net gains on sale of loans	(583)	—	—
Loss on bank premises and equipment and assets held for sale	476	684	—
Purchases of cloud computing arrangement assets	(2,913)	(11,546)	—
Earnings on bank-owned life insurance	(1,602)	(1,542)	(1,681)
Gain on bank-owned life insurance death benefit	(419)	(452)	(6)
Stock-based compensation expense	712	395	747
Gain on debt extinguishment	—	—	(573)
Gain on other investments	(184)	(4,709)	—
Goodwill impairment	11,150	—	—
Deferred income tax (benefit) provision	(3,699)	(3,300)	6,054
Net change in fair value of Consumer Program derivative	(11,279)	475	(3)
Net (increase) decrease in other assets	(12,345)	11,141	(344)
Net increase (decrease) in other liabilities	11,768	(565)	(7,715)
Net cash and cash equivalents provided by operating activities from continuing operations	28,818	12,434	27,613
Investing activities:			
Purchases of securities available-for-sale	(15,211)	(37,361)	(160,531)
Proceeds from paydowns, maturities and calls of securities available-for-sale	27,561	36,960	37,878
Proceeds from paydowns, maturities and calls of securities held-to-maturity	1,836	9,338	17,652
Net decrease (increase) in FRB and FHLB stock	11,569	(10,294)	1,406
Net change in loans held for investment	(338,397)	(613,700)	109,449
Proceeds from bank-owned life insurance death benefit	2,476	586	371
Proceeds from sales of other real estate owned, net of improvements	—	1,091	2,014
Purchases of bank premises and equipment, net	(1,924)	(1,012)	(2,456)
Proceeds from sale of other investment	—	4,171	—

Purchases of other investments	(666)	(2,080)	—
Business acquisition, net of cash acquired	—	(4,554)	—
Net cash and cash equivalents (used in) provided by investing activities from continuing operations	(312,756)	(616,855)	5,783
Financing activities:			
Net (decrease) increase in deposits	547,688	(40,823)	330,611
Cash dividends paid on common stock	(9,875)	(9,853)	(9,807)
Proceeds from exercised stock options	146	572	1,526
Repurchase of restricted stock	(31)	(11)	(14)
Extinguishment of senior subordinated notes	—	—	(20,000)
Repayment of FHLB advances, long-term	—	(100,000)	—
(Repayment of) proceeds from short-term FHLB advances	(295,000)	325,000	—
Repayment of short-term borrowings	—	(19,254)	—
Decrease in securities sold under agreements to repurchase	(3,401)	(3,518)	(6,103)
Issuance of Panacea Financial Holdings stock, net of costs	23,712	—	—
Increase in secured borrowings	20,393	—	—
Net cash and cash equivalents provided by financing activities from continuing operations	283,632	152,113	296,213
Net change in cash and cash equivalents from continuing operations	(306)	(452,308)	329,609
Cash flows provided from discontinued operation:			
Net cash and cash equivalents used in operating activities	—	—	(373)
Net cash and cash equivalents provided by investing activities	—	—	4,746
Net change in cash and cash equivalents from discontinued operation	—	—	4,373
Net change in cash and cash equivalents	(306)	(452,308)	333,982
Cash and cash equivalents at beginning of period	77,859	530,167	196,185
Cash and cash equivalents at end of period	$ 77,553	$ 77,859	$ 530,167
Supplemental disclosure of cash flow information			
Cash payments for:			
Interest	$ 91,817	$ 20,190	$ 20,234
Income taxes	$ 5,755	$ 3,046	$ 6,151
Supplemental schedule of noncash investing and financing activities:			
Initial recognition of operating lease right-of-use assets	$ 5,311	$ —	—
Bank premises transferred to held for sale	$ 4,042	$ 3,667	$ —
Shares issued in lieu of cash bonus	$ —	$ 640	$ —
Proceeds from sale of other investment included in other assets	$ —	$ 538	$ —
Proceeds from bank-owned life insurance death benefit included in other assets	$ —	$ 931	$ —
Transfer from loans to other real estate owned	$ —	$ —	$ 186
Notes receivable from discontinued operation, included in loans	$ —	$ —	$ 8,500
Fair value of assets and liabilities from acquisition:			
Fair value of tangible assets acquired	$ —	$ 21,947	$ —
Other intangible assets acquired	—	2,790	—
Fair value of liabilities assumed	—	(20,183)	—
Total merger consideration, net of $2,446 of cash acquired	$ —	$ 4,554	$ —

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Primis Financial Corp. ("Primis," "we," "us," "our" or the "Company") is the bank holding company for Primis Bank ("Primis Bank" or the "Bank"), a Virginia state-chartered bank which commenced operations on April 14, 2005. Primis Bank provides a range of financial services to individuals and small and medium-sized businesses.

At December 31, 2022 December 31, 2023, Primis Bank had thirty-two twenty-four full-service branches in Virginia and Maryland and also provided services to customers through certain online and mobile applications. Thirty full-service retail branches are in Virginia and two full-service retail branches are in Maryland. The Company is headquartered in McLean, Virginia and has an administrative offices office in Tysons Corner, Virginia and Glen Allen, Virginia and an operations center in Atlee, Virginia.

In 2022, Primis successfully launched its new digital bank platform that includes an all-new mobile banking application that provides quick and seamless banking experience all from within Mortgage Company ("PMC"), a residential mortgage lender headquartered in Wilmington, North Carolina, is a consolidated subsidiary of Primis Bank. Panacea Financial Holdings, Inc. ("PFH"), headquartered in Little Rock, Arkansas, is consolidated into the app.

Also in Company. PFH owns the fourth quarter of 2021, Primis launched its new V1BE service, a bank delivery app for on-demand ordering of branch services. V1BE brings in-branch banking services right rights to the customer's doorstep, including cash delivery/withdrawals, cash pick-up/deposits, check deposits, change orders, cashier checks, Panacea Financial brand and its intellectual property and partners with the instant issue Bank to offer a suite of replacement debit cards. In 2021, V1BE was piloted in financial products and services for doctors, their practices, and ultimately the Richmond market but now covers the majority of our footprint including the greater Washington, D.C. region. With V1BE, Primis is able to support any market and grow customer relationships without the need for a large branch presence. broader healthcare industry.

The accounting policies and practices of Primis and its subsidiaries conform to U.S. generally accepted accounting principles ("U.S. GAAP") and to general practice within the banking industry. Major Material policies and practices are described below: in this footnote.

Principles of Consolidation

The consolidated financial statements include the accounts of Primis and its subsidiaries Primis Bank, PMC and EVB Statutory Trust I (the "Trust"). PFH. Significant inter-company accounts and transactions have been eliminated in consolidation. Primis consolidates subsidiaries in which it holds, directly or indirectly, more than 50 percent of the voting rights or where it exercises control. Entities where Primis holds 20 to 50 percent of the voting rights, or has the ability to exercise significant influence, or both, are accounted for under the equity method. Primis owns the EVB Statutory Trust I (the "Trust") which is an unconsolidated subsidiary and the junior subordinated debt owed to the Trust is reported as a liability of Primis. Primis consolidates PFH, as a result of the determination that it has a controlling financial interest over the entity as further described below.

We determine whether we have a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ("VIE") under accounting principles generally accepted in the United States. U.S. GAAP. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. We consolidate voting interest entities in which we have all, or at least a majority of, the voting interest. As defined in applicable accounting standards, U.S. GAAP, VIEs are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in a VIE is present when an enterprise has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. The Company has investments in VIE's for which we are not the primary beneficiary and, as such, their accounts are not included in our consolidated financial statements. The Company also has an investment in a VIE for which we are the primary beneficiary.

On April 28, 2022, Primis Bank entered into a definitive agreement to acquire 100% of the issued and outstanding capital stock of SeaTrust Mortgage Company ("SeaTrust"), a North Carolina corporation. On May 31, 2022, Primis Bank completed the acquisition (the "Acquisition") of

100% of the outstanding capital stock of SeaTrust from Community First Bank, Inc. (the “Seller”) pursuant to the Stock Purchase Agreement, dated as of April 28, 2022 (the “Purchase Agreement”) by and among the Bank, Seller, and SeaTrust. As a result, SeaTrust became a wholly owned subsidiary of Primis Bank on May 31, 2022. Following the closing of the Acquisition, on June 1, 2022, the Bank changed the name of SeaTrust to Primis Mortgage Company (“Primis Mortgage”). Company. At the time of acquisition, Primis Mortgage PMC originated mortgages primarily in

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North and South Carolina, Florida and Tennessee from eight offices but has since expanded its ability to originate mortgages to the majority of the U.S.

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Pursuant to the Purchase Agreement, the Bank paid an aggregate purchase price of $7.0 million in cash to Seller at closing and assumed $19.3 million of SeaTrust’s indebtedness under certain warehouse lending facilities.

On December 21, 2023, PFH completed a $24.5 million Series B financing round led by a global venture capital firm. As part of the financing round, Primis acquired approximately 19% of PFH’s common stock for an immaterial purchase price due to previous operating losses in the Bank’s Panacea Financial Division. The Company performed an analysis and determined that PFH is a VIE because it lacks one or more of the characteristics of a voting interest entity. The Company’s analysis further determined that it has a controlling financial interest in PFH due to the substantial historical activities between PFH and the Bank’s Panacea Financial Division coupled with the limited activities of PFH outside of its relationship with Primis as of December 31, 2023. There are employees of Primis that have historically carried out substantially all of the activities of PFH. Accordingly, the Company determined it is the primary beneficiary of PFH and consolidated it as of December 31, 2023.

Discontinued Operation

Primis Bank had an interest in one mortgage company, Southern Trust Mortgage, LLC (“STM”). Prior to December 31, 2021, Primis Bank owned 43.28% and 100% of STM’s common and preferred stock, respectively, and STM was considered an unconsolidated affiliate of the Company. On September 23, 2021, Primis Bank entered into an agreement with STM, whereby STM agreed to purchase all of the Bank's common membership interests and a portion of the Bank's preferred interests in STM for a combination of $1.6 million in cash and the assumption of a promissory note in the amount of $8.5 million. The transaction closed on December 31, 2021. Upon closing, STM continued to be a borrower of the Bank, but the Bank is no longer a minority owner of STM and STM is no longer considered an affiliate of the Company. The Company still holds held 100% of STM’s preferred stock at December 31, 2022 as of December 31, 2023 and 2022 but no longer has had a position on STM’s board of directors and STM no longer represents represented a reportable operating segment of the Company. Company as of either date.

Operating SegmentsReclassifications

In certain instances, amounts reported in prior years’ consolidated financial statements have been reclassified to conform to the current financial statement presentation. The Company through reclassified its Bank subsidiary, provides a broad range other equity investment gains during the year ended December 31, 2022 that were presented in other noninterest income in the prior year financial statements with its previously reported “gain on sale of financial services. While other investment” and retitled the Company’s chief operating decision makers monitor the revenue streams of the various financial products and services, operations are managed and financial performance is evaluated line “gain on an organization-wide basis. Management has determined that the Company has two reportable operating segments: Primis Mortgage and Primis Bank, as discussed in Note 18 – Segment Information. other investments”.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Estimates that are particularly susceptible to change in the near term include: the determination of the allowance for credit losses, the fair value of investment securities, the credit impairment of investment securities, the mortgage banking derivatives, credit enhancement, interest rate swap derivatives, Consumer Program derivative, the valuation of goodwill and deferred tax assets.

Investment Securities

Securities Available-for-Sale and Held-to Maturity

Debt securities that Primis has the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at amortized cost.

Securities classified as available-for-sale are those debt securities that may be sold in response to changes in interest rates, liquidity needs or other similar factors. Securities available-for-sale are carried at fair value, with unrealized gains or losses net of deferred taxes, included in accumulated other comprehensive income (loss) in stockholders’ equity.

Premiums and discounts are generally amortized using the interest method with a constant effective yield without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable securities are amortized to their earliest call date. Gains and losses on the sale of investment securities are recorded on the settlement date and are determined using the specific identification method.

Primis purchases amortizing investment securities. The actual principal reduction on these assets varies from the expected contractual principal reduction due to principal prepayments resulting from the borrowers’ election to refinance the underlying mortgage based on market and other conditions. The purchased premiums and discounts associated with these assets are amortized or accreted to interest income over the estimated life of the related assets. The estimated life is

calculated by projecting future prepayments and the resulting principal cash flows until maturity. Prepayment rate projections utilize actual prepayment speed experience and available market information on like-kind instruments. The prepayment rates form the basis for income recognition of premiums and discounts on the related assets.

Changes in prepayment estimates may cause the earnings recognized on these assets to vary over the term that the assets are held, creating volatility in the net interest margin. Prepayment rate assumptions are monitored and updated monthly to reflect actual activity and the most recent market projections.

Non-marketable Equity Securities

Primis' investment in STM's preferred stock and other investments are considered to be non-marketable equity securities that do not have a readily determinable fair value. Equity securities with no recurring market value data available are reviewed periodically and any observable market value change is adjusted through net income. Primis evaluates these non-marketable equity securities for impairment and recoverability of the recorded investment by considering positive and negative evidence, including the profitability and asset quality, dividend payment history and recent redemption experience. Impairment is assessed at each reporting period and if identified, is recognized in noninterest income.

Other investments include stock acquired for regulatory purposes. The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. The Bank is also required to own FRB stock with a par value equal to 6% of capital and FHLB stock of 4.25% of borrowings outstanding. FHLB and FRB stock is carried at cost classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of the par value. Both cash and stock dividends are reported as income.

Loans Held for Sale

Loans The PMC loans held for sale are originated and held until sold to permanent investors. The Company has elected to carry these loans at fair value on a recurring basis in accordance with the fair value option under FASB ASC Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825, *Financial Instruments*. The fair value is determined by utilizing quoted prices from dealers in such securities. Gains and losses on loan sales are recorded in mortgage banking income and direct loan origination costs are included in noninterest expense in the consolidated statements of income and comprehensive income (loss).

Loans

Primis provides commercial and consumer loans to customers. Primis also purchases mortgage loans from mortgage loans originators, including the Bank's wholly-owned subsidiary Primis Mortgage Company. Primis also provides commercial and consumer loans to customers. PMC. A substantial portion of the loan portfolio is represented by loans secured by real estate throughout its market area. The ability of Primis' debtors to honor their contracts is in varying degrees dependent upon the real estate market conditions and general economic conditions in this their debtor's market area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances, including purchased premiums and discounts and any deferred loan fees or costs on originated loans. costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct

origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method without anticipating prepayments.

Commercial real estate consists loans consist of borrowings secured by owner occupied and non-owner occupied commercial real estate. Repayment of these loans is dependent upon rental income or the subsequent sale of the property for loans secured by non-owner occupied commercial real estate and by cash flows from business operations for owner occupied commercial real estate. Loans for which the source of repayment is rental income are primarily impacted by local economic conditions which dictate occupancy rates and the amount of rent charged. Commercial real estate loans that are dependent on cash flows from operations can also be adversely affected by current market conditions for their product or service.

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Construction and land development loans primarily consist of borrowings to purchase and develop raw land into residential and non-residential properties. Construction loans are extended to individuals as well as corporations for the construction of an individual or multiple properties and are secured by raw land and the subsequent improvements. Repayment of the loans to real estate developers is dependent upon the sale or lease of properties to third parties in a timely fashion upon completion. Should there be delays in construction or a downturn in the market for those properties, there may be significant erosion in value which may be absorbed by Primis.

Commercial loans consist of borrowings for commercial purposes to individuals, corporations, partnerships, sole proprietorships, and other business enterprises. Commercial loans are generally secured by business assets such as equipment, accounts receivable, inventory, or any other asset excluding real estate and generally made to finance capital expenditures or operations. Primis' risk exposure is related to deterioration in the value of collateral securing the loan should foreclosure become necessary. Generally, business assets used or produced in operations do not maintain their value upon foreclosure which may require Primis to write-down the value significantly to sell. Commercial loans also include Life Premium Finance loans. These loans are utilized to pay the annual premiums due on the whole or universal life policy. The Life Premium Finance loans are fully secured by the cash value of the policy and personal liquid assets of the borrower or guarantor.

Residential real estate loans consist of loans to individuals for the purchase of primary residences with repayment primarily through wage or other income sources of the individual borrower. Primis' loss exposure to these loans is dependent on local market conditions for residential properties as loan amounts are determined, in part, by the fair value of the property at origination.

Other consumer loans are comprised of loans to individuals both unsecured and secured and home equity loans secured by real estate (closed and open-end), with repayment dependent on individual wages and other income. Other consumer loans also include Life Premium Finance loans and Panacea Financial consumer loans comprising of student loan refinancing and pro re nata ("PRN') loans. PRN loans may be utilized by graduating doctors to fund costs as they move into their chosen professions. The risk of loss on consumer loans is elevated as the collateral securing these loans, if any, may rapidly depreciate in value or may be worthless and/or difficult to locate if repossession is necessary. Losses in this portfolio are generally relatively low, however, due to the small individual loan size and the balance outstanding as a percentage of Primis' entire portfolio. Also included in other consumer loans are the Consumer Program loans as more fully described below in the Third Party Originated and Serviced Consumer Loan Portfolio section of this footnote.

The accrual of interest on all loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal and interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual status or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Most of Primis' business activity is with customers located within Virginia and Maryland. Maryland with some consumer loans' customer base on a national platform. Therefore, our exposure to credit risk is significantly affected by changes in the

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economy in those areas. We are not dependent on any single customer or group of customers whose insolvency would have a material adverse effect on operations.

Primis has purchased, primarily through acquisitions, individual loans and groups of loans, some of which have shown evidence of credit deterioration since origination. These purchased loans are recorded at fair value such that there is no carryover of the seller's allowance for credit losses. We adopted ASU Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, on January 1, 2020 which requires the Bank to record purchased financial assets with credit deterioration (PCD assets), defined as a more-than-insignificant deterioration in credit quality since origination or issuance, at the purchase price plus the allowance for credit losses ("ACL") expected at the time of acquisition. Under this method, there is no credit loss expense affecting net income on acquisition of PCD assets. Changes in estimates of expected credit losses after acquisition are recognized as credit loss expense (or reversal of credit loss expense) in subsequent periods as they arise. Any non-credit discount or premium resulting from acquiring a pool of purchased financial assets with credit deterioration shall be allocated to each individual asset. At the acquisition

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date, the initial allowance for credit losses determined on a collective basis shall be allocated to individual assets to appropriately allocate any non-credit discount or premium. The non-credit discount or premium, after the adjustment for the allowance for credit losses, shall be accreted to interest income using the interest method based on the effective interest rate determined after the adjustment for credit losses at the adoption date.

A purchased financial asset that does not qualify as a PCD asset is accounted for similar to an originated financial asset. Generally, this means that an entity recognizes the allowance for credit losses for non-PCD assets through net income at the time of acquisition. In addition, both the credit discount and non-credit discount or premium resulting from acquiring a pool of purchased financial assets that do not qualify as PCD assets shall be is allocated to each individual asset. This combined discount or premium shall be is accreted to interest income using the effective yield method.

Allowance for Credit Losses

Allowance For Credit Losses - Held-to-Maturity Securities

The allowance for credit losses on held-to-maturity securities is a contra-asset valuation account, calculated in accordance with ASC 326 that is deducted from the amortized cost basis of held-to-maturity securities to present management's best estimate of the net amount expected to be collected. Held-to-maturity securities are charged-off against the allowance when deemed uncollectible by management. Adjustments to the allowance are reported in our income statement as a component of credit loss expense. Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management has made the accounting policy election to exclude accrued interest receivable on held-to-maturity securities from the estimate of credit losses. losses due to the inclusion in its nonaccrual policy. Further information regarding our policies and methodology used to estimate the allowance for credit losses on held-to-maturity securities is presented in Note 3 – Investment Securities.

Allowance For Credit Losses - Available-for-Sale Securities

For available-for-sale securities in an unrealized loss position, we first assess whether (i) we intend to sell or (ii) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Adjustments to the allowance are reported in our income statement as a component of credit loss

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expense. Management has made the accounting policy election to exclude accrued interest receivable on available-for-sale securities from the estimate of credit losses. losses due to the inclusion in its nonaccrual policy. Available-for-sale securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

Allowance for Credit Losses – Loans

The allowance for credit losses on loans is a contra-asset valuation account, calculated in accordance with ASC 326, which is deducted from the amortized cost basis of loans to present management's best estimate of the net amount expected to be collected. Loans are charged-off against the allowance when deemed uncollectible by management. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Adjustments to the allowance are reported in our income statement as a component of credit loss expense. Management has made the accounting policy election to exclude accrued interest receivable on loans from the estimate of credit losses. losses due to the inclusion in its nonaccrual policy. Further

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information regarding our policies and methodology used to estimate the allowance for credit losses on loans is presented in Note 4 – Loans and Allowance. Allowance For Credit Losses.

Allowance For Credit Losses - Off-Balance-Sheet Credit Exposures

The allowance for credit losses on off-balance-sheet credit exposures is a liability account, calculated in accordance with ASC 326, representing expected credit losses over the contractual period for which we are exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if we have the unconditional right to cancel the obligation. The allowance is reported as a component of other liabilities in our consolidated balance sheets. Adjustments to the allowance are reported in our income statement as a component of other expenses. Further information regarding our policies and methodology used to estimate the allowance for credit losses on off-balance-sheet credit exposures is presented in Note 15 – Financial Instruments with Off-Balance-Sheet Risks.

Third Party Third-Party Originated and Serviced Consumer Loan Originations Portfolio

Primis Bank entered into a Loan Origination Agreement In the second half of 2021, the Company partnered with a third party on July 7, 2021 under which the third party will source third-party (the "Third Party Originator/Servicer" or "TPOS") to originate and service certain unsecured consumer loans through their proprietary point-of-sale technology (the "Consumer Program"). Loan options under the Consumer Program include traditional fully-amortizing loans and promotional loans with no interest, or "same-as-cash", features if the loan is fully repaid in the promotional window. The loans are originated at par in the Bank's name and have a term of 5 to 12 years with a much shorter effective life due to amortization and pay downs.

The Consumer Program is governed by multiple interrelated agreements including the loan agreement between the Bank and the customer and agreements with the TPOS. The structure of the Consumer Program is intended to generate loans that yield a targeted return to the Bank on a portfolio basis while also providing limited credit enhancement from the TPOS. Key characteristics of the combined arrangement include:

- The TPOS contributes funds to a reserve account at the time of origination to be used for future charge-offs if necessary.
- When a promotional loan pays off prior to the end of the promotional period, the customer owes no interest on the loan and any interest accrued during the period is waived. In that event, the TPOS reimburses the Bank for the interest the customer otherwise would have paid if the promotional period did not exist.
- Excess yield on the portfolio after realized charge-offs and above an agreed upon target rate due to the Bank is paid to the TPOS as a "Performance Fee."
- In the event charge-offs exceed the amount available as a Performance Fee, the TPOS remits a portion of current period originations to reimburse for losses and, if necessary, releases funds from the reserve account.

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- If charge-offs exceed the amounts above, they roll over to future periods to offset potential Performance Fees and subsequent reserve account fundings related to the portfolio.

Agreements with multiple counterparties, such as the customer and TPOS, are generally required to be originated by Primis. The Bank will periodically remit payment accounted for separately in accordance with U.S. GAAP relevant to third party each unit of account even if the agreements are highly interrelated. As a result, the Company accounts for the funding Consumer Program under multiple units of program loans deemed originated and allocated to the Bank. The Bank will retain all interest on each originated loan such that the Bank achieves a margin equal to the lower bound of the Federal Funds Rate plus 5.00% per annum. This rate is periodically adjusted on the last day of each calendar quarter. All interest received above this amount will be paid to the third party to cover the finder's fee, servicing cost and credit enhancement. The third party will establish and maintain at the Bank a waterfall reserve account ("the Reserve Account") to serve as collateral for balances owed to Primis under the program.

Interest Income: Contractual interest due from the borrower is recorded under the Bank's loan interest income.

Fees: The arrangement with third party is designed such that Primis retains all contractual interest received from the originated loans and in turn pays fees to the third party that are, in substance, designed to cover the following costs: follows:

- Loan originations: The loans and related revenue are accounted for consistent with the Company's accounting for its other loans held for investment and are also included in the Company's expected credit losses estimation process under CECL.
    - No deferral interest income is necessary as recognized on promotional loans until the fee is not paid at expiration of the inception promotional period. If the customer doesn't pay off the loan prior to that expiration, deferred interest from the beginning of the loan but becomes the obligation of the customer and is paid billed straight-line over time. Consistent the remaining life of the loan. We recognize the accumulated deferred interest at the time of expiration discounted for the time value of money with the discount amortized over the remaining life of the loan.

- The agreement that governs the "performance fee" and interest reimbursement from the TPOS meets the definition of a derivative financial instrument and is accounted for in accordance with ASC 815, *Derivatives and Hedging.* The derivative is accounted for at fair value in the Company's Consolidated Balance Sheets in other loan origination costs, assets or other liabilities with changes in fair value each period reported in the expense is recognized through loan interest Consolidated Statements of Income and Comprehensive Income (Loss) within noninterest income. The primary drivers of the derivative value include estimated prepayment activity on promotional loans that would trigger reimbursement to the Company from the TPOS and estimated excess yield above projected credit losses that would lead to Performance Fee payments to the TPOS from the Company. Additional details on the inputs and assumptions used to determine the fair value of the derivative are discussed in Note 5, Derivatives.

    - ● o Credit enhancement: Credit Noninterest income each period includes actual amounts received during the period for interest reimbursement and amounts paid by the TPOS under the limited credit enhancement is purchased on a standalone basis and the cost of the instrument is recognized over the life of the loan as noninterest expense. described above.

    - ● o Servicing costs: Costs Noninterest expense each period includes actual amounts paid to during the third party to service loans that are held period for investment are charged performance fees and servicing fees as noninterest expenses as they are incurred. defined in the agreement with the TPOS.

The Company has $199.3 million of loans outstanding in the Consumer Program, or 6% of our total gross loan portfolio, as of December 31, 2023. Loans in the Consumer Program are included within the Consumer Loan category disclosures in Note 4, Loans and Allowance for Credit *Losses:* The credit enhancement is entered into separate and apart from the agreement with the borrower to extend credit. The Bank estimates an allowance for credit losses on these loans without consideration Losses. As of December 31, 2023, 45% of the Reserve Account. The timing and amount loans were in a promotional period requiring no payment of charge-offs do not contemplate interest on their loans with 70% of these promotional loan periods ending in the Reserve Account. Charge-offs are recognized second half of 2024 through the allowance for credit losses in accordance with regulatory guidance and first quarter of 2025. During the Bank's policy. Recoveries received from the borrower are recognized as recoveries, consistent with the Bank's policy.

With respect to recoveries received from the third party under the credit enhancement, the Bank recognizes a recovery asset through noninterest income and at the same time the Bank recognizes expected credit losses, using assumptions consistent with the loss estimate and giving additional consideration year ended December 31, 2023, $10.1 million of promotional loans paid off prior to the third party's ability end of their promotional periods while $6.0 million of promotional loans reached the end of the promotional period and willingness to absorb credit losses and to continue to fund the Reserve Account. As recoveries are received from the third party, the recovery receivable is reduced. entered amortization.

Transfers of Financial Assets

The Company follows the guidance in ASC 860, *Transfers and Servicing*, when accounting for loan participations and other partial loan sales. Transfers of an entire financial asset (i.e. loan sales), a group of entire financial assets, or a participating interest in an entire financial asset (i.e. loan participations sold) are accounted for as sales when control over the assets has have been relinquished. surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from Primis, the Company, (2) the transferee obtains

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the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and Primis (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. If Participations or other partial loan sales that do not meet the transfer does not satisfy definition of a participating interest would remain on the aforementioned control criteria, balance sheet and the transaction is proceeds are recorded as a secured borrowing borrowing. Secured borrowings are initially recorded at fair value which corresponds to the proceeds received for the transfer of the assets, and any failed sale discount is amortized into income over the life of the related asset.

The Company retains servicing rights on the loans sold and records a servicing asset for each of the sold loans at the time of sale. Subsequent to the date of transfer, the Company can elect to measure servicing assets under the amortization method. Under the amortization method, servicing assets are amortized in proportion to, and over the period of, estimated net servicing income. The amortization of servicing assets is analyzed each reporting period and is adjusted to reflect changes in prepayment speeds, as well as other factors. Servicing assets are evaluated for impairment based on the fair value of those assets. Impairment is determined by assessing the servicing assets based on groupings of predominant risk characteristics, such as interest rate and loan type. If, by servicing asset grouping, the carrying amount of the servicing assets exceeds fair value, a valuation allowance is established through a charge to earnings. The valuation allowance is adjusted as the fair value changes. The Company recorded approximately $7 thousand of impairment of its servicing assets during the year ended December 31, 2023. Servicing assets are included in other assets in the accompanying consolidated balance sheets. The Company also retains servicing rights on loans transferred under secured borrowings, but in accordance with U.S. GAAP does not record a servicing asset.

The principal balance of loans transferred for the year ended December 31, 2023 that qualified as sales was $52.2 million, while the principal balance transferred that was accounted for as secured borrowings was $23.4 million. The Company recorded $0.3 million of servicing assets during the year ended December 31, 2023 in connection with the transferred transfer of loans remaining that qualified as sales. The balance of the servicing assets as of December 31, 2023 was $0.3 million. See Note 11 – Securities Sold Under Agreements to Repurchase and Other Borrowings – for additional information on the Company's consolidated balance sheet and proceeds recognized transfers accounted for as a liability. secured borrowings.

Bank Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives of 30 years. Leasehold improvements are amortized on the straight-line method over the shorter of the estimated useful lives of the improvements or the terms of the related leases including lease renewals only when the Company is reasonably assured of the aggregate term of the lease. Furniture, fixtures, equipment and software are depreciated using the straight-line method with useful lives ranging from 3 to 10 years.

Assets Held for Sale

The Company classifies its assets as held for sale in accordance with FASB ASC 360, *Property, Plant, and Equipment*. When assets are identified as held for sale, the Company discontinues depreciating (amortizing) the assets and estimates the fair value, net of selling costs, of such assets. Assets held for sale is are recorded at the lower of the net carrying amount of the assets or the estimated net fair value. If the estimated net fair value of the assets held for sale is less than the net carrying amount of the assets, an impairment charge is recorded in the condensed consolidated statements of income. income statement.

The Company assesses the net fair value of assets held for sale each reporting period the assets remain classified as held for sale. Subsequent changes, if any, in the net fair value of the assets held for sale that require an adjustment to the carrying amount are recorded in the condensed consolidated statements of income statement, unless the adjustment causes the carrying amount of the assets to exceed the net carrying amount upon initial classification as held for sale.

If circumstances arise that the Company previously considered unlikely and, as a result, the Company decides not to sell assets previously classified as held for sale, they are reclassified to another classification. Assets that are reclassified are measured at the lower of (a) their carrying amount before they were classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the assets remained in their previous classification, or (b) their fair value at the date of the subsequent decision not to sell.

Operating Leases

The Company leases certain properties and equipment under operating leases. The Company recognizes a liability to make lease payments, the operating lease liability, and an asset representing the right to use the underlying asset during the lease term, the right-of-use asset. In recognizing lease right-of-use assets and related right-of-use lease liabilities, we account for

lease and non-lease components (such as taxes, insurance, and common area maintenance costs) separately as such amounts are generally readily determinable under our lease contracts. The operating lease liability is measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate at inception. The right-of-use asset is measured at the amount of the operating lease liability adjusted for the remaining balance of any lease incentives received, any cumulative prepaid or accrued rent if the lease payments are uneven throughout the lease term, any unamortized initial direct costs, and any impairment of the right-of-use-asset. Lease expense consists of a single lease cost calculated so that the remaining cost of the lease is allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the operating lease liability, and any impairment of the right-of-use asset. Lease renewal options are generally not included in the calculation of the operating lease liabilities, unless they are not reasonably certain to be exercised. The Company does not recognize short-term leases on the balance sheet. sheets.

Goodwill and Intangible Assets

The Company follows ASC 350, *Goodwill and Other Intangible Assets*, which prescribes the accounting for goodwill and intangible assets subsequent to initial recognition. Goodwill resulting from business combinations is generally

determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but evaluated for impairment on an annual basis or more frequently if events or circumstances warrant. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on our consolidated balance sheet. sheets.

The Company performs the its annual impairment analysis annually on September 30th of each year at the reporting unit level whereby the Company compares the estimated fair value of the reporting unit to its carrying value. In the second quarter of 2022, the Company added a second reporting unit with the acquisition of Primis Mortgage.

If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is not considered impaired. The Company engaged a third-party valuation specialist to assist management in performing its annual goodwill impairment analysis on our analysis. Goodwill is required to be tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below the operating segment level, which is referred to as a component. The Company's reporting units for goodwill are its two primary operating segments, Primis Bank and PMC. The Company completed the annual goodwill impairment testing for its two reporting units as of September 30, 2023. The testing for PMC concluded that the fair value of the reporting unit was in excess of its carrying amount and no impairment charge was required. The Company's testing of the Primis Bank reporting unit. The Company also performed a qualitative analysis on our Primis Mortgage reporting unit revealed that its carrying amount was in excess of its calculated fair value as of December 31, 2022 September 30, 2023, resulting in an impairment charge of $11.2 million.

To determine the fair value of the Bank and PMC reporting unit, units, the Company utilizes a combination of three or four valuation approaches: the comparable transactions approach, the control premium approach, the public market peers control premium approach, and the discounted cash flow approach. The comparable transactions approach is based on pricing ratios recently paid in the sale or merger of comparable banking franchises; the control premium approach is based on the Company's trading price, adjusted for holding company assets and an industry based control premium; the public market peers control premium approach is based on market pricing ratios of public banking companies adjusted for an industry based control premium; and the discounted cash flow approach considers the earnings and cash flows that a hypothetical acquirer could realize in an acquisition of the Bank reporting unit. Assumptions that are used as part of these calculations include: the selection of comparable publicly-traded companies and selection of market comparable acquisition transactions. In addition, other assumptions include the discount rate, economic conditions, which impact the assumptions related to interest and growth rates, the control premium associated with the reporting unit and a relative weight given to the valuations derived by the valuation methods.

Other intangible assets consist of core deposit intangible assets arising from whole-bank and branch acquisitions and other intangibles from Primis Mortgage the PMC acquisition and are amortized over their estimated useful lives, which range from 6 to 15 years.

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Stock-Based Compensation

Compensation cost is recognized for stock options issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes option-pricing model is utilized to estimate the fair value of stock options. Compensation cost for grants of restricted shares is accounted for based on the closing price of Primis' common stock on the date the restricted shares are awarded. Compensation cost for stock options and restricted shares is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. Compensation cost for restricted stock unit awards that contain performance conditions is measured based on the grant date fair value of the units, adjusted for the Company's best estimate of the outcome of vesting conditions at the end of the performance period.

Bank-Owned Life Insurance

Primis has purchased, and acquired through acquisitions, life insurance policies on certain former and current key executives. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

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Other Real Estate Owned ("OREO")

Real estate acquired through or instead of foreclosure is held for sale and initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a direct charge-off is recorded through expense. Operating costs after acquisition are expensed as incurred.

Cloud Computing Arrangements Arrangement Assets

Primis engaged Finxact third-parties to define, design, and develop a new cloud-based banking core. core for the Company. The multiple phases of the cloud computing arrangements arrangement assets are assessed and reviewed as the software is placed into production. Total costs paid is capitalized upon initial launch and production rollout and classified in other assets in our consolidated balance sheet. rollout. Amortization is based on the estimated life of the core infrastructure as it relates to obsolescence, technology, competition, and the nature of changes in software. Operating costs such as monthly licensing, usage, and storage are expensed as incurred in data processing expense on in our consolidated statements of income and comprehensive income. statements. As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company had gross cloud computing arrangements arrangement assets of $11.5 million $14.4 million and $5.8 million $11.5 million, respectively, and accumulated amortization of $1.1 million $3.8 million and $0.1 million $1.1 million, respectively.

Impairment of Long-Lived Assets

Premises and equipment, core deposit intangible cloud computing arrangement assets, right of use assets, and other long-term assets (other than goodwill and intangibles) are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Derivative Instruments

Derivatives are financial instruments that meet the criteria in ASC 815, *Derivatives and Hedgin*g, to be recognized as either freestanding or embedded derivatives. The Company's derivatives are recognized as either assets or liabilities in the Consolidated Balance Sheets at fair value. Changes in the fair value of the derivatives are recorded through noninterest income in the Consolidated Statements of Income and Comprehensive Income (Loss). Primis does not use derivative instruments for trading or speculative purposes.

Consumer Program Derivative

The Bank has an agreement with a third-party to originate and service consumer loans that are included in the Bank's held for investment portfolio. The third-party provides a target return to the Company on the portfolio of loans and all interest received from borrowers above the target return is paid to the third-party as a performance fee. The third-party also provides reimbursement for lost interest when the borrower's note has a promotional feature that waives accrued interest if the loan is paid in full before the promotional period ends and credit support to the Company in periods when the target return on the portfolio is not achieved. This agreement to pay the third-party performance fees and to receive reimbursement of waived interest and certain credit support meets the definition of a derivative financial instrument. As of December 31, 2023 and 2022 the Company recorded an asset of $10.8 million and a liability of $0.1 million, respectively, in its Consolidated Balance Sheets in the lines “Consumer Program derivative asset” and “Consumer Program

derivative liability” related to the third-party agreement accounted for as a derivative. See Note 5, Derivatives, for additional information about the derivative and the assumptions used to determine its value.

Mortgage Banking Derivatives and Financial Instruments

Derivative assets and liabilities are recorded at fair value.

Mortgage loan commitments known as interest rate lock commitments (“IRLCs”) that relate to the origination of a mortgage that will be held for sale upon funding are considered derivative instruments under the derivatives accounting guidance FASB in ASC 815*815,* , *Derivatives and Hedging*. Loan commitments that are classified as derivatives are recognized at fair value on the consolidated balance sheets Consolidated Balance Sheets in other assets and other liabilities with changes in their fair values recorded in mortgage banking income in the consolidated statements Consolidated Statements of income. Income and Comprehensive Income (Loss).

To-be-announced mortgage-backed securities trades (“TBA”) is a contract to buy or sell mortgage-backed securities on a specific date while the underlying mortgages are not announced until just prior to settlement. These TBA trades provide an economic hedge against the effect of changes in interest rates resulting from interest rate lock commitments. TBAs are accounted for under the derivatives accounting guidance FASB in ASC 815, *Derivatives and Hedging* when either of the following conditions exist: (i) when settlement of the TBA trade is not expected to occur at the next regular settlement date (which is typically the next month) or (ii) a mechanism exists to settle the contract on a net basis. As a result, these instruments are recorded at fair value on the consolidated balance sheets as other assets and other liabilities with changes in their fair values recorded in mortgage banking income in the consolidated income statements of income.. The fair value of the TBA trades is based on the gain or loss that would occur if the Company were to pair-off the trade at the measurement date.

Forward loan sale commitments are commitments to sell individual mortgage loans using both best efforts and mandatory delivery at a fixed price to an investor at a future date. Forward loan sale commitments that are mandatory delivery are accounted for as derivatives and carried at fair value, determined as the amount that would be necessary to settle the derivative financial instrument at the balance sheet date. Forward loan sale commitments that are best efforts are not derivatives but can be and have been accounted for at fair value, determined in a similar manner to those that are mandatory delivery. Forward loan sale commitments are recorded on the consolidated balance sheets as other assets and other liabilities with changes in their fair values recorded in mortgage banking income in the consolidated statements income statements.

As of income. December 31, 2023 the Company recorded an asset of $0.6 million and a liability of $0.2 million in its Consolidated Balance Sheets in other assets and other liabilities, respectively, related to IRLCs, TBAs, and forward loan sale commitments (“mortgage banking derivatives”). As of December 31, 2022 the Company recorded an asset of $0.9 million and a liability of $0.1 million in its Consolidated Balance Sheets in other assets and other liabilities, respectively, related to mortgage banking derivatives. See Note 5 for further discussion and assumptions used to value the derivatives.

Interest Rate Swaps

The Company is subject to interest rate risk exposure in the normal course of business through its core lending operations. Primarily to help mitigate interest rate risk associated with its loan portfolio, the Company entered into interest rate swaps in May and August 2023 with a large U.S. financial institution as the counterparty. Interest rate swaps are contractual agreements whereby one party pays a floating interest rate on a notional principal amount and receives a fixed-rate payment on the same notional principal, or vice versa, for a fixed period of time. Interest rate swaps change in value with movements in benchmark interest rates, such as Prime or the Secured Overnight Financing Rate (“SOFR”). Interest rate swaps subject the Company to market risk associated with changes in interest rates, changes in interest rate volatility, as well as the credit risk that the counterparty will fail to perform. The Company’s interest rate swaps are pay-fixed and receive-floating whereby the Company receives a variable rate of interest based on SOFR.

The Company's interest rate swaps meet the definition of derivative instruments under ASC 815, *Derivatives and Hedging*, and are accounted for both initially and subsequently at their fair value. The Company assessed the derivative instruments at inception and determined they met the requirements under ASC 815 to be accounted for as fair value hedges. Fair value hedge relationships mitigate exposure to the change in fair value of the hedged risk in an asset, liability or firm commitment. The Company's interest rate swaps are fair value hedges that are accounted for using the portfolio layer method, which allows the Company to hedge the interest rate risk of prepayable loans by designating as the hedged item a stated amount of two separate and distinct closed portfolios of consumer and commercial loans that are expected to be

outstanding for the designated hedge periods. Under the fair value hedging model, gains or losses attributable to the change in fair value of the derivative instruments, as well as the gains and losses attributable to the change in fair value of the hedged items, are recognized in interest income in the same income statement line item with the hedged item in the period in which the change in fair value occurs. The corresponding adjustment to the hedged asset or liability are included in the basis of the hedged items, while the corresponding change in the fair value of the derivative instruments are recorded as an adjustment to other assets or other liabilities, as applicable. The Company presents interest rate swaps on the balance sheets on a net basis when a right of offset exists, based on transactions with a single counterparty and any cash collateral paid to and/or received from that counterparty are subject to legally enforceable master netting arrangements. As of December 31, 2023 the gross amounts of interest rate swap derivative assets and liabilities were $1.8 million and $0.7 million, respectively, and are recorded net in other assets in the consolidated balance sheet.

The following table represents the carrying value of the portfolio layer method hedged assets and the cumulative fair value hedging adjustments included in the carrying value of the hedged assets as of December 31, 2023 and 2022:

	December 31, 2023			December 31, 2022		
(dollars in thousands)	Amortized Cost Basis	Hedged Asset	Basis Adjustment	Amortized Cost Basis	Hedged Asset	Basis Adjustment
Fixed rate assets	$ 946,185	$ 248,906	$ (1,094)	$ —	$ —	$ —

Additional information on derivative instruments can be found in Note 5 – Fair Value.

Retirement Plans

Employee 401(k) plan expense is the amount of matching contributions. contributions from the Company. Primis matches 100% of the first 3% of the employee contribution, and 50% of the next 3% (maximum of 4.5% match). Supplemental retirement plan expense allocates incurred by the Company is accrued based on a future obligation to provide benefits to retired executives over a certain number of years of service. after their service to the Company concludes.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements.

Dividend Restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to Primis or by Primis to shareholders.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs expensed during the twelve months ended December 31, 2023, 2022 and 2021 were $1.8 million, $3.1 million and $1.7 million, respectively.

Income Taxes

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

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax

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benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. We have no unrecognized tax benefits and do not anticipate any increase in unrecognized tax benefits during the next twelve months. Should the accrual of any interest or penalties relative to unrecognized tax benefits be necessary, it is our policy to record such accruals in our income tax accounts; no such accruals exist as of December 31, 2022 December 31, 2023 and 2021. 2022.

Restrictions on Cash

No regulatory reserve or clearing requirements with the FRB were needed at December 31, 2022 as of December 31, 2023 and 2021. 2022.

Consolidated Statements of Cash Flows and cash equivalents

For purposes of reporting cash flows, Primis defines cash and cash equivalents as cash due from financial institutions, interest-bearing deposits and federal funds sold in other financial institutions with maturities less than 90 days.

Earnings Per Share ("EPS")

Basic EPS is computed by dividing net income attributable to Primis' common shareholders by the weighted average number of common shares outstanding during the year. Diluted EPS reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to net income that would result from the assumed issuance. Potential common shares that may be issued by Primis relate solely to outstanding stock options, restricted stock awards, and restricted stock units and are determined using the treasury stock method. Performance awards cannot be dilutive until the Company's best estimate of the outcome of vesting conditions become probable.

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Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on investment securities available-for-sale which are also recognized as a separate component of equity.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, Primis has entered into commitments to extend credit and standby letters of credit. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay.

Fair Value Measurements

In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon observable market-based parameters. Valuation assumptions may be made to ensure that financial instruments are recorded at fair value. These assumptions may reflect assumptions that market participants would use in pricing an asset or liability, among other things, as well as unobservable parameters. Any such valuation assumptions are applied consistently over time.

Recent Accounting Pronouncements

In March 2022, Financial Accounting Standards Board ("FASB") the FASB issued Accounting Standards Codification ("ASC") ASU 2022-02, *Troubled Debt Restructurings and Vintage Disclosures*. This ASU eliminates the accounting guidance on troubled debt restructurings (TDRs) ("TDRs") for creditors in ASC 310-40 and amends the guidance on "vintage disclosures" to require disclosure of current-period gross write-offs by year of origination. The ASU also updates the requirements related to accounting for credit losses under FASB ASC 326 and adds enhanced disclosures for creditors with respect to loan refinancing and restructurings for borrowers experiencing financial difficulty. ASU 2022-02 was effective for annual periods beginning after December 15, 2022, including interim periods within those annual periods. Early adoption was permitted. The Company adopted the guidance in the first quarter of 2023, and does which did not believe that this standard will have a material impact on the Company's consolidated financial statements and disclosures.

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In March 2022, the FASB issued ASU 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging-Portfolio Layer Method*, to expand the current single-layer method of electing hedge accounting to allow multiple hedged layers of a single closed portfolio under the method. To reflect that expansion, the last-of-layer method was renamed the portfolio layer method. The amendments in this update were effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The Company adopted the update in the second quarter of 2023and applied the update to the derivatives the Company entered into during 2023.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU expands current disclosure requirements primarily through enhanced disclosures about significant segment expenses. Specifically, the ASU (i) requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), (ii) requires disclosure of an amount for other segment items by reportable segment and a description of its composition, (iii) requires providing in each interim period all current annual disclosures of a reportable segment's profit or loss and assets, and (iv) allows an entity to provide additional measures of profit or loss used by the CODM in assessing performance and deciding how to allocate resources in addition to providing the measure for this that is most consistent with GAAP, (v) requires disclosure of the title and position of the CODM and an explanation of how the CODM uses reported measures of segment profit or loss in assessing segment performance and deciding how to allocate resources, and (vi) requires an entity that has a single reportable segment to provide all disclosures required by this ASU and Topic 280. This ASU is effective for the Company's annual disclosures beginning for the year ended December 31, 2024 and its interim disclosures thereafter, with early adoption permitted. The Company is currently evaluating the impact of this ASU to its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires annual disclosure of certain information relating to the rate reconciliation, income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. The ASU also eliminates certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures. This ASU is effective for the Company's annual disclosures beginning for the year ended December 31, 2025. The Company is currently evaluating the impact of this ASU to its financial statement disclosures.

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2. BUSINESS COMBINATION

On April 28, 2022, Primis Bank entered into a definitive agreement to acquire 100% of the issued and outstanding capital stock of SeaTrust. On May 31, 2022, Primis Bank completed the acquisition of 100% of the outstanding capital stock of SeaTrust from the Seller, pursuant to the Purchase Agreement. As a result, SeaTrust became a wholly owned subsidiary of Primis Bank on May 31, 2022.

Pursuant to the Purchase Agreement, the Bank paid an aggregate purchase price of $7.0 million in cash to Seller at closing and assumed $19.3 million of SeaTrust's indebtedness under certain warehouse lending facilities.

Following the closing of the Acquisition, on June 1, 2022, the Bank changed the name of SeaTrust to Primis Mortgage Company.

In connection with the SeaTrust acquisition, the following table details the consideration paid, the initial estimated fair value of identifiable assets acquired and liabilities assumed as of the date of the acquisition, the subsequent adjustments to estimates, the final valuation of the fair value of identifiable assets acquired and liabilities assumed as of the date of the acquisition, and the resulting goodwill recorded (in thousands):

(dollars in thousands)	Original Estimates	Adjustments to Estimates	Final Valuation
Consideration paid:			
Cash	$ 7,000	$ —	$ 7,000
Value of consideration	$ 7,000	$ —	$ 7,000
Assets acquired:			
Cash and due from banks	$ 2,446	$ —	$ 2,446
Mortgage loans held for sale	20,452	—	20,452
Premises and equipment, net	124	—	124
Leases right-of-use asset	28	—	28
Derivative assets	1,224	—	1,224
Other intangibles	—	135	135
Deferred tax asset, net	26	—	26
Other assets	93	—	93
Total assets	24,393	135	24,528
Liabilities assumed:			
Short term borrowings	19,254	—	19,254

Leases liability	27	—	27
Other liabilities	902	—	902
Total liabilities	20,183	—	20,183
Net identifiable assets acquired	$ 4,210	$ 135	$ 4,345
Goodwill resulting from acquisition			$ 2,655

The table below illustrates the unaudited pro forma revenue and net income of the combined entities had the acquisition taken place on January 1, 2020January 1, 2021. The unaudited combined pro forma revenue and net income combines the historical results of SeaTrust with the Company's consolidated statements of operations for the periods listed below and, while no material adjustments were made for the estimated effect of certain fair value adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition actually taken place on January 1, 2020January 1, 2021. The pro forma financial information does not include the impact of possible business model changes, nor does it consider any potential impacts of current market conditions or revenues, expense efficiencies or other factors.

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	For the Year Ended December 31,				
(dollars in thousands)	2022	2021	2020	2022	2021
Total revenues	$ 152,370	$ 134,684	$ 137,204	$146,607	$134,588
Net income	$ 17,787	$ 31,829	$ 23,636	$ 14,194	$ 31,692

Included in the Company's consolidated statements of income for the twelve months endedyear December 31, 2022 is $5.1 million of mortgage banking income related to Primis MortgagePMC since its acquisition on May 31, 2022.

The Company incurred merger expenses of $0.4 million for the year ended December 31, 2022 related to the acquisition.

3. INVESTMENT SECURITIES

The amortized cost and fair value of available-for-sale investment securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows (in thousands):

	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
December 31, 2022				
Residential government-sponsored mortgage-backed securities	$ 119,371	$ 1	$(16,491)	$102,881
Obligations of states and political subdivisions	34,103	2	(4,927)	29,178
Corporate securities	16,000	—	(1,172)	14,828
Collateralized loan obligations	5,022	—	(146)	4,876
Residential government-sponsored collateralized mortgage obligations	28,643	—	(2,048)	26,595

Government-sponsored agency securities	17,719	—	(3,103)	14,616
Agency commercial mortgage-backed securities	42,180	—	(4,763)	37,417
SBA pool securities	5,998	13	(87)	5,924
Total	$ 269,036	$ 16	$(32,737)	$236,315

	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
December 31, 2021				
Residential government-sponsored mortgage-backed securities	$ 122,506	$ 740	$ (636)	$ 122,610
Obligations of states and political subdivisions	30,728	755	(252)	31,231
Corporate securities	13,000	685	—	13,685
Collateralized loan obligations	5,026	—	(16)	5,010
Residential government-sponsored collateralized mortgage obligations	19,671	297	(161)	19,807
Government-sponsored agency securities	17,671	32	(215)	17,488
Agency commercial mortgage-backed securities	52,452	513	(298)	52,667
SBA pool securities	8,870	48	(84)	8,834
Total	$ 269,924	$ 3,070	$ (1,662)	$ 271,332

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3. INVESTMENT SECURITIES

The amortized cost and fair value of available-for-sale investment securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows (in thousands):

	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
December 31, 2023				
Residential government-sponsored mortgage-backed securities	$ 110,562	$ 72	$ (13,826)	$ 96,808
Obligations of states and political subdivisions	33,801	12	(3,733)	30,080
Corporate securities	16,000	—	(1,952)	14,048
Collateralized loan obligations	5,018	—	(36)	4,982
Residential government-sponsored collateralized mortgage obligations	35,927	175	(1,631)	34,471
Government-sponsored agency securities	16,267	—	(2,556)	13,711
Agency commercial mortgage-backed securities	34,059	—	(3,949)	30,110
SBA pool securities	4,257	6	(53)	4,210
Total	$ 255,891	$ 265	$ (27,736)	$ 228,420

	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
December 31, 2022				
Residential government-sponsored mortgage-backed securities	$ 119,371	$ 1	$ (16,491)	$ 102,881
Obligations of states and political subdivisions	34,103	2	(4,927)	29,178
Corporate securities	16,000	—	(1,172)	14,828
Collateralized loan obligations	5,022	—	(146)	4,876
Residential government-sponsored collateralized mortgage obligations	28,643	—	(2,048)	26,595

Government-sponsored agency securities	17,719	—	(3,103)	14,616
Agency commercial mortgage-backed securities	42,180	—	(4,763)	37,417
SBA pool securities	5,998	13	(87)	5,924
Total	$ 269,036	$ 16	$ (32,737)	$ 236,315

The amortized cost, gross unrecognized gains and losses, allowance for credit losses and fair value of investment securities held-to-maturity were as follows (in thousands):

	Amortized	Gross Unrecognized		Allowance for	Fair	Amortized	Gross Unrecognized		Allowance for	Fair
	Cost	Gains	Losses	Credit Losses	Value	Cost	Gains	Losses	Credit Losses	Value
December 31, 2022										
December 31, 2023										
Residential government-sponsored mortgage-backed securities	$ 10,522	$ —	$ (1,007)	$ —	$ 9,515	$ 9,040	$ —	$ (754)	$ —	$ 8,286
Obligations of states and political subdivisions	2,721	3	(46)	—	2,678	2,391	—	(42)	—	2,349
Residential government-sponsored collateralized mortgage obligations	277	—	(21)	—	256	219	—	(15)	—	204
Total	$ 13,520	$ 3	$ (1,074)	$ —	$12,449	$ 11,650	$ —	$ (811)	$ —	$10,839

	Amortized	Gross Unrecognized		Allowance for	Fair
	Cost	Gains	Losses	Credit Losses	Value
December 31, 2021					
Residential government-sponsored mortgage-backed securities	$ 13,616	$ 296	$ (1)	$ —	$ 13,911
Obligations of states and political subdivisions	3,805	93	—	—	3,898
Residential government-sponsored collateralized mortgage obligations	519	13	—	—	532
Government-sponsored agency securities	5,000	23	—	—	5,023
Total	$ 22,940	$ 425	$ (1)	$ —	$ 23,364

	Amortized	Gross Unrecognized		Allowance for	Fair
	Cost	Gains	Losses	Credit Losses	Value
December 31, 2022					
Residential government-sponsored mortgage-backed securities	$ 10,522	$ —	$ (1,007)	$ —	$ 9,515
Obligations of states and political subdivisions	2,721	3	(46)	—	2,678
Residential government-sponsored collateralized mortgage obligations	277	—	(21)	—	256
Total	$ 13,520	$ 3	$ (1,074)	$ —	$ 12,449

During 2023, 2022 and 2021, $15.2 million, $37.4 million and 2020, $37.4 million, $160.5 million and $38.9 million, respectively, of available-for-sale investment securities were purchased. purchased and classified as available-for-sale. No held-to-maturity investments were investment securities purchased in 2023, 2022 and 2021. During 2020, $15.2 million of held-to-maturity investments 2021 were purchased. classified as held-to-maturity. No investment securities were sold during 2023, 2022 and 2021. During 2020, $1.9 million and $1.7 million, respectively,

Table of available-for-sale investment securities and held-to-maturity investment securities were sold. Realized losses on sales of investment securities of $620 thousand were recorded for the year ended December 31, 2020. Contents

The amortized cost and fair value of available-for-sale and held-to-maturity investment securities as of December 31, 2022 December 31, 2023, by contractual maturity, were as follows (in thousands). Investment securities not due at a single maturity date are shown separately.

	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 1,500	$ 1,484	$ —	—	$ —	$ —	$ 872	$ 870
Due in one to five years	10,018	9,100	867	865	10,030	9,361	580	580
Due in five to ten years	29,200	25,909	1,519	1,477	36,738	32,098	939	899
Due after ten years	32,126	27,005	335	336	24,318	21,362	—	—
Residential government-sponsored mortgage-backed securities	119,371	102,881	10,522	9,515	110,562	96,808	9,040	8,286
Residential government-sponsored collateralized mortgage obligations	28,643	26,595	277	256	35,927	34,471	219	204
Agency commercial mortgage-backed securities	42,180	37,417	—	—	34,059	30,110	—	—
SBA pool securities	5,998	5,924	—	—	4,257	4,210	—	—
Total	$ 269,036	$ 236,315	$ 13,520	$ 12,449	$ 255,891	$228,420	$ 11,650	$ 10,839

Investment securities with a carrying amount of approximately $200.2 million and $99.4 million at December 31, 2023 and $180.7 million at December 31, 2022 and 2021, 2022, respectively, were pledged to secure public deposits, certain other deposits, a line of credit for advances from the FHLB of Atlanta, and repurchase agreements.

Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. With regard to U.S. Treasury and residential mortgage-backed

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securities issued by the U.S. government, or agencies thereof, it is expected that the securities will not be settled at prices less than the amortized cost bases basis of the securities as such securities are backed by the full faith and credit of and/or guaranteed by the U.S. government. Accordingly, no allowance for credit losses has been recorded for these securities. With regard to securities issued by States and political subdivisions and other held-to-maturity securities, management considers (i) issuer bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities and (iv) internal forecasts. As of December 31, 2022, December 31, 2023 and 2022, Primis did not have any a material allowance for credit losses on held-to-maturity securities.

As of December 31, 2023, there were 134 investment securities available-for-sale that were in an unrealized loss position. The unrealized losses related to investment securities available-for-sale identified as of December 31, 2022 December 31, 2023 or 2021, 2022, relate to changes in interest rates relative to when the investment securities were purchased, and do not indicate credit-related impairment. Primis performs quantitative analysis and if needed, a qualitative analysis in this determination. As a result of the Company's analysis, none of the securities were deemed to require an allowance for credit losses. Primis has the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses.

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The following tables present information regarding investment securities available-for-sale and held-to-maturity in a continuous unrealized loss position as of December 31, 2022 December 31, 2023 and 2021 2022 by duration of time in a loss position (in thousands):

December 31, 2023 Available-for-Sale	Less than 12 months Fair value	Less than 12 months Unrealized Losses	12 Months or More Fair value	12 Months or More Unrealized Losses	Total Fair value	Total Unrealized Losses
Residential government-sponsored mortgage-backed securities	$ —	$ —	$ 93,782	$ (13,826)	$ 93,782	$ (13,826)
Obligations of states and political subdivisions	3,945	(19)	23,002	(3,714)	26,947	(3,733)
Corporate securities	939	(61)	13,109	(1,891)	14,048	(1,952)
Collateralized loan obligations	—	—	4,982	(36)	4,982	(36)
Residential government-sponsored collateralized mortgage obligations	—	—	17,306	(1,631)	17,306	(1,631)
Government-sponsored agency securities	—	—	13,711	(2,556)	13,711	(2,556)
Agency commercial mortgage-backed securities	—	—	30,110	(3,949)	30,110	(3,949)
SBA pool securities	301	(1)	2,693	(52)	2,994	(53)
Total	$ 5,185	$ (81)	$ 198,695	$ (27,655)	$ 203,880	$ (27,736)

December 31, 2023 Held-to-Maturity	Less than 12 months Fair value	Less than 12 months Unrecognized Losses	12 Months or More Fair value	12 Months or More Unrecognized Losses	Total Fair value	Total Unrecognized Losses
Residential government-sponsored mortgage-backed securities	$ —	$ —	$ 8,286	$ (754)	$ 8,286	$ (754)
Obligations of states and political subdivisions	1,373	(4)	396	(38)	1,769	(42)
Residential government-sponsored collateralized mortgage obligations	—	—	204	(15)	204	(15)
Total	$ 1,373	$ (4)	$ 8,886	$ (807)	$ 10,259	$ (811)

December 31, 2022 Available-for-Sale	Less than 12 months Fair value	Less than 12 months Unrealized Losses	12 Months or More Fair value	12 Months or More Unrealized Losses	Total Fair value	Total Unrealized Losses
Residential government-sponsored mortgage-backed securities	$ 23,484	$ (2,268)	$ 79,283	$ (14,223)	$ 102,767	$ (16,491)
Obligations of states and political subdivisions	10,026	(388)	17,609	(4,539)	27,635	(4,927)
Corporate securities	14,828	(1,172)	—	—	14,828	(1,172)
Collateralized loan obligations	—	—	4,876	(146)	4,876	(146)
Residential government-sponsored collateralized mortgage obligations	22,343	(1,375)	4,252	(673)	26,595	(2,048)
Government-sponsored agency securities	1,484	(16)	13,132	(3,087)	14,616	(3,103)
Agency commercial mortgage-backed securities	13,031	(371)	24,386	(4,392)	37,417	(4,763)
SBA pool securities	529	(38)	3,243	(49)	3,772	(87)
Total	$ 85,725	$ (5,628)	$ 146,781	$ (27,109)	$ 232,506	$ (32,737)

December 31, 2022 Held-to-Maturity	Less than 12 months Fair value	Less than 12 months Unrecognized Losses	12 Months or More Fair value	12 Months or More Unrecognized Losses	Total Fair value	Total Unrecognized Losses
Residential government-sponsored mortgage-backed securities	$ 9,457	$ (1,002)	$ 58	$ (5)	$ 9,515	$ (1,007)
Obligations of states and political subdivisions	1,255	(46)	—	—	1,255	(46)

Residential government-sponsored collateralized mortgage obligations	75	(4)	181	(17)	256	(21)
Total	$ 10,787	$ (1,052)	$ 239	$ (22)	$ 11,026	$ (1,074)

	Less than 12 months		12 Months or More		Total	
December 31, 2021	**Fair**	**Unrealized**	**Fair**	**Unrealized**	**Fair**	**Unrealized**
Available-for-Sale	**value**	**Losses**	**value**	**Losses**	**value**	**Losses**
Residential government-sponsored mortgage-backed securities	$ 84,123	$ (636)	$ —	$ —	$ 84,123	$ (636)
Obligations of states and political subdivisions	14,472	(252)	—	—	14,472	(252)
Collateralized loan obligations	5,010	(16)	—	—	5,010	(16)
Residential government-sponsored collateralized mortgage obligations	5,589	(161)	—	—	5,589	(161)
Government-sponsored agency securities	15,956	(215)	—	—	15,956	(215)
Agency commercial mortgage-backed securities	20,786	(194)	2,027	(104)	22,813	(298)
SBA pool securities	—	—	4,544	(84)	4,544	(84)
Total	$ 145,936	$ (1,474)	$ 6,571	$ (188)	$ 152,507	$ (1,662)

	Less than 12 months		12 Months or More		Total	
December 31, 2021	**Fair**	**Unrecognized**	**Fair**	**Unrecognized**	**Fair**	**Unrecognized**
Held-to-Maturity	**value**	**Losses**	**value**	**Losses**	**value**	**Losses**
Residential government-sponsored mortgage-backed securities	$ —	$ —	$ 324	$ (1)	$ 324	$ (1)
Total	$ —	$ —	$ 324	$ (1)	$ 324	$ (1)

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Changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2022, 2021 and 2020 are shown in the tables below. All amounts are net of tax (in thousands).

For the year ended December 31, 2022	**Unrealized Holding Gains (Losses) on Available-for-Sale**	**Held-to-Maturity Securities**	**Total**
Beginning balance	$ 1,112	$ —	$ 1,112
Current period other comprehensive income (loss)	(26,962)	—	(26,962)
Ending balance	$ (25,850)	$ —	$ (25,850)

For the year ended December 31, 2021	**Unrealized Holding Gains on Available-for-Sale**	**Held-to-Maturity Securities**	**Total**
Beginning balance	$ 3,636	$ (151)	$ 3,485
Current period other comprehensive income (loss)	(2,524)	151	(2,373)
Ending balance	$ 1,112	$ —	$ 1,112

Unrealized Holding

For the year ended December 31, 2020	Gains on Available-for-Sale		Held-to-Maturity Securities		Total	
Beginning balance	$	943	$	(160)	$	783
Current period other comprehensive income (loss)		2,693		9		2,702
Ending balance	$	3,636	$	(151)	$	3,485

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4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the composition of our loan portfolio as of December 31, 2022 December 31, 2023 and 2021 2022 (in thousands):

	December 31, 2022		December 31, 2021	
Loans held for sale	$	27,626	$	—
Loans held for investment				
Loans secured by real estate:				
Commercial real estate - owner occupied	$	459,866	$	387,703
Commercial real estate - non-owner occupied		579,733		588,000
Secured by farmland		7,116		8,612
Construction and land development		148,690		121,444
Residential 1-4 family		609,694		547,560
Multi-family residential		140,321		164,071
Home equity lines of credit		65,152		73,846
Total real estate loans		2,010,572		1,891,236
Commercial loans		521,794		301,980
Paycheck Protection Program loans		4,564		77,319
Consumer loans		405,278		60,996
Total Non-PCD loans		2,942,208		2,331,531
PCD loans		6,628		8,455
Total loans held for investment	$	2,948,836	$	2,339,986

	December 31, 2023		December 31, 2022	
Loans held for sale, at fair value	$	57,691	$	27,626
Loans held for investment				
Loans secured by real estate:				
Commercial real estate - owner occupied (1)	$	455,397	$	459,866
Commercial real estate - non-owner occupied		578,600		579,733
Secured by farmland		5,044		5,970

Construction and land development	164,742	148,690
Residential 1-4 family	606,226	609,694
Multi-family residential	127,857	140,321
Home equity lines of credit	59,670	65,152
Total real estate loans	1,997,536	2,009,426
Commercial loans (2)	602,623	520,741
Paycheck Protection Program loans	2,023	4,564
Consumer loans	611,583	405,278
Total Non-PCD loans	3,213,765	2,940,009
PCD loans	5,649	6,628
Total loans held for investment	$ 3,219,414	$ 2,946,637

(1) Includes $7.7 million related to loans collateralizing secured borrowings.

(2) Includes $12.8 million related to loans collateralizing secured borrowings.

The accounting policy related to the allowance for credit losses is considered a critical policy given the level of estimation, judgment, and uncertainty in the levels of the allowance required to account for the expected losses in the loan portfolio and the material effect such estimation, judgment, and uncertainty can have on the consolidated financial results.

Accrued Interest Receivable

Accrued interest receivable on loans totaled $13.8 million $20.1 million and $10.8 million at December 31, 2022 December 31, 2023 and 2021, 2022, respectively, and is included in other assets in the consolidated balance sheets.

Nonaccrual and Past Due Loans

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, we consider the borrower's debt service capacity through the analysis of current financial information, if available, and/or current information with regards to our collateral position. Regulatory provisions would typically require the placement of a loan on nonaccrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received in excess of principal due. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least six months) of repayment performance by the borrower.

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The following tables present the aging of the recorded investment in past due loans by class of loans held for investment as of December 31, 2022 December 31, 2023 and 2021 2022 (in thousands):

	30 - 59 Days	60 - 89 Days	90 Days	Total	Loans Not	Total	30 - 59 Days	60 - 89 Days	90 Days	Total	Loans Not	Total
December 31, 2022	Past Due	Past Due	or More	Past Due	Past Due	Loans						
December 31, 2023							Past Due	Past Due	or More	Past Due	Past Due	Loans
Commercial real estate - owner occupied	$ 55	$ —	$ —	$ 55	$ 459,811	$ 459,866	$ 75	$ —	$ 219	$ 294	$ 455,103	$ 455,397
Commercial real estate - non-owner occupied	290	169	19,641	20,100	559,633	579,733	1,155	—	—	1,155	577,445	578,600
Secured by farmland	—	—	—	—	7,116	7,116	—	—	—	—	5,044	5,044
Construction and land development	46	—	—	46	148,644	148,690	26	143	—	169	164,573	164,742
Residential 1-4 family	2,180	410	304	2,894	606,800	609,694	1,850	838	1,376	4,064	602,162	606,226
Multi- family residential	—	—	—	—	140,321	140,321	—	—	—	—	127,857	127,857
Home equity lines of credit	431	96	249	776	64,376	65,152	416	378	556	1,350	58,320	59,670
Commercial loans	39	—	2,956	2,995	518,799	521,794	40	588	1,203	1,831	600,792	602,623
Paycheck Protection Program loans	16	15	3,360	3,391	1,173	4,564	18	—	1,714	1,732	291	2,023
Consumer loans	2,079	1,421	200	3,700	401,578	405,278	3,805	2,093	310	6,208	605,375	611,583
Total Non-PCD loans	5,136	2,111	26,710	33,957	2,908,251	2,942,208	7,385	4,040	5,378	16,803	3,196,962	3,213,765
PCD loans	—	—	1,328	1,328	5,300	6,628	2,061	128	1,241	3,430	2,219	5,649
Total	$ 5,136	$ 2,111	$ 28,038	$ 35,285	$ 2,913,551	$ 2,948,836	$ 9,446	$ 4,168	$ 6,619	$20,233	$3,199,181	$3,219,414

	30 - 59 Days	60 - 89 Days	90 Days	Total	Loans Not	Total	30 - 59 Days	60 - 89 Days	90 Days	Total	Loans Not	Total
December 31, 2021	Past Due	Past Due	or More	Past Due	Past Due	Loans						
December 31, 2022							Past Due	Past Due	or More	Past Due	Past Due	Loans
Commercial real estate - owner occupied	$ 194	$ 346	$ —	$ 540	$ 387,163	$ 387,703	$ 55	$ —	$ —	$ 55	$ 459,811	$ 459,866
Commercial real estate - non-owner occupied	—	—	—	—	588,000	588,000	290	169	19,641	20,100	559,633	579,733

Secured by farmland	791	—	—	791	7,821	8,612	—	—	—	—	5,970	5,970
Construction and land development	204	131	4,575	4,910	116,534	121,444	46	—	—	46	148,644	148,690
Residential 1-4 family	9,384	254	137	9,775	537,785	547,560	2,180	410	304	2,894	606,800	609,694
Multi- family residential	—	—	—	—	164,071	164,071	—	—	—	—	140,321	140,321
Home equity lines of credit	331	—	171	502	73,344	73,846	431	96	249	776	64,376	65,152
Commercial loans	387	—	1,246	1,633	300,347	301,980	39	—	2,956	2,995	517,746	520,741
Paycheck Protection Program loans	4,954	8,559	283	13,796	63,523	77,319	16	15	3,360	3,391	1,173	4,564
Consumer loans	193	130	2	325	60,671	60,996	2,079	1,421	200	3,700	401,578	405,278
Total Non-PCD loans	16,438	9,420	6,414	32,272	2,299,259	2,331,531	5,136	2,111	26,710	33,957	2,906,052	2,940,009
PCD loans	1,717	—	—	1,717	6,738	8,455	—	—	1,328	1,328	5,300	6,628
Total	$18,155	$ 9,420	$ 6,414	$33,989	$2,305,997	$2,339,986	$ 5,136	$ 2,111	$28,038	$35,285	$2,911,352	$2,946,637

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The amortized cost, by class, of loans and leases on nonaccrual status at December 31, 2022 December 31, 2023 and 2021, 2022, were as follows (in thousands):

December 31, 2022	90 Days or More	Less Than 90 Days Past Due	Total Nonaccrual Loans (1)	Nonaccrual With No Credit Loss Allowance (2)
Commercial real estate - owner occupied	$ —	$ 509	$ 509	$ 509
Commercial real estate - non-owner occupied	19,641	—	19,641	19,641
Secured by farmland	—	713	713	713
Construction and land development	—	29	29	29
Residential 1-4 family	304	8,995	9,299	9,299
Home equity lines of credit	249	301	550	550
Commercial loans	2,956	121	3,077	121
Paycheck Protection Program loans	—	4	4	4
Consumer loans	200	134	334	299
Total Non-PCD loans	23,350	10,806	34,156	31,165
PCD loans	1,328	—	1,328	1,328

Total	$ 24,678	$ 10,806	$ 35,484	$ 32,493

December 31, 2021	**90 Days or More**	**Less Than 90 Days Past Due**	**Total Nonaccrual Loans (1)**	**Nonaccrual With No Credit Loss Allowance (2)**
Commercial real estate - owner occupied	$ —	$ 842	$ 842	$ 842
Secured by farmland	—	836	836	836
Construction and land development	4,575	34	4,609	4,609
Residential 1-4 family	137	411	548	548
Multi- family residential	—	4,301	4,301	4,301
Home equity lines of credit	171	253	424	424
Commercial loans	1,246	476	1,722	745
Consumer loans	2	16	18	10
Total Non-PCD loans	6,131	7,169	13,300	12,315
PCD loans	—	1,729	1,729	—
Total	$ 6,131	$ 8,898	$ 15,029	$ 12,315

(1) Nonaccrual loans include SBA guaranteed amounts totaling $0.6 million and $1.1 million at December 31, 2022 and 2021, respectively.

(2) Nonaccrual loans with no credit loss allowance include SBA guaranteed amounts totaling $0.6 million and $1.1 million at December 31, 2022 and 2021, respectively.

December 31, 2023	**90 Days Past Due or More**	**Less Than 90 Days Past Due**	**Total Nonaccrual Loans**	**Nonaccrual With No Credit Loss Allowance**
Commercial real estate - owner occupied	$ 219	$ 469	$ 688	$ 688
Secured by farmland	—	480	480	480
Construction and land development	—	23	23	23
Residential 1-4 family	1,376	1,437	2,813	2,813
Home equity lines of credit	556	571	1,127	1,127
Commercial loans	1,203	576	1,779	207
Consumer loans	310	634	944	944
Total Non-PCD loans	3,664	4,190	7,854	6,282
PCD loans	1,241	—	1,241	1,241
Total	$ 4,905	$ 4,190	$ 9,095	$ 7,523

December 31, 2022	**90 Days Past Due or More**	**Less Than 90 Days Past Due**	**Total Nonaccrual Loans**	**Nonaccrual With No Credit Loss Allowance**
Commercial real estate - owner occupied	$ —	$ 509	$ 509	$ 509
Commercial real estate - non-owner occupied	19,641	—	19,641	19,641
Secured by farmland	—	713	713	713
Construction and land development	—	29	29	29
Residential 1-4 family	304	8,995	9,299	9,299
Home equity lines of credit	249	301	550	550
Commercial loans	2,956	121	3,077	121
Paycheck Protection Program loans	—	4	4	4
Consumer loans	200	134	334	299
Total Non-PCD loans	23,350	10,806	34,156	31,165
PCD loans	1,328	—	1,328	1,328
Total	$ 24,678	$ 10,806	$ 35,484	$ 32,493

There were $3.4 million $1.7 million and $0.3 million $3.4 million of Paycheck Protection Program ("PPP") loans greater than 90 days past due and still accruing at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

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The following table presents nonaccrual loans as of December 31, 2022 December 31, 2023 by class and year of origination (in thousands):

	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted To Term	Total	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted To Term	Total
Commercial real estate - owner occupied	$ —	$ —	$—	$ —	$ —	$ 509	$ —	$ —	$ 509	$—	$ —	$ 219	$—	$ —	$ 469	$ —	$ —	$ 688
Commercial real estate - non-owner occupied	—	—		—	13,066	6,575	—	—	19,641									
Secured by farmland	—	—	—	6	—	707	—	—	713	—	—	—	—	—	480	—	—	480
Construction and land development	—	—	—	—	—	29	—	—	29	—	—	—	—	—	23	—	—	23
Residential 1-4 family	285	—	—	8,099	—	672	—	243	9,299	—	585	—	40	160	1,811	—	217	2,813
Multi- family residential	—	—	—	—	—	—	—	—	—									
Home equity lines of credit	—	—	—	—	—	53	476	21	550	—	—	—	—	—	75	1,035	17	1,127
Commercial loans	—	—	5	—	—	1,482	1,590	—	3,077	—	—	383	—	—	1,049	—	347	1,779
Paycheck Protection Program loans	—	4	—	—	—	—	—	—	4									
Consumer loans	46	288	—	—	—	—	—	—	334	7	453	474	—	9	1	—	—	944
Total non-PCD nonaccruals	331	292	5	8,105	13,066	10,027	2,066	264	34,156	7	1,038	1,076	40	169	3,908	1,035	581	7,854
PCD loans	—	—	—	—	—	1,328	—	—	1,328	—	—	—	—	—	1,241	—	—	1,241
Total nonaccrual loans	$331	$292	$ 5	$8,105	$13,066	$11,355	$ 2,066	$ 264	$35,484	$ 7	$1,038	$1,076	$40	$169	$5,149	$ 1,035	$ 581	$9,095

Interest received on nonaccrual loans was $1.2 million $0.5 million and $0.5 million $1.2 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Troubled Debt Restructurings Modifications Provided to Borrowers Experiencing Financial Difficulty

A modification is classified as a TDR if both of the following exist: (1) the borrower is experiencing financial difficulty and (2) the Bank has granted a concession to the borrower. The Bank determines that a borrower may be experiencing financial difficulty if the borrower is currently delinquent on any of its debt, or if the Bank is concerned that the borrower may not be able to perform in accordance with the current terms of the loan agreement in the foreseeable future. Many aspects of the borrower's financial situation are assessed when determining whether they are experiencing financial difficulty, particularly as it relates to commercial borrowers due to the complex nature of the loan structure, business/industry risk and borrower/guarantor structures. Concessions may include the reduction of an interest rate at a rate lower than current market rates for a new loan with similar risk, extension of the maturity date, reduction of accrued interest, or principal forgiveness. When evaluating whether a concession has been granted, the Bank also considers whether the borrower has provided additional collateral or guarantors and whether such additions adequately compensate the Bank for the restructured terms, or if the revised terms are consistent with those currently being offered to new loan customers.

The assessments of whether a borrower is experiencing (or is likely to experience) financial difficulty and whether at the time a concession has been granted is subjective in nature and management's judgment is required when determining whether the concession results in a modification that is accounted for as a TDR. new loan or a continuation of the existing loan under U.S. GAAP.

Although each occurrence is unique to the borrower and is evaluated separately, for all portfolio segments, TDRs loans modified as a result of borrowers experiencing financial difficulty are typically modified through reduction reductions in interest rates, reductions in payments, changing the payment terms from principal and interest to interest only, and/or extensions in term maturity.

For During the year ended December 31, 2022 December 31, 2023, there on an amortized cost basis, five other consumer loans totaling $288 thousand, two loans secured by first liens totaling $949 thousand and two loans secured by owner occupied real estate totaling $416 thousand were eighteen TDR loans outstanding modified to borrowers experiencing financial difficulty, representing 0.07%, 0.07% and 0.21% of their respective total loan segments.

In the secured by first liens segment one loan, with an amortized cost of $857 thousand, resumed contractual payments in August after a six month deferral of principal and interest granted in the amount first quarter, and has experienced no payment delinquencies since modification. Also in the secured by first liens pool one loan with an amortized cost of $3.6 million primarily due to the economic impact of COVID-19 on certain of the Bank's borrowers. There have been no defaults of TDRs modified during the past twelve months. $92 thousand

was modified in the fourth quarter to reduce principal and interest payments beginning November 2023 and is currently 29 days past due. Prior to modification, total contractual payments for the quarter for this loan would have totaled $4 thousand.

Two loans secured by owner-occupied real estate totaling $416 thousand in amortized cost were modified in the second quarter to allow for re-amortization of the balance over a 25 year period, while maintaining the original maturity date of February and July 2027 and both loans have paid as agreed since modification.

In the other consumer loan segment, two loans to one borrower totaling $180 thousand in amortized cost received four months of principal and interest payment deferrals in the second quarter, and returned to contractual payments in August 2023. Both loans are currently 90 days past due.

One loan with $63 thousand in amortized cost, was modified in the third quarter with reduced monthly payments of $3 thousand for the remaining 84-month term with no change to the original rate or maturity. This other consumer loan is paying as agreed.

In the fourth quarter, one consumer loan, with $30 thousand in amortized cost was modified to interest only payments for nine months, with principal and interest payments to resume June 2024. Total contractual payments, prior to modification, for the quarter would have been $645. This other consumer loan is paying as agreed.

Also, in the fourth quarter, one consumer loan totaling $15 thousand in amortized cost restructured to interest only payments for eleven months, with a return to principal and interest payments in August 2024. Total contractual payments for this loan prior to modification for the quarter would have been $549. This other consumer loan is paying as agreed.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies certain loans by providing principal forgiveness. When principal forgiveness is provided, the amortized cost basis of the loan is written off against the allowance. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

If it is determined that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. At that time, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Credit Quality Indicators

Through its system of internal controls, Primis evaluates and segments loan portfolio credit quality using regulatory definitions for Special Mention, Substandard and Doubtful. Special Mention loans are considered to be criticized. Substandard and Doubtful loans are considered to be classified.

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Special Mention loans are loans that have a potential weakness that deserve 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.

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

Doubtful loans have all the weaknesses inherent in those classified as substandard, Substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and or improbable. Primis had no loans classified as Doubtful at December 31, 2022 as of December 31, 2023 or 2021. 2022.

In monitoring credit quality trends in the context of assessing the appropriate level of the allowance for credit losses on loans, we monitor portfolio credit quality by the weighted-average risk grade of each class of loan.

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The following table presents weighted-average risk grades for all loans, by class and year of origination/renewal as of December 31, 2023 (in thousands):

	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted To Term	Total
Commercial real estate - owner occupied									
Pass	$ 42,262	$ 97,259	$ 61,316	$ 17,914	$ 23,675	$ 191,674	$ 4,054	$ 6,503	$ 444,657
Special Mention	—	—	—	—	—	5,368	—	—	5,368
Substandard	—	—	219	—	95	5,058	—	—	5,372
Doubtful	—	—	—	—	—	—	—	—	—

	$ 42,262	$ 97,259	$ 61,535	$ 17,914	$ 23,770	$ 202,100	$ 4,054	$ 6,503	$ 455,397
Current period gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Weighted average risk grade	3.52	3.35	3.44	3.38	3.37	3.54	3.46	3.97	3.48
Commercial real estate - nonowner occupied									
Pass	$ 19,474	$ 65,355	$ 119,065	$ 42,781	$ 37,446	$ 282,497	$ 1,847	$ 5,856	$ 574,321
Special Mention	—	—	—	1,529	—	2,750	—	—	4,279
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
	$ 19,474	$ 65,355	$ 119,065	$ 44,310	$ 37,446	$ 285,247	$ 1,847	$ 5,856	$ 578,600
Current period gross charge offs	$ —	$ —	$ —	$ —	$ —	$ 1,170	$ —	$ —	$ 1,170
Weighted average risk grade	3.09	3.35	3.08	3.83	3.95	3.64	3.44	2.86	3.50
Secured by farmland									
Pass	$ 361	$ —	$ 10	$ 98	$ —	$ 3,333	$ 607	$ 155	$ 4,564
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	480	—	—	480
Doubtful	—	—	—	—	—	—	—	—	—
	$ 361	$ —	$ 10	$ 98	$ —	$ 3,813	$ 607	$ 155	$ 5,044
Current period gross charge offs	$ —	$ —	$ —	$ —	$ —	$	$ —	$ —	$ —
Weighted average risk grade	3.81	N/A	4.00	4.00	N/A	4.04	4.00	3.11	3.99
Construction and land development									
Pass	$ 32,496	$ 41,304	$ 72,337	$ 512	$ 2,478	$ 13,912	$ 727	$ 1	$ 163,767
Special Mention	—	—	—	—	—	952	—	—	952
Substandard	—	—	—	—	—	23	—	—	23
Doubtful	—	—	—	—	—	—	—	—	—
	$ 32,496	$ 41,304	$ 72,337	$ 512	$ 2,478	$ 14,887	$ 727	$ 1	$ 164,742
Current period gross charge offs	$ —	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 2
Weighted average risk grade	3.44	3.06	3.40	3.37	3.29	3.44	3.41	4.00	3.33
Residential 1-4 family									
Pass	$ 37,097	$ 163,464	$ 148,845	$ 40,697	$ 56,117	$ 148,066	$ 3,293	$ 2,499	$ 600,078
Special Mention	—	1,036	—	—	—	511	—	—	1,547
Substandard	—	585	—	40	160	3,328	—	488	4,601
Doubtful	—	—	—	—	—	—	—	—	—
	$ 37,097	$ 165,085	$ 148,845	$ 40,737	$ 56,277	$ 151,905	$ 3,293	$ 2,987	$ 606,226
Current period gross charge offs	$ —	$ —	$ —	$ —	$ 572	$ 198	$ —	$ —	$ 770
Weighted average risk grade	3.10	3.10	3.04	3.07	3.08	3.25	3.62	3.50	3.12
Multi- family residential									
Pass	$ 544	$ 8,105	$ 21,404	$ 17,738	$ 6,925	$ 68,238	$ 3,360	$ 619	$ 126,933
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	637	—	287	924
Doubtful	—	—	—	—	—	—	—	—	—
	$ 544	$ 8,105	$ 21,404	$ 17,738	$ 6,925	$ 68,875	$ 3,360	$ 906	$ 127,857
Current period gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Weighted average risk grade	3.00	3.70	3.00	3.91	3.00	3.35	3.97	4.63	3.40
Home equity lines of credit									
Pass	$ 521	$ 487	$ 417	$ 48	$ 72	$ 3,012	$ 52,923	$ 856	$ 58,336
Special Mention	—	—	—	—	—	—	111	—	111
Substandard	—	—	—	—	—	75	1,131	17	1,223
Doubtful	—	—	—	—	—	—	—	—	—
	$ 521	$ 487	$ 417	$ 48	$ 72	$ 3,087	$ 54,165	$ 873	$ 59,670
Current period gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ 32	$ —	$ 32
Weighted average risk grade	3.01	3.00	3.00	3.00	3.00	3.95	3.10	3.93	3.15

Commercial loans									
Pass	$ 155,238	$ 269,011	$ 50,804	$ 5,683	$ 2,370	$ 30,240	$ 78,984	$ 7,104	$ 599,434
Special Mention	—	—	—	21	114	—	1,180	—	1,315
Substandard	—	—	383	212	56	1,223	—	—	1,874
Doubtful	—	—	—	—	—	—	—	—	—
	$ 155,238	$ 269,011	$ 51,187	$ 5,916	$ 2,540	$ 31,463	$ 80,164	$ 7,104	$ 602,623
Current period gross charge offs	$ —	$ —	$ —	$ 17	$ —	$ 1,240	$ 1,597	$ —	$ 2,854
Weighted average risk grade	2.97	3.10	3.35	3.41	4.02	3.50	3.26	3.70	3.14

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	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted To Term	Total
Paycheck Protection Program loans									
Pass	$ —	$ —	$ 1,087	$ 936	$ —	$ —	$ —	$ —	$ 2,023
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
	$ —	$ —	$ 1,087	$ 936	$ —	$ —	$ —	$ —	$ 2,023
Current period gross charge offs	$ —	$ —	$ —	$	$ —	$ —	$ —	$ —	$ —
Weighted average risk grade	N/A	N/A	2.00	2.00	N/A	N/A	N/A	N/A	2.00
Consumer loans									
Pass	$ 294,825	$ 277,640	$ 25,695	$ 916	$ 89	$ 3,661	$ 6,998	$ 368	$ 610,192
Special Mention	—	—	—	—	—	63	—	—	63
Substandard	8	831	479	—	9	1	—	—	1,328
Doubtful	—	—	—	—	—	—	—	—	—
	$ 294,833	$ 278,471	$ 26,174	$ 916	$ 98	$ 3,725	$ 6,998	$ 368	$ 611,583
Current period gross charge offs	$ 2,379	$ 7,910	$ 621	$ 3	$ —	$ 944	$ 9	$	$ 11,866
Weighted average risk grade	3.43	2.59	3.55	4.00	4.13	5.81	2.80	N/A	3.06
PCD									
Pass	$ —	$ —	$ —	$ —	$ —	$ 2,842	$ —	$ —	$ 2,842
Special Mention	—	—	—	—	—	1,295	—	—	1,295
Substandard	—	—	—	—	—	1,512	—	—	1,512
Doubtful	—	—	—	—	—	—	—	—	—
	$ —	$ —	$ —	$ —	$ —	$ 5,649	$ —	$ —	$ 5,649
Current period gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Weighted average risk grade	N/A	N/A	N/A	N/A	N/A	4.66	N/A	N/A	4.66
Total	$ 582,826	$ 925,077	$ 502,061	$ 129,125	$ 129,606	$ 770,751	$ 155,215	$ 24,753	$ 3,219,414
Current period gross charge offs	$ 2,379	$ 7,910	$ 621	$ 20	$ 572	$ 3,554	$ 1,638	$ —	$ 16,694
Weighted average risk grade	3.28	3.00	3.20	3.50	3.40	3.52	3.22	3.59	3.26

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The following table presents weighted-average risk grades for all loans, by class and year of origination/renewal as of December 31, 2022 (in thousands):

	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted To Term	Total
Commercial real estate - owner occupied									
Pass	$ 116,545	$ 58,202	$ 19,178	$ 21,985	$ 27,397	$ 202,484	$ 3,389	$ 6,740	$ 455,920
Special Mention	—	—	—	—	—	988	—	—	988
Substandard	—	—	—	—	—	2,958	—	—	2,958
Doubtful	—	—	—	—	—	—	—	—	—
	$ 116,545	$ 58,202	$ 19,178	$ 21,985	$ 27,397	$ 206,430	$ 3,389	$ 6,740	$ 459,866
Weighted average risk grade	3.25	3.45	3.38	3.27	3.43	3.50	3.52	3.96	3.42
Commercial real estate - nonowner occupied									
Pass	$ 28,128	$ 126,291	$ 44,696	$ 41,631	$ 55,702	$ 228,735	$ 4,173	$ 3,065	$ 532,421
Special Mention	—	—	1,566	—	926	24,580	—	601	27,673
Substandard	—	—	—	—	13,066	6,573	—	—	19,639
Doubtful	—	—	—	—	—	—	—	—	—
	$ 28,128	$ 126,291	$ 46,262	$ 41,631	$ 69,694	$ 259,888	$ 4,173	$ 3,666	$ 579,733
Weighted average risk grade	3.36	3.16	3.82	3.95	4.01	3.82	2.87	3.33	3.68
Secured by farmland									
Pass	$ 141	$ 16	$ 110	$ —	$ —	$ 3,425 2,279	$ 1,697	$ 85	$ 5,474 4,328
Special Mention	—	—	—	—	—	649	—	112	761
Substandard	—	—	—	6	—	875	—	—	881
Doubtful	—	—	—	—	—	—	—	—	—
	$ 141	$ 16	$ 110	$ 6	$ —	$ 4,949 3,803	$ 1,697	$ 197	$ 7,116 5,970
Weighted average risk grade	4.00	4.00	4.00	6.00	N/A	4.20	3.98	3.70	4.13
Construction and land development									
Pass	$ 44,253	$ 73,226	$ 847	$ 3,006	$ 6,937	$ 19,553	$ 822	$ 17	$ 148,661
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	29	—	—	29
Doubtful	—	—	—	—	—	—	—	—	—
	$ 44,253	$ 73,226	$ 847	$ 3,006	$ 6,937	$ 19,582	$ 822	$ 17	$ 148,690
Weighted average risk grade	3.21	3.06	3.60	3.42	3.17	3.69	3.36	4.00	3.20
Residential 1-4 family									
Pass	$ 152,178	$ 157,233	$ 43,812	$ 61,268	$ 40,707	$ 138,782	$ 1,837	$ 3,437	$ 599,254
Special Mention	—	—	—	—	—	30	—	—	30
Substandard	285	—	—	8,099	—	1,310	—	716	10,410
Doubtful	—	—	—	—	—	—	—	—	—

	$ 152,463	$ 157,233	$ 43,812	$ 69,367	$ 40,707	$ 140,122	$ 1,837	$ 4,153	$ 609,694
Weighted average risk grade	3.09	3.04	3.07	3.41	3.13	3.23	3.92	3.54	3.15
Multi- family residential									
Pass	$ 9,953	$ 21,927	$ 18,338	$ 7,064	$ 1,804	$ 75,370	$ 4,192	$ 676	$ 139,324
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	702	—	295	997
Doubtful	—	—	—	—	—	—	—	—	—
	$ 9,953	$ 21,927	$ 18,338	$ 7,064	$ 1,804	$ 76,072	$ 4,192	$ 971	$ 140,321
Weighted average risk grade	3.58	3.00	3.90	3.00	3.21	3.31	4.00	4.61	3.37
Home equity lines of credit									
Pass	$ 463	$ 431	$ 52	$ 63	$ 230	$ 4,093	$ 58,312	$ 957	$ 64,601
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	54	476	21	551
Doubtful	—	—	—	—	—	—	—	—	—
	$ 463	$ 431	$ 52	$ 63	$ 230	$ 4,147	$ 58,788	$ 978	$ 65,152
Weighted average risk grade	3.00	3.00	3.00	3.00	3.00	3.94	3.05	3.89	3.12
Commercial loans									
Pass	$ 295,459	$ 59,642	$ 7,332	$ 6,658	$ 9,228	$ 20,883 19,830	$ 100,407	$ 17,381	$ 516,990 515,937
Special Mention	—	396	64	74	—	—	519	388	1,441
Substandard	—	—	5	90	—	1,678	1,590	—	3,363
Doubtful	—	—	—	—	—	—	—	—	—
	$ 295,459	$ 60,038	$ 7,401	$ 6,822	$ 9,228	$ 22,561 21,508	$ 102,516	$ 17,769	$ 521,794 520,741
Weighted average risk grade	3.14	3.41	3.38	3.90	3.42	3.70	3.47	3.33	3.29
Paycheck Protection Program loans									
Pass	$ —	$ 2,119	$ 2,435	$ —	$ —	$ —	$ —	$ —	$ 4,554
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	10	—	—	—	—	—	—	10
Doubtful	—	—	—	—	—	—	—	—	—
	$ —	$ 2,129	$ 2,435	$ —	$ —	$ —	$ —	$ —	$ 4,564
Weighted average risk grade	N/A	2.02	2.00	N/A	N/A	N/A	N/A	N/A	2.01

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	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted To Term	Total
Consumer loans									
Pass	$ 365,842	$ 29,184	$ 1,493	$ 340	$ 534	$ 4,319	$ 2,918	$ —	$ 404,630
Special Mention	—	—	—	—	—	65	—	—	65
Substandard	70	513	—	—	—	—	—	—	583

Doubtful	—	—	—	—	—	—	—	—	—
	$ 365,912	$ 29,697	$ 1,493	$ 340	$ 534	$ 4,384	$ 2,918	$ —	$ 405,278
Weighted average risk grade	3.24	3.74	3.99	3.98	4.00	4.02	3.81	N/A	3.30
PCD									
Pass	$ —	$ —	$ —	$ —	$ —	$ 3,692	$ —	$ —	$ 3,692
Special Mention	—	—	—	—	—	1,320	—	—	1,320
Substandard	—	—	—	—	—	1,616	—	—	1,616
Doubtful	—	—	—	—	—	—	—	—	—
	$ —	$ —	$ —	$ —	$ —	$ 6,628	$ —	$ —	$ 6,628
Weighted average risk grade	N/A	N/A	N/A	N/A	N/A	4.54	N/A	N/A	4.54
Total	$ 1,013,317	$ 529,190	$ 139,928	$ 150,284	$ 156,531	$ 744,763	$ 180,332	$ 34,491	$ 2,948,836
Weighted average risk grade	3.20	3.19	3.48	3.54	3.60	3.57	3.35	3.53	3.36

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The following table presents weighted-average risk grades for all loans, by class and year of origination/renewal as of December 31, 2021 (in thousands):

	2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted To Term	Total
Commercial real estate - owner occupied									
Pass	$ 58,596	$ 18,411	$ 35,498	$ 28,163	$ 45,013	$ 187,461	$ 3,010	$ 6,937	$ 383,089
Special Mention	—	—	—	—	140	1,184	—	—	1,324
Substandard	—	—	475	—	—	2,815	—	—	3,290
Doubtful	—		—	—	—	—	—	—	—
	$ 58,596	$ 18,411	$ 35,973	$ 28,163	$ 45,153	$ 191,460	$ 3,010	$ 6,937	$ 387,703
Weighted average risk grade	3.43	3.42	3.47	3.43	3.55	3.53	3.29	3.96	3.51
Commercial real estate - nonowner occupied									
Pass	$ 107,572	$ 55,956	19,816	$ 76,076	$ 58,883	$ 235,676	$ 3,668	$ —	$ 557,647
Special Mention	—	—	—	—	—	12,097	—	—	12,097
Substandard	—	—	—	—	—	17,655	—	601	18,256
Doubtful	—	—	—	—	—	—	—	—	—
	$ 107,572	$ 55,956	$ 19,816	$ 76,076	$ 58,883	$ 265,428	$ 3,668	$ 601	$ 588,000
Weighted average risk grade	3.05	3.47	3.83	3.45	3.81	3.81	2.94	6.00	3.59
Secured by farmland									
Pass	$ 320	$ 66	$ —	$ —	$ 445	$ 3,734	$ 1,955	$ —	$ 6,520
Special Mention	—	—	—	—	852	404	—	—	1,256
Substandard	—	—	24	—	681	—	131	—	836
Doubtful	—	—	—	—	—	—	—	—	—
	$ 320	$ 66	$ 24	$ —	$ 1,978	$ 4,138	$ 2,086	$ —	$ 8,612

Weighted average risk grade	3.17	4.00	6.00	N/A	5.04	3.61	4.09	N/A	4.05
Construction and land development									
Pass	$ 57,320	$ 14,003	$ 13,360	$ 7,061	$ 8,414	$ 15,664	$ 982	$ 31	$ 116,835
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	4,575	—	—	34	—	—	4,609
Doubtful	—	—	—	—	—	—	—	—	—
	$ 57,320	$ 14,003	$ 17,935	$ 7,061	$ 8,414	$ 15,698	$ 982	$ 31	$ 121,444
Weighted average risk grade	3.15	3.56	4.48	3.26	3.91	3.54	3.31	4.00	3.50
Residential 1-4 family									
Pass	$ 165,106	$ 54,037	$ 81,905	$ 49,694	$ 43,173	$ 138,711	$ 1,845	$ 3,484	$ 537,955
Special Mention	—	—	8,514	—	—	—	—	—	8,514
Substandard	—	—	—	—	—	795	—	296	1,091
Doubtful	—	—	—	—	—	—	—	—	—
	$ 165,106	$ 54,037	$ 90,419	$ 49,694	$ 43,173	$ 139,506	$ 1,845	$ 3,780	$ 547,560
Weighted average risk grade	3.04	3.06	3.24	3.13	3.07	3.26	3.98	3.30	3.15
Multi- family residential									
Pass	$ 37,030	$ 18,866	$ 7,228	$ 6,328	$ 36,574	$ 42,310	$ 5,031	$ —	$ 153,367
Special Mention	—	—	—	—	—	5,326	—	—	5,326
Substandard	—	—	—	—	—	5,076	—	302	5,378
Doubtful	—	—	—	—	—	—	—	—	—
	$ 37,030	$ 18,866	$ 7,228	$ 6,328	$ 36,574	$ 52,712	$ 5,031	$ 302	$ 164,071
Weighted average risk grade	3.40	3.90	3.00	3.59	3.00	3.92	4.00	6.00	3.55
Home equity lines of credit									
Pass	$ 715	$ 59	$ 75	$ 235	$ 425	$ 4,337	$ 67,157	$ 143	$ 73,146
Special Mention	—	—	—	—	—	—	276	—	276
Substandard	—	—	—	—	—	—	398	26	424
Doubtful	—	—	—	—	—	—	—	—	—
	$ 715	$ 59	$ 75	$ 235	$ 425	$ 4,337	$ 67,831	$ 169	$ 73,846
Weighted average risk grade	3.00	3.00	3.00	3.00	3.77	3.79	3.09	4.31	3.14
Commercial loans									
Pass	$ 95,085	$ 10,415	$ 11,923	$ 10,648	$ 10,522	$ 18,284	$ 134,302	$ 5,338	$ 296,517
Special Mention	—	—	—	—	—	—	845	—	845
Substandard	—	9	—	1,508	—	1,938	1,163	—	4,618
Doubtful	—	—	—	—	—	—	—	—	—
	$ 95,085	$ 10,424	$ 11,923	$ 12,156	$ 10,522	$ 20,222	$ 136,310	$ 5,338	$ 301,980
Weighted average risk grade	3.43	3.36	3.79	3.77	2.95	3.96	3.43	3.95	3.48
Paycheck Protection Program loans									
Pass	$ 56,087	$ 21,232	$ —	$ —	$ —	$ —	$ —	$ —	$ 77,319
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
	$ 56,087	$ 21,232	$ —	$ —	$ —	$ —	$ —	$ —	$ 77,319
Weighted average risk grade	2.00	2.00	N/A	N/A	N/A	N/A	N/A	N/A	2.00

	2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted To Term	Total	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted To Term	Total
Consumer loans																		
Pass	$ 48,107	$ 2,351	$ 1,002	$ 914	$ 237	$ 5,766	$ 2,519	$ —	$ 60,896	$ 365,842	$ 29,184	$ 1,493	$ 340	$ 534	$ 4,319	$ 2,918	$ —	$ 404,630
Special Mention	—	—	—	—	—	82	—	—	82	—	—	—	—	—	65	—	—	65
Substandard	—	—	—	7	9	2	—	—	18	70	513	—	—	—	—	—	—	583
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	$ 48,107	$ 2,351	$ 1,002	$ 921	$ 246	$ 5,850	$ 2,519	$ —	$ 60,996	$ 365,912	$ 29,697	$ 1,493	$ 340	$ 534	$ 4,384	$ 2,918	$ —	$ 405,278
Weighted average risk grade	3.55	3.99	3.99	4.02	4.07	4.01	4.00	N/A	3.65	3.24	3.74	3.99	3.98	4.00	4.02	3.81	N/A	3.30
PCD																		
Pass	$ —	$ —	$ —	$ —	$ —	$ 5,145	$ 30	$ —	$ 5,175	$ —	$ —	$ —	$ —	$ —	$ 3,692	$ —	$ —	$ 3,692
Special Mention	—	—	—	—	—	1,391	—	—	1,391	—	—	—	—	—	1,320	—	—	1,320
Substandard	—	—	—	—	1,717	172	—	—	1,889	—	—	—	—	—	1,616	—	—	1,616
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	$ —	$ —	$ —	$ —	$ 1,717	$ 6,708	$ 30	$ —	$ 8,455	$ —	$ —	$ —	$ —	$ —	$ 6,628	$ —	$ —	$ 6,628
Weighted average risk grade	N/A	N/A	N/A	N/A	6.00	4.08	3.00	N/A	4.47	N/A	N/A	N/A	N/A	N/A	4.54	N/A	N/A	4.54
Total	$625,938	$195,405	$184,395	$180,634	$207,085	$706,059	$ 223,312	$ 17,158	$2,339,986	$1,013,317	$529,190	$139,928	$150,284	$156,531	$742,564	$ 180,332	$ 34,491	$2,946,637
Weighted average risk grade	3.12	3.24	3.50	3.38	3.45	3.64	3.35	3.92	3.39	3.20	3.19	3.48	3.54	3.60	3.57	3.35	3.53	3.36

Revolving loans that converted to term during 2023 and 2022 and 2021were were as follows (in thousands):

	For the year ended December 31, 2022	For the year ended December 31, 2021	For the year ended December 31, 2023	For the year ended December 31, 2022
Commercial real estate - owner occupied	$ —	$ 298	$ 2	$ —
Commercial real estate - non-owner occupied	3,065	601	2,865	3,065
Secured by farmland	198	—	—	198
Residential 1-4 family	1,492	1,706	133	1,492
Multi- family residential	676	302	—	676
Home equity lines of credit	832	—	—	832
Commercial loans	13,309	561	684	13,309
Consumer loans			368	—
Total loans	$ 19,572	$ 3,468	$ 4,052	$ 19,572

The amount of There were no foreclosed residential real estate property held at December 31, 2022 as of both December 31, 2023 and 2021 was zero and $0.9 million, respectively. 2022. The recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure was $0.8 million and $0.1 million as of December 31, 2023 and zero at December 31, 2022 and 2021, 2022, respectively.

Allowance For Credit Losses – Loans

The allowance for credit losses on loans is a contra-asset valuation account, calculated in accordance with ASC 326 that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The amount of the allowance represents management's best estimate of current expected credit losses on loans considering available information, from internal and external sources, relevant to assessing collectability over the loans' contractual terms, adjusted for expected prepayments when appropriate.

In calculating the allowance for credit losses, most loans are segmented into pools based upon similar characteristics and risk profiles. For allowance modeling purposes, our loan pools include but are not limited to (i) commercial real estate - owner occupied, (ii) commercial real estate - non-owner occupied, (iii) construction and land development, (iv) commercial, (v) agricultural loans, (vi) residential 1-4 family and (vii) consumer loans. We periodically reassess each pool to ensure the loans within the pool continue to share similar characteristics and risk profiles and to determine whether further segmentation is necessary. For each loan pool, we measure expected credit losses over the life of each loan utilizing a combination of inputs: (i) probability of default, (ii) probability of attrition, (iii) loss given default and (iv) exposure at default. Internal data is supplemented by, but not replaced by, peer data when required, primarily to determine the probability of default input. The various pool-specific inputs may be adjusted for current macroeconomic assumptions. Significant macroeconomic variables utilized in our allowance models include, among other things, (i) VA Virginia (VA) Gross Domestic Product, (ii) VA House Price Index, and (iii) VA unemployment rates.

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Management qualitatively adjusts allowance model results for risk factors that are not considered within our quantitative modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. Qualitative factor ("Q-Factor") adjustments are driven by key risk indicators that management tracks on a pool-by-pool basis.

In some cases, management may determine that an individual loan exhibits unique risk characteristics which differentiate the loan from other loans within our loan pools. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation.

The following tables present details of the allowance for credit losses on loans segregated by loan portfolio segment as of December 31, 2022 December 31, 2023 and 2021, 2022, calculated in accordance with the current expected credit losses ("CECL") methodology ASC 326 (in thousands).

December 31, 2023	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-owner Occupied	Secured by Farmland	Construction and Land Development	1-4 Family Residential	Multi-Fa Residen
Modeled expected credit losses	$ 3,981	$ 5,024	$ 2	$ 745	$ 4,559	$ 1,1
Q-factor and other qualitative adjustments	274	798	29	384	379	4
Specific allocations	—	—	—	—	—	
Total	$ 4,255	$ 5,822	$ 31	$ 1,129	$ 4,938	$ 1,5

December 31, 2022	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-owner Occupied	Secured by Farmland	Construction and Land Development	1-4 Family Residential	Multi-Family Residential	Home Equity Lines Of Credit	Commercial Loans	Consumer Loans	PCD Loans	Total	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-owner Occupied	Secured by Farmland	Construction and Land Development	1-4 Family Residential	Multi-Fa Residen
Modeled expected credit losses	$ 5,297	6,652	4	997	3,579	1,814	310	5,006	3,851	—	$ 27,510	$ 5,297	$ 6,652	$ 4	$ 997	$ 3,579	$ 1,8

Q-factor and other qualitative adjustments	261	495	21	376	512	387	19	654	2	—	2,727	261	495	21	376	512	3
Specific allocations	—	—	—	—	—	—	—	2,193	42	2,072	4,307	—	—	—	—	—	
Total	$ 5,558	$ 7,147	$ 25	$ 1,373	$ 4,091	$ 2,201	$ 329	$ 7,853	$ 3,895	$ 2,072	$ 34,544	$ 5,558	$ 7,147	$ 25	$ 1,373	$ 4,091	$ 2,2

December 31, 2021	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-owner Occupied	Secured by Farmland	Construction and Land Development	1-4 Family Residential	Multi-Family Residential	Home Equity Lines Of Credit	Commercial Loans	Consumer Loans	PCD Loans	Total
Modeled expected credit losses	$ 4,281	$ 8,020	$ 9	$ 540	$ 3,012	$ 1,885	$ 273	$ 2,154	$ 786	$ —	$ 20,960
Q-factor and other qualitative adjustments	281	1,008	47	458	576	1,395	164	1,276	—	—	5,205
Specific allocations	—	—	—	—	—	—	—	658	1	2,281	2,940
Total	$ 4,562	$ 9,028	$ 56	$ 998	$ 3,588	$ 3,280	$ 437	$ 4,088	$ 787	$ 2,281	$ 29,105

As part of management's ongoing review process and as an annual requirement, during the third quarter of 2022, 2023 the Company refreshed and recalibrated the historical loss rates, forecast assumptions, and qualitative factor framework of the CECL model. Management considered the need to qualitatively adjust expected credit losses for information not already captured in the loss estimation process. Qualitative reserve adjustments were driven by key risk indicators, that management tracked on a pool-by-pool basis, which included loan-to-value, borrower debt service coverage exceptions and large concentrations. Updated peer groups were also determined in collaboration with the Company's CECL consultant. Management included banks in Virginia, Maryland, North Carolina, and Pennsylvania that were between $2.0 billion and $10.0 billion in asset size. size and between $5.0 billion and $20.0 billion, based on a national geography, for the national peer group. The peer group population was further narrowed using statistical analysis with a focus on total loans, percent of charge-offs, portfolio yields, and percent of charge-offs during recession. While the asset range and geography were unchanged from the prior iteration, changes in the Primis portfolio and the portfolios of other institutions resulted in changes to the final peer groups. The most notable changes are in the construction commercial industrial and land development and residential 1-4 family consumer peer groups, each of which displays groups. The commercial industrial peer group displayed less risk, while the consumer peer group displayed more risk than the prior year's group. year. Other segments' segments' groups are mostly consistent. The loss given default values, applied to this year's refresh, decreased across all segments and resulted in downward reserve estimates. Generally, the updated loss drivers displayed similar lower default expectations as compared to the prior models.

No allowance for As of December 31, 2023, the Company re-assessed the actual credit loss experience assumptions utilized in its CECL model related to the Consumer Program loan portfolio. Prior to this date the Company utilized a combination of credit loss history of the national consumer peer group as well as the limited credit loss experience in the Consumer Program portfolio as a whole in estimating credit losses for the portfolio. Based on the Company's re-assessment it identified sustained trends over a sufficient period of time that should be considered in the assumptions used to model expected credit losses on the portfolio. Specifically, the Company identified credit loss trends correlated to borrower FICO bands and as a result credit loss history by borrower FICO band has been recognized incorporated into the CECL model for PPP loans the Consumer Program portfolio as such loans are fully guaranteed by of and for the SBA. year end December 31, 2023. The Company incorporated this change to the actual credit loss history

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assumptions because it determined the credit losses on this portfolio have been and are expected to continue to be concentrated in specific FICO bands and the continued use of less granular credit loss assumptions is not expected to be representative of future expected credit losses in this portfolio. This change in the use of credit loss history based on FICO bands is accounted for prospectively as a change in accounting estimate in accordance with U.S. GAAP. The Company's modeled expected credit loss allowance for the Consumer Portfolio would have been $7.2 million higher using the prior assumptions.

No allowance for credit losses has been recognized for PPP loans as such loans are fully guaranteed by the SBA.

Activity in the allowance for credit losses by class of loan for the years ended December 31, 2022 December 31, 2023 and 2021 2022 is summarized below (in thousands):

	Commercial Real Estate		Construction				Home Equity			
	Owner Occupied	Non-owner Occupied	Secured by Farmland	and Land Development	1-4 Family Residential	Multi-Family Residential	Lines Of Credit	Commercial Loans	Consumer Loans	PC Loa
Year Ended December 31, 2023										
Allowance for credit losses:										
Beginning balance	$ 5,558 $	7,147 $	25 $	1,373 $	4,091 $	2,201 $	329 $	7,853 $	3,895 $	2,
Provision (recovery)	(1,303)	(265)	6	(354)	1,453	(611)	62	373	33,579	(
Charge offs	—	(1,170)	—	(2)	(770)	—	(32)	(2,854)	(11,866)	
Recoveries	—	110	—	112	164	—	5	948	480	
Ending balance	$ 4,255 $	5,822 $	31 $	1,129 $	4,938 $	1,590 $	364 $	6,320 $	26,088 $	1,
Year Ended December 31, 2022										
Allowance for credit losses:										
Beginning balance	$ 4,562 $	9,028 $	56 $	998 $	3,588 $	3,280 $	437 $	4,088 $	787 $	2,
Provision (recovery)	1,010	2,644	(31)	375	444	(1,079)	(97)	3,167	5,047	(
Charge offs	(14)	(5,027)	—	—	—	—	(14)	(1,040)	(1,974)	
Recoveries	—	502	—	—	59	—	3	1,638	35	
Ending balance	$ 5,558 $	7,147 $	25 $	1,373 $	4,091 $	2,201 $	329 $	7,853 $	3,895 $	2,

	Commercial Real Estate		Construction				Home Equity				
	Owner Occupied	Non-owner Occupied	Secured by Farmland	and Land Development	1-4 Family Residential	Multi-Family Residential	Lines Of Credit	Commercial Loans	Consumer Loans	PCD Loans	Total
Year Ended December 31, 2022											
Allowance for credit losses:											
Beginning balance	$ 4,562 $	9,028 $	56 $	998 $	3,588 $	3,280 $	437 $	4,088 $	787 $	2,281 $	29,105
Provision (recovery)	1,010	2,644	(31)	375	444	(1,079)	(97)	3,167	5,047	(209)	11,271
Charge offs	(14)	(5,027)	—	—	—	—	(14)	(1,040)	(1,974)	—	(8,069)
Recoveries	—	502	—	—	59	—	3	1,638	35	—	2,237
Ending balance	$ 5,558 $	7,147 $	25 $	1,373 $	4,091 $	2,201 $	329 $	7,853 $	3,895 $	2,072 $	34,544
Year Ended December 31, 2021											
Allowance for credit losses:											
Beginning balance	$ 6,699 $	11,426 $	104 $	1,815 $	9,579 $	1,412 $	901 $	1,498 $	517 $	2,394 $	36,345
Provision (recovery)	(1,961)	(2,398)	(48)	(817)	(5,533)	1,868	(466)	3,291	376	(113)	(5,801)

Charge offs	(176)	—	—	—	(469)	—	—	(1,706)	(145)	—	(2,496)
Recoveries	—	—	—	—	11	—	2	1,005	39	—	1,057
Ending balance	$ 4,562	$ 9,028	$ 56	$ 998	$ 3,588	$ 3,280	$ 437	$ 4,088	$ 787	$ 2,281	$ 29,105

Generally, a commercial loan, or a portion thereof, is charged-off when it is determined, through the analysis of any available current financial information with regards to the borrower, that the borrower is incapable of servicing unsecured debt, there is little or no prospect for near term improvement and no realistic strengthening action of significance is pending or, in the case of secured debt, when it is determined, through analysis of current information with regards to our collateral position, that amounts due from the borrower are in excess of the calculated current fair value of the collateral. Losses on installment loans are recognized in accordance with regulatory guidelines. All other consumer loan losses are recognized when delinquency exceeds 120 cumulative days. days with the exception of the Consumer Program loans that are charged-off once they are 90 days past due.

The following table presents loans that were evaluated for expected credit losses on an individual basis and the related specific allocations, by loan portfolio segment as of December 31, 2022 December 31, 2023 and 2021 2022 (in thousands):

	December 31, 2022		December 31, 2021	
	Loan Balance (1)	Specific Allocations	Loan Balance (1)	Specific Allocations
Commercial real estate - owner occupied	$ 2,795	$ —	$ 3,291	$ —
Commercial real estate - non-owner occupied	19,641	—	18,256	—
Secured by farmland	525	—	681	—
Construction and land development	—	—	4,575	—
Residential 1-4 family	9,636	—	541	—
Multi- family residential	996	—	5,378	—
Home equity lines of credit	21	—	—	—
Commercial loans	2,979	2,193	3,688	658
Consumer loans	259	42	7	1
Total non-PCD loans	36,852	2,235	36,417	659
PCD loans	6,628	2,072	8,455	2,281
Total loans	$ 43,480	$ 4,307	$ 44,872	$ 2,940

(1) Includes SBA guarantees of $0.5 million and $0.7 million as of December 31, 2022 and 2021, respectively.

	December 31, 2023		December 31, 2022	
	Loan Balance	Specific Allocations	Loan Balance	Specific Allocations
Commercial real estate - owner occupied	$ 5,404	$ —	$ 2,795	$ —
Commercial real estate - non-owner occupied	—	—	19,641	—
Secured by farmland	480	—	525	—
Residential 1-4 family	2,695	—	9,636	—
Multi- family residential	923	—	996	—
Home equity lines of credit	290	—	21	—
Commercial loans	2,930	581	2,979	2,193
Consumer loans	6,002	5,990	259	42
Total non-PCD loans	18,724	6,571	36,852	2,235
PCD loans	5,649	1,672	6,628	2,072
Total loans	$ 24,373	$ 8,243	$ 43,480	$ 4,307

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The following table presents a breakdown between loans that were evaluated on an individual basis and identified as collateral dependent loans and non-collateral dependent loans, by loan portfolio segment and their collateral value as of December 31, 2023 and 2022 (in thousands):

	December 31, 2023		December 31, 2022	
	Collateral Dependent Assets	Non Collateral Dependent Assets	Collateral Dependent Assets	Non Collateral Dependent Assets
Commercial real estate - owner occupied	$ 5,986	$ —	$ 4,129	$ —
Commercial real estate - non-owner occupied	1,365	—	26,108	—
Secured by farmland	1,338	—	1,352	—
Construction and land development	65	—	72	—
Residential 1-4 family	3,512	—	10,874	—
Multi- family residential	925	—	998	—
Home equity lines of credit	289	—	20	—
Commercial loans	2,097	—	4,279	16
Consumer loans	—	393	—	261
Total loans	$ 15,577	$ 393	$ 47,832	$ 277
Collateral value	$ 30,907	$ 12	$ 79,543	$ 224

5. DERIVATIVES

Consumer Program Derivative

The Company has a derivative instrument in connection with its agreement with a third-party that originates loans that are held on the Company's balance sheet. The third-party provides credit support and reimbursement for lost interest under the agreement and the Company provides performance fees to the third-party on performing loans. Specifically, a portion of the originated loans are originated with a promotional period where interest accrues on the loans but is not owed to the Company unless and until the loan begins to amortize. If the borrower prepays the principal on the loan prior to the end of the promotional period the accrued interest is waived, but becomes due to the Company from the third-party under the agreement. This expected payment of waived interest to the Company along with performance fees due to the third-party comprise the value of the derivative. The fair value of the derivative instrument was an asset of $10.8 million and a liability of $0.5 million as of December 31, 2023 and 2022, respectively. The underlying cash flows were $12.4 million and $1.3 million as of

December 31, 2023 and 2022, respectively. The Company calculates the fair value of this derivative using a discounted cash flow model using inputs that are inherently judgmental and reflect management's best estimates of the assumptions a market participant would use to calculate the fair value. The most significant inputs and assumptions in determining the value of the derivative are noted below ($ in thousands):

	December 31, 2023		
	Low	High	Weighted Average
Remaining cumulative charge-offs	$ 25,661	$ 35,334	$ n/a
Remaining cumulative promotional prepayments	$ 41,085	$ 75,086	$ 49,716
Average life (years)	n/a	n/a	1.0
Discount rate	4.63%	14.64%	14.64%

	December 31, 2022		
	Low	High	Weighted Average
Remaining cumulative charge-offs	$ —	$ 6,777	$ n/a
Remaining cumulative promotional prepayments	$ 26,211	$ 47,902	$ 30,251
Average life (years)	n/a	n/a	2.2
Discount rate	4.21%	14.25%	8.53%

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Mortgage Banking Derivatives and Financial Instruments

The Company enters into IRLCs ("interest rate lock commitments") to originate residential mortgage loans held for sale, at specified interest rates and within a specified period of time (generally between 30 and 90 days), with borrowers who have applied for a loan and have met certain credit and underwriting criteria. The IRLCs are adjusted for estimated costs tooriginate the loan as well as the probability that the mortgage loan will fund within the terms of the IRLC (the pullthrough rate). Estimated costs to originate include loan officer commissions and overrides. The pullthrough rate is estimated on changes in market conditions, loan stage, and actual borrower behavior using a historical analysis of IRLC closing rates. The Company obtains an analysis from a third party on a monthly basis to support the reasonableness of the pullthrough estimate.

Best efforts and mandatory forward loan sale commitments are commitments to sell individual mortgage loans using both best efforts and mandatory delivery at a fixed price to an investor at a future date. Forward loan sale commitments that are mandatory delivery are accounted for as derivatives and carried at fair value, determined as the amount that would be necessary to settle the derivative financial instrument at the balance sheet date. Forward loan sale commitments that are best efforts are not derivatives but can be and have been accounted for at fair value, determined in a similar manner to those that are mandatory delivery. Forward loan sale commitments are recorded on the balance sheet as derivative assets and derivative liabilities with changes in their fair values recorded in mortgage banking income in the statement of operations.

The key unobservable inputs used in determining the fair value of IRLCs are as follows for the year ended December 31, 2023 and 2022:

	2023 Inputs
Average pullthrough rates	77.20 %
Average costs to originate	1.36 %

	2022 Inputs
Average pullthrough rates	80.78 %
Average costs to originate	4.77 %

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The following summarizes derivative and non-derivative financial instruments as of December 31, 2023 and 2022 ($ in thousands):

	December 31, 2023	
Derivative financial instruments:	Fair Value	Notional Amount
Derivative assets (1)	$ 611	$ 23,077
Derivative liabilities	$ 200	$ 62,250

(1) Pullthrough rate adjusted

	December 31, 2023	
Non-derivative financial instruments:	Fair Value	Notional Amount
Best efforts assets	$ 91	$ 4,677

	December 31, 2022	
Derivative financial instruments:	Fair Value	Notional Amount
Derivative assets (1)	$ 921	$ 25,368
Derivative liabilities	$ 98	$ 25,028

(1) Pullthrough rate adjusted

	December 31, 2022	
Non-derivative financial instruments:	Fair Value	Notional Amount
Best efforts assets	$ 18	$ 2,658

The notional amounts of mortgage loans held for sale not committed to investors was $46.2 million and $20.0 million as of December 31, 2023 and 2022, respectively.

The Company has exposure to credit loss in the event of contractual non-performance by its trading counterparties in derivative instruments that the Company uses in its rate risk management activities. The Company manages this credit risk by selecting only counterparties that the Company believes to be financially strong, spreading the risk among multiple counterparties, by placing contractual limits on the amount of unsecured credit extended to any single counterparty and by entering into netting agreements with counterparties, as appropriate.

6. FAIR VALUE

ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

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The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Assets and Liabilities Measured on a Recurring Basis:

Investment Securities Available-for-sale

Where quoted prices are available in an active market, investment securities are classified within Level 1 of the valuation hierarchy. Level 1 investment securities include highly liquid government bonds and mortgage products. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of investment securities with similar characteristics or discounted cash flow. Level 2 investment securities include U.S. agency securities, mortgage-backed securities, obligations of states and political subdivisions and certain corporate, collateralized loan obligations and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the valuation hierarchy. Currently, all of Primis' available-for-sale debt investment securities are considered to be Level 2 investment securities.

Loans Held for Investment and Interest Rate Swaps

The Company entered into interest rate swaps on a portion of its loans held for investment portfolio that are accounted for at fair value on a recurring basis. The swaps are valued using significant other observable inputs including prices observed for similar exchange traded instruments and are therefore classified in Level 2. The related loans held for investment are measured using remaining designated cash flows of the hedged item based on the inception benchmark rate component of the contractual coupon cash flows, discounted at the benchmark interest rate being hedged are therefore classified in Level 2.

Loans Held for Sale

The fair value of PMC loans held for sale is determined by obtaining prices at which they could be sold in the principal market at the measurement date and are classified within Level 2 of the fair value hierarchy. The fair value is determined on a recurring basis by utilizing quoted prices from dealers in such securities.

Consumer Program Derivative

The Company calculates the fair value of this derivative using a discounted cash flow model using inputs that are inherently judgmental and reflect management's best estimates of the assumptions a market participant would use to calculate the fair value. Key inputs utilized in valuing the derivative are discount rates, counterparty credit risk, credit loss rates, and prepayment rates. Discount rates considered observable benchmark interest rates and counterparty credit risk was based on the Company's evaluation of the counterparty's financial condition in audited and unaudited financial results provided. The credit loss and prepayment rates are informed by specific experience on the Company's portfolio of the third-party originated consumer loans that the derivative relates to and are considered significant unobservable inputs. As a result of the use of the significant unobservable inputs the Consumer Program derivative is classified within Level 3 of the valuation hierarchy.

Mortgage Banking Derivative and Financial Assets and Liabilities

Interest Rate Lock Commitments (“IRLC”): *IRLC:* The Company determines the value of IRLCs by comparing the market price to the price locked in with the customer, adding fees or points to be collected at closing, subtracting commissions to be paid at closing, and subtracting estimated remaining loan origination costs to the bank based on the processing status of the loan. IRLCs are classified within Level 3 of the valuation hierarchy.

Best Efforts Forward Loan Sales Commitments: Best efforts forward loan sales commitments are classified within Level 2 of the valuation hierarchy. Best efforts forward loan sales commitments fix the forward sales price that will be realized upon the sale of mortgage loans into the secondary market. Best efforts forward loan sales commitments are entered into for loans at the time the borrower commitment is made. These best efforts forward loan sales commitments are valued using the committed price to the counterparty against the current market price of the interest rate lock commitment or mortgage loan held for sale.

Mandatory Forward Loan Sales Commitments: Fair values for mandatory forward loan sales commitments are based on fair values of the underlying mortgage loans and the probability of such commitments being exercised. Due to the

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observable are valued using the committed price to the counterparty against the current market price of the interest rate lock commitment or mortgage loan held for sale.

Mandatory Forward Loan Sales Commitments: Fair values for mandatory forward loan sales commitments are based on fair values of the underlying mortgage loans and the probability of such commitments being exercised. Due to the unobservable inputs used by Primis, best efforts mandatory loan sales commitments are classified within Level 3 of the valuation hierarchy.

To-Be-Announced Mortgage-Backed Securities Trades: Fair values for TBA’s are based on the gain or loss that would occur if the Company were to pair-off transaction at the measurement date and are classified within Level 3 of the valuation hierarchy. TBA’s are recorded at fair value on a recurring basis.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements Using		
(dollars in thousands)	**Total at December 31, 2022**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Available-for-sale securities				
Residential government-sponsored mortgage-backed securities	$ 102,881	$ —	$ 102,881	$ —
Obligations of states and political subdivisions	29,178	—	29,178	—
Corporate securities	14,828	—	14,828	—
Collateralized loan obligations	4,876	—	4,876	—
Residential government-sponsored collateralized mortgage obligations	26,595	—	26,595	—
Government-sponsored agency securities	14,616	—	14,616	—
Agency commercial mortgage-backed securities	37,417	—	37,417	—
SBA pool securities	5,924	—	5,924	—
	236,315	—	236,315	—
Loans held for sale	27,626	—	27,626	—
Mortgage banking financial assets	21	—	—	21
Derivative assets	1,410	—	1,386	24

Total assets	$ 265,372	$ —	$ 265,327	$ 45
Liabilities:				
Mortgage banking financial liabilities	$ 4	$ —	$ —	$ 4
Derivative liabilities	122	—	115	7
Total liabilities	$ 126	$ —	$ 115	$ 11

		Fair Value Measurements Using		
(dollars in thousands)	Total at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities				
Residential government-sponsored mortgage-backed securities	$ 122,610	$ —	$ 122,610	$ —
Obligations of states and political subdivisions	31,231	—	31,231	—
Corporate securities	13,685	—	13,685	—
Collateralized loan obligations	5,010	—	5,010	—
Residential government-sponsored collateralized mortgage obligations	19,807	—	19,807	—
Government-sponsored agency securities	17,488	—	17,488	—
Agency commercial mortgage-backed securities	52,667	—	52,667	—
SBA pool securities	8,834	—	8,834	—
Total assets	$ 271,332	$ —	$ 271,332	$ —

		Fair Value Measurements Using		
(dollars in thousands)	Total at December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities				
Residential government-sponsored mortgage-backed securities	$ 96,808	$ —	$ 96,808	$ —
Obligations of states and political subdivisions	30,080	—	30,080	—
Corporate securities	14,048	—	14,048	—
Collateralized loan obligations	4,982	—	4,982	—
Residential government-sponsored collateralized mortgage obligations	34,471	—	34,471	—
Government-sponsored agency securities	13,711	—	13,711	—
Agency commercial mortgage-backed securities	30,110	—	30,110	—
SBA pool securities	4,210	—	4,210	—
	228,420	—	228,420	—
Loans held for investment	248,906	—	248,906	—
Loans held for sale	57,691	—	57,691	—
Consumer Program derivative	10,806	—	—	10,806
Mortgage banking financial assets	91	—	—	91
Mortgage banking derivative assets	611	—	—	611
Interest rate swaps	1,068	—	1,068	—
Total assets	$ 547,593	$ —	$ 536,085	$ 11,508
Liabilities:				
Mortgage banking derivative liabilities	$ 200	—	$ —	$ 200
Total liabilities	$ 200	$ —	$ —	$ 200

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		Fair Value Measurements Using		
(dollars in thousands)	Total at December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities				
Residential government-sponsored mortgage-backed securities	$ 102,881	$ —	$ 102,881	$ —
Obligations of states and political subdivisions	29,178	—	29,178	—
Corporate securities	14,828	—	14,828	—
Collateralized loan obligations	4,876	—	4,876	—
Residential government-sponsored collateralized mortgage obligations	26,595	—	26,595	—
Government-sponsored agency securities	14,616	—	14,616	—
Agency commercial mortgage-backed securities	37,417	—	37,417	—
SBA pool securities	5,924	—	5,924	—
	236,315	—	236,315	—
Loans held for sale	27,626	—	27,626	—
Mortgage banking financial assets	21	—	—	21
Mortgage banking derivative assets	945	—	921	24
Total assets	$ 264,907	$ —	$ 264,862	$ 45
Liabilities:				
Consumer Program derivative	$ 473	$ —	$ —	$ 473
Mortgage banking financial liabilities	4	—	—	4
Mortgage banking derivative liabilities	122	—	115	7
Total liabilities	$ 599	$ —	$ 115	$ 484

Assets and Liabilities Measured on a Non-recurring Basis:

Loans

We may be required to measure certain financial assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from the application of lower of amortized cost or fair value accounting or write-downs of individual assets due to impairment.

Collateral-dependent loans are measured at fair value on a non-recurring basis and are evaluated individually. These collateral-dependent loans are deemed to be at fair value if there is an associated allowance for credit losses or if a charge-off has been recorded in the previous 12 months. Collateral values are determined using appraisals or other third-party value estimates of the subject property discounted based on estimated selling costs, generally between 5% and 10%, and immaterial adjustments for other external factors that may impact the marketability of the collateral. The weighted average discount for estimated selling costs applied was 6%.

Assets Held for Sale

Assets held for sale are valued based on third-party appraisals less estimated disposal costs. Primis considers third party appraisals, as well as independent fair value assessments from realtors or persons involved in selling bank premises, furniture and equipment, in determining the fair value of particular properties. Accordingly, the valuation of assets held for sale is subject to significant external and internal judgment. Primis periodically reviews premises, furniture and equipment held for sale to determine if the fair value of the property, less disposal costs, has declined below its recorded book value and records any adjustments accordingly.

Other Real Estate Owned

OREO is evaluated at the time of acquisition and recorded at fair value as determined by independent appraisal or evaluation less cost to sell. In some cases appraised value is net of costs to sell. Selling costs have been in the range from 5% to 10% of collateral valuation at December 31, 2022 and 2021. Fair value is classified as Level 3 in the fair value hierarchy. OREO is further evaluated quarterly for any additional impairment. At December 31, 2022 and 2021, the total amount of OREO was zero and $1.2 million, respectively.

Assets measured at fair value on a non-recurring basis are summarized below:

(dollars in thousands)	Total at December 31, 2022	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent loans	$ 47,832	$ —	$ —	$ 47,832
Assets held for sale	3,115	—	—	3,115

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(dollars in thousands)	Total at December 31, 2021	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent loans	$ 44,331	$ —	$ —	$ 44,331
Other real estate owned:				
Construction and land development	266	—	—	266
Residential 1-4 family	897	—	—	897

Assets measured at fair value on a non-recurring basis are summarized below:

(dollars in thousands)	Total at December 31, 2023	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent loans	$ 15,577	$ —	$ —	$ 15,577
Assets held for sale	6,735	—	—	6,735

Fair Value Measurements Using

(dollars in thousands)	Total at December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent loans	$ 47,832	$ —	$ —	$ 47,832
Assets held for sale	3,115	—	—	3,115

Fair Value of Financial Instruments

The carrying amount, estimated fair values and fair value hierarchy levels (previously defined) of financial instruments were as follows (in thousands) for the periods indicated:

		December 31, 2022		December 31, 2021			December 31, 2023		December 31, 2022	
	Fair Value Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Fair Value Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:										
Cash and cash equivalents	Level 1	$ 77,859	$ 77,859	$ 530,167	$ 530,167	Level 1	$ 77,553	$ 77,553	$ 77,859	$ 77,859
Securities available-for-sale	Level 2	236,315	236,315	271,332	271,332	Level 2	228,420	228,420	236,315	236,315
Securities held-to-maturity	Level 2	13,520	12,449	22,940	23,364	Level 2	11,650	10,839	13,520	12,449
Stock in Federal Reserve Bank and Federal Home Loan Bank	Level 2	25,815	25,815	15,521	15,521	Level 2	14,246	14,246	25,815	25,815
Preferred investment in mortgage company	Level 2	3,005	3,005	3,005	3,005	Level 2	3,005	3,005	3,005	3,005
Net loans	Level 3	2,914,292	2,811,362	2,310,881	2,278,456	Level 2 and 3	3,167,205	3,068,663	2,912,093	2,809,163
Loans held for sale	Level 2	27,626	27,626	—	—	Level 2	57,691	57,691	27,626	27,626
Accrued interest receivable	Level 2	14,938	14,938	11,882	11,882					
Consumer Program derivative						Level 3	10,806	10,806	—	—
Mortgage banking financial assets	Level 3	21	21	—	—	Level 3	91	91	21	21
Derivative assets	Level 2 and 3	1,410	1,410	—	—					
Credit enhancement	Level 2	1,504	1,504	—	—					

Mortgage banking derivative assets						Level 2 and 3	611	611	945	945
Interest rate swaps						Level 2	1,068	1,068	—	—
Financial liabilities:										
Demand deposits and NOW accounts	Level 2	$1,200,243	$1,200,243	$1,380,020	$1,380,020	Level 2	$1,245,969	$1,245,969	$1,200,259	$1,200,259
Money market and savings accounts	Level 2	1,057,078	1,057,078	1,022,621	1,022,621	Level 2	1,578,288	1,578,288	1,057,151	1,057,151
Time deposits	Level 3	465,057	462,376	360,575	362,902	Level 3	445,898	443,765	465,057	462,376
Securities sold under agreements to repurchase	Level 1	6,445	6,445	9,962	9,962	Level 1	3,044	3,044	6,445	6,445
FHLB advances	Level 1	325,000	325,000	100,000	100,000	Level 1	30,000	30,000	325,000	325,000
Junior subordinated debt	Level 2	9,781	9,181	9,731	10,367	Level 2	9,830	9,039	9,781	9,181
Senior subordinated notes	Level 2	85,531	84,347	85,297	91,141	Level 2	85,765	84,513	85,531	84,347
Accrued interest payable	Level 2	3,261	3,261	1,864	1,864					
Secured borrowings						Level 3	20,393	20,393	—	—
Consumer Program derivative						Level 3	—	—	473	473
Mortgage banking financial liabilities	Level 3	4	4	—	—	Level 3	—	—	4	4
Derivative liabilities	Level 2 and 3	122	122	—	—					
Mortgage banking derivative liabilities						Level 2 and 3	200	200	122	122

Carrying amount is the estimated fair value for cash and cash equivalents, (including federal funds sold), accrued loans held for sale, mortgage banking financial assets and liabilities, mortgage banking derivative assets and liabilities, Consumer Program derivative asset and liability, interest receivable and payable, rate swaps, demand deposits, savings accounts, money market accounts, and FHLB advances, secured borrowings and securities sold under agreements to repurchase.

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Fair value of long-term junior subordinated debt is and senior subordinated notes are based on current rates for similar financing. Carrying amount of Federal Reserve Bank and FHLB stock is a reasonable estimate of fair value as these securities are not readily marketable and are based on the ultimate recoverability of the par value. The fair value of off-balance-sheet items is not considered material. Fair value of net loans, time deposits, junior subordinated debt, and senior subordinated notes are measured using the exit-price notion.

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6. 7. BANK PREMISES AND EQUIPMENT

Bank premises and equipment as of December 31, 2022 December 31, 2023 and 2021 2022 were as follows (in thousands):

	2022	2021	2023	2022
Land	$ 7,112	$ 8,139	$ 4,867	$ 7,112
Land improvements	1,558	1,558	1,502	1,558
Building and improvements	20,475	23,792	18,131	20,475
Leasehold improvements	3,033	3,001	3,885	3,033
Furniture, fixtures, equipment and software	11,341	12,182	9,730	11,341
Construction in progress	139	12	30	139
	43,658	48,684	38,145	43,658
Less accumulated depreciation and amortization	18,401	18,274	17,534	18,401
Bank premises and equipment, net	$ 25,257	$ 30,410	$20,611	$25,257

Depreciation and amortization expense related to bank premises and equipment for 2023, 2022 and 2021 was $2.4 million, $2.5 million and 2020 was $2.5 million, $2.4 million and $2.0 million, respectively.

7. 8. LEASES

The Company leases certain premises and equipment under operating leases. In recognizing lease right-of-use assets and related liabilities, we account for lease and non-lease components (such as taxes, insurance, and common area maintenance costs) separately as such amounts are generally readily determinable under our lease contracts. At December 31, 2022 December 31, 2023 and 2021, 2022, the Company had operating lease liabilities totaling $5.8 million $11.7 million and $6.5 million $5.8 million, respectively, and right-of-use assets totaling $5.3 million $10.6 million and $5.9 million $5.3 million, respectively, related to these leases. Operating lease liabilities and right-of-use assets are reflected in our consolidated balance sheets. We do not currently have any financing leases. For the year ended December 31, 2022 December 31, 2023 and 2021, 2022, our net operating lease cost was costs were $2.5 million and $2.3 million and $2.4 million, respectively. These net operating lease costs are reflected in occupancy expenses on our consolidated statements of income and comprehensive income (loss).

The following table presents other information related to our operating leases:

	For the Year Ended		For the Year Ended	
(in thousands except for percent and period data)	**December 31, 2022**	**December 31, 2021**		
			December 31, 2023	**December 31, 2022**
Other information:				
Weighted-average remaining lease term - operating leases, in years	4.9	4.4	7.2	4.9
Weighted-average discount rate - operating leases	2.9 %	2.5 %	3.9 %	2.9 %

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The following table summarizes the maturity of remaining lease liabilities:

(dollars in thousands)	**As of December 31, 2022**	**As of December 31, 2023**
Lease payments due:		
2023	$ 2,106	
2024	1,193	$ 1,907
2025	629	1,958
2026	571	1,925
2027	519	1,911
2028		1,839
Thereafter	1,203	4,054
Total lease payments	6,221	13,594
Less: imputed interest	(454)	(1,908)
Lease liabilities	$ 5,767	$ 11,686

As of December 31, 2022 December 31, 2023, the Company had two did not have any operating leases that have had not yet commenced that will would create additional lease liabilities and right-of-use assets for the Company. The amount of expense recognized for the year ended December 31, 2023 related to short-term leases was $0.6 million.

8. 9. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Primis has recorded $93.5 million and $104.6 million and $101.9 million of goodwill at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Goodwill is primarily related to the acquisition of other banks before 2022 and Primis Mortgage PMC in 2022.

Goodwill is evaluated for impairment on an annual basis or more frequently if events or circumstances warrant. Our annual assessment occurs as of September 30th every year. For our annual 2022 2023 assessment, as described in Note 1, we performed a step one quantitative assessment to determine if the fair value of our reporting units were less than their carrying amounts. The Company determined, based on the assessments, that the PMC reporting unit fair value was more than the carrying amount and the Bank reporting unit fair value was less than its carrying amount. We concluded that The Company recorded an impairment of $11.15 million in the fair value of our December 31, 2023 income statement related to the Bank reporting unit exceeded its carrying amount and no impairment was present based on management's assessment. unit.

No impairment was indicated in 2022 or 2021 or 2020. We determined that for Primis Mortgage, we did not need a quantitative assessment and performed a qualitative assessment. No any of the Company's reporting units based on the annual impairment was indicated for 2022 for the Primis Mortgage reporting unit. assessments in prior years.

Intangible Assets

Intangible assets were as follows at year end (in thousands):

	December 31, 2022			December 31, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortizable Intangibles	$ 17,620	$ (14,366)	$ 3,254			
Amortizable intangibles				$ 17,620	$ (15,662)	$ 1,958

	December 31, 2021			December 31, 2022		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortizable intangibles	$ 17,503	$ (13,041)	$ 4,462	$ 17,620	$ (14,366)	$ 3,254

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Estimated amortization expense of intangibles for the years ended December 31 were as follows (in thousands):

2023	$ 1,296	
2024	1,292	$1,292
2025	629	629
2026	27	27
2027	10	10
Total	$ 3,254	$1,958

10. DEPOSITS

At December 31, 2023, the scheduled maturities of time deposits are as follows (in thousands):

2024	$ 397,515
2025	36,867
2026	4,437
2027	4,797

2028	2,282
Total	$ 445,898

9. DEPOSITS

The aggregate amount of time deposits in denominations of $250 thousand or more at December 31, 2022 December 31, 2023 and 2021 2022 was $125.3 million $123.7 million and $128.0 million $125.3 million, respectively.

At December 31, 2022, the scheduled maturities of time deposits are as follows (in thousands):

2023	$ 338,326
2024	108,087
2025	7,061
2026	4,049
2027	7,534
Total	$ 465,057

The following table sets forth the maturities of certificates of deposit of $250 thousand and over as of December 31, 2022 December 31, 2023 (in thousands):

Within 3 Months	Within 3 Months	3 to 6 Months	6 to 12 Months	Over 12 Months	Total	Within 3 Months	3 to 6 Months	6 to 12 Months	Over 12 Months	Total
$	24,971	$ 26,709	$ 32,954	$ 40,709	$125,343	38,098	$40,423	$37,719	$7,464	$123,704

For our deposit agreements with certain customers, we hold the collateral in a segregated custodial account. We account and are required to maintain adequate collateral levels. In the event the collateral fair value falls below stipulated levels, we will pledge additional securities. We closely monitor collateral levels to ensure adequate levels are maintained, while mitigating the potential risk of over-collateralization.

10. 11. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND OTHER BORROWINGS

Other borrowings can consist of FHLB convertible advances, FHLB of Atlanta overnight advances, FHLB advances maturing within one year, federal funds purchased, Federal Reserve Board Discount Window, secured borrowings and securities sold under agreements to repurchase ("repo") that mature within one year, which are secured transactions with customers. The balance in repo accounts at December 31, 2022 December 31, 2023 and 2021 2022 was $6.5 million $3.0 million and $10.0 million $6.5 million, respectively.

At December 31, 2022 December 31, 2023 and 2021, 2022, we had pledged callable agency securities, residential government-sponsored mortgage-backed securities and collateralized mortgage obligations with a carrying value of $14.2 million $6.8 million and $21.7 million $14.2 million, respectively, to customers who require collateral for overnight repurchase agreements and deposits.

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Other borrowings consist of the following (in thousands):

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
FHLB collateral advances maturing 3/1/2030	$ —	$ 100,000		
FHLB collateral advances maturing 10/15/2024			$30,000	$ —
			—	50,000
Short-term FHLB advances maturing 1/3/2023	50,000	—		

Short-term FHLB advances maturing 1/13/2023	100,000	—	—	100,000
Short-term FHLB advances maturing 1/23/2023	50,000	—	—	50,000
Short-term FHLB advances maturing 1/27/2023	125,000	—	—	125,000
Total FHLB advances	325,000	100,000	30,000	325,000
Securities sold under agreements to repurchase	6,445	9,962	3,044	6,445
Total	$ 331,445	$ 109,962	$33,044	$331,445
Weighted average interest rate at year end	4.19 %	0.36 %	5.57 %	4.19 %

OurWe repaid our short-term FHLB convertible advances of $100.0 million$325.0 million that were called on March 1, 2022outstanding as of December 31, 2022 and matured in the first quarter of 2023. As of December 31, 2023, Primis Bank had lendable collateral value in the form of residential 1-4 family mortgages, HELOCs, commercial mortgage loans, and investment securities supporting borrowing capacity of approximately $596.1 million from the FHLB, of which the Company has used $30.0 million.

Each FHLB advance is payable at its maturity date, with a prepayment penalty for fixed rate advances paid off earlier than maturity. Residential 1-4 family mortgage loans in the amount of approximately $405.2 million$364.6 million and $382.7 million$405.2 million were pledged as collateral for FHLB advances as of December 31, 2022December 31, 2023 and 2021, 2022, respectively. HELOCs in the amount of approximately $27.4 million$31.6 million and $28.3 million$27.4 million were pledged as collateral for FHLB advances at December 31, 2022December 31, 2023 and 2021, 2022, respectively. Commercial mortgage loans in the amount of approximately $169.6 million$199.9 million and $155.4 million$169.6 million were pledged as collateral for FHLB advances as of December 31, 2022December 31, 2023 and 2021, 2022, respectively. InvestmentNo investment securities in the amountwere pledged as collateral as of $2.3 millionDecember 31, 2023 and $3.5 million were pledged as collateral for FHLB advances atas of December 31, 2022 and 2021, respectively.. At December 31, 2022December 31, 2023, Primis Bank had available collateral to borrow an additional $437.7 million$466.1 million from the FHLB.

11.

In June 2023, the Bank took the necessary steps to participate in the Federal Reserve discount window borrowing program. As of December 31, 2023, the Bank had borrowing capacity of $596.4 million within the program and has not borrowed under the program during the year.

In March 2023, the Federal Reserve established the Bank Term Funding Program ("BTFP") in response to industry disruption, offering loans with up to one year in maturity to eligible depository institutions in exchange for pledged collateral in the form of U.S. Treasuries, agency debt and mortgage-backed securities and other qualifying assets. Borrowing capacity under the BTFP is based on the par value, not fair value, of the collateral. As of December 31, 2023, we had securities available of $117.2 million for utilization with the BTFP, but no borrowings were utilized during 2023. When the BTFP expires, the Bank plans to pledge qualifying securities to the Federal Reserve discount window.

Secured Borrowings

The Company transferred $23.4 million in principal balance of loans to another financial institution in 2023 that were accounted for as secured borrowings. The balance of secured borrowings was $20.4 million as of December 31, 2023 and the remaining amortized cost balance of the underlying loans was $20.5 million. None of the loans underlying the secured borrowings were past due 30 days or greater or on nonaccrual as of December 31, 2023 and were all internally rated as "pass" loans as presented in our "credit quality indicators" section of "Note 4 – Loans and Allowance for Credit Losses". The loans were included in our allowance for credit losses process and an allowance was calculated on the loans as part of their inclusion in a pool with other loans with similar credit risk characteristics. There were no charge-offs of the loans underlying the secured borrowings during the year ended December 31, 2023. The underlying loans collateralize the borrowings and cannot be sold or pledged by the Company.

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12. **JUNIOR SUBORDINATED DEBT AND SENIOR SUBORDINATED NOTES**

In 2017, the Company assumed $10.3 million of trust preferred securities that were issued on September 17, 2003 and placed through a trust in a pooled underwriting totaling approximately $650 million. The trust issuer invested the total proceeds from the sale of the trust preferred securities in Floating Rate Junior Subordinated Deferrable Interest Debentures. At December 31, 2022 December 31, 2023 and 2021, 2022, there was $10.3 million outstanding, net of approximately $0.5 million and $0.6 million, respectively, of debt issuance costs. These securities pay cumulative cash distributions quarterly at a variable rate per annum, reset quarterly, equal to the three-month LIBOR plus 2.95%. As of December 31, 2022 December 31, 2023 and 2021, 2022, the interest rate was 7.69% and 3.17%, respectively. The dividends paid to holders of these securities, which are recorded as interest expense, are deductible for income tax purposes.

The payable on the trust preferred securities may be included in Tier 1 capital for regulatory capital adequacy determination purposes up to 25% was 8.59% and 7.69%, respectively. As of Tier 1 capital after its inclusion. At December 31, 2022 December 31, 2023, all of the trust preferred securities qualified as Tier 1 capital.

On January 20, 2017, Primis completed the sale of $27.0 million of its fixed-to-floating rate senior Subordinated Notes due 2027. These notes initially bore interest at 5.875% per annum until January 31, 2022; interest Interest is currently payable at an annual floating rate equal to three-month LIBOR CME Term SOFR plus a tenor spread adjustment of 3.95% 0.26% until maturity or early redemption. At December 31, 2022 As of December 31, 2023, 80% 60% of these notes qualified as Tier 2 capital.

In 2017, the Company assumed a Senior Subordinated Note Purchase Agreement, dated April 22, 2015, entered into with certain institutional accredited investors, pursuant to which $20.0 million in aggregate principal amount of its 6.50% Fixed-to-Floating Rate Subordinated Notes due 2025 was sold to the investors. On February 1, 2021, the Company redeemed all of these notes.

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On August 25, 2020, Primis completed the sale of $60.0 million of its fixed-to-floating rate Subordinated Notes due 2030. These notes will bear interest Interest is payable at an initial annual fixed rate of 5.40% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, commencing on March 1, 2021. From and including after September 1, 2025 to, but excluding the maturity date or the date of earlier redemption (the “floating rate period”), the interest rate will reset quarterly to an annual interest at a floating rate equal to the Benchmark a benchmark rate, which is expected to be three-month Three-Month Term Secured Overnight Financing Rate, SOFR, plus a spread of 531 basis points, for each quarterly interest period during the floating rate period, payable quarterly in arrears on March 1, June 1, September 1, and December 1 points. As of each year, commencing on December 1, 2025. Notwithstanding the foregoing, in the event that the Benchmark rate is less than zero, the Benchmark rate shall be deemed to be zero. At December 31, 2022 December 31, 2023, all of these notes qualified as Tier 2 capital.

At December 31, 2022 As of December 31, 2023 and 2021, 2022, the remaining unamortized debt issuance costs related to the senior Subordinated Notes totaled $1.5 million $1.2 million and $1.7 million $1.5 million, respectively.

12. 13. **INCOME TAXES**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Net deferred tax assets at December 31, 2022 December 31, 2023 and 2021 2022 consist primarily of the following (in thousands):

	2022	2021	2023	2022
Deferred tax assets:				
Allowance for credit losses	$ 7,796	$ 6,522	$12,179	$ 8,370
Unearned loan fees and other	1,891	1,581	3,054	2,161
Other real estate owned write-downs	38	450	—	38
Lease liability	1,246	1,407	2,635	1,246
Net unrealized loss on investment securities available for sale	6,920	—	6,161	6,920
Federal low income housing credit carryforward	485	424	492	485
Deferred compensation	1,596	1,684	1,564	1,596
Capitalized research and experimental expenditures			1,790	—
Net operating loss			796	
Other	1,348	921	2,122	2,089
Total deferred tax assets	21,320	12,989		
Valuation allowance			(704)	—
Total deferred tax assets, net of valuation allowance			30,089	22,905
Deferred tax liabilities:				
Right-of-use assets	1,200	1,315	2,449	1,200
Net unrealized gain on investment securities available-for-sale	—	247		
Purchase accounting	917	930	974	917
Depreciation	748	926	767	748
Derivative asset			2,424	—
Other	166	—	1,080	166
Total deferred tax liabilities	3,031	3,418	7,694	3,031
Net deferred tax assets	$ 18,289	$ 9,571	$22,395	$19,874

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The Company had a valuation allowance of $0.7 million related to PFH recorded against deferred tax assets as of December 31, 2023. No valuation allowance was deemed necessary on deferred tax assets in 2022 or 2021. 2022. Management believes believed that the realization of the deferred tax assets is was more likely than not based on the expectation that Primis will generate the necessary taxable income in future periods.

We have no unrecognized tax benefits and do not anticipate any increase in unrecognized tax benefits during the next twelve months. Should the accrual of any interest or penalties relative to unrecognized tax benefits be necessary, it is our policy to record such accruals in our income tax accounts; no such accruals existed as of December 31, 2022 December 31, 2023, 2021 2022 or 2020. 2021. Primis and its subsidiaries file a consolidated U.S. federal income tax return, and Primis files a Virginia and numerous other state income tax return. returns. Primis Bank files a North Carolina, a Maryland and an Arkansas state income tax return. These returns are subject to examination by taxing authorities for all years after 2018. 2019.

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The provision for income taxes consists of the following for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 (in thousands):

	2022	2021	2020	2023	2022	2021
Current tax expense						
Federal	$ 6,434	$2,504	$ 5,319	$ 1,861	$ 5,982	$2,466
State	315	163	320	771	503	163
Total current tax expense	6,749	2,667	5,639	2,632	6,485	2,629
Deferred tax expense (benefit)						
Federal	(2,178)	5,937	(1,294)	(2,699)	(3,234)	5,937
State	(36)	117	(117)	(1,000)	(66)	117
Total deferred tax expense (benefit)	(2,214)	6,054	(1,411)	(3,699)	(3,300)	6,054
Total income tax expense from continuing operations	4,535	8,721	4,228	(1,067)	3,185	8,683
Total income tax expense from discontinued operation	—	64	2,386	—	—	64
Total income tax expense	$ 4,535	$8,785	$ 6,614	$(1,067)	$ 3,185	$8,747

The income tax expense differed from the amount of income tax determined by applying the U.S. Federal income tax rate of 21% to pretax income for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 due to the following (in thousands):

	2022	2021	2020	2023	2022	2021
Computed expected tax expense at statutory rate	$4,678	$8,345	$4,022	$(2,348)	$3,640	$8,309
Increase (decrease) in tax expense resulting from:						
Remeasurement of deferred tax assets and liabilities	(148)	442	(31)	(531)	(148)	442
Low income housing tax credits, net of amortization	4	39	225	1	4	39
Income from bank-owned life insurance	(419)	(354)	(327)	(424)	(419)	(354)
Goodwill impairment				2,342	—	—
Research and development credit				(1,150)	—	—
Valuation allowance				704	—	—
State taxes, net	—	242	200	503	158	242
Other, net	420	7	139	(164)	(49)	5
Total income tax expense from continuing operations	4,535	8,721	4,228	(1,067)	3,185	8,683
Total income tax expense from discontinued operation	—	64	2,386	—	—	64
Total income tax expense	$4,535	$8,785	$6,614	$(1,067)	$3,185	$8,747

During 2023, the Company recorded an adjustment of $0.5 million to reflect remeasurement of deferred taxes and liabilities driven by state rate changes in 2023. During 2021, the Company remeasured the beginning of year allowance for credit losses deferred tax asset by $0.4 million, net, to reflect an adjustment in the 2020 adoption of ASU 2016-13.

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14. EMPLOYEE BENEFITS

Primis has a 401(k) plan that allows all employees to make pre-tax contributions for retirement. The 401(k) plan provides for discretionary matching contributions by Primis. The expense for 2023, 2022 and 2021 was $1.4 million, $1.3 million and 2020 was $1.3 million, $1.0 million and $0.8 million, respectively.

The Bank previously maintained a deferred compensation plan in the form of Supplemental Executive Retirement Plan (“SERP”) for four (4) former executives. Under the plan, the Bank pays each participant, or their beneficiary, compensation deferred plus accrued interest for a period of 15 to 17 years after their retirement or age 62 depending on the terms and conditions of each plan. A liability is accrued for the obligations under these plans.

The expense incurred for the deferred compensation plans in 2023, 2022 2021 and 2020 2021 was $0.3 million, $0.4 million $0.3 million and $1.3 million $0.4 million, respectively. The deferred compensation plan liability was $7.4 million $7.0 million and $7.8 million $7.4 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

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14. 15. STOCK-BASED COMPENSATION

The 2017 Equity Compensation Plan (the “2017 Plan”) has a maximum number of 750,000 shares reserved for issuance. The purpose of the 2017 Plan is to promote the success of the Company by providing greater incentives to employees, non-employee directors, consultants and advisors to associate their personal financial interests with the long-term financial success of the Company, including its subsidiaries, and with growth in stockholder value, consistent with the Company’s risk management practices.

A summary of stock option activity for 2022 2023 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Options outstanding, beginning of period	283,800	$ 10.98	2.2	$ 1,153	203,300	$ 11.41	1.3	$ 102
Forfeited					(4,000)	11.41		
Expired	(22,000)	10.13			(131,000)	11.42		
Exercised	(58,500)	9.79			(13,500)	10.90		
Options outstanding, end of period	203,300	$ 11.41	1.3	$ 102	54,800	$ 11.49	1.7	64
Exercisable at end of period	203,300	$ 11.41	1.3	$ 102	54,800	$ 11.49	1.7	$ 64

Stock-based There were no stock-based compensation expense associated with stock options was zero, zero and $0.1 million for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, respectively. 2021. As of December 31, 2022 December 31, 2023, we do not have any unrecognized compensation expense associated with the stock options.

A summary of time vested restricted stock awards for 2022 2023 follows:

	Shares	Weighted Average Grant-Date Fair Value Per Share	Weighted Average Remaining Contractual Term
Unvested restricted stock outstanding, beginning of period	98,050	$ 14.58	3.3
Granted	1,500	13.85	
Vested	(28,450)	14.52	
Forfeited	(2,400)	15.38	
Unvested restricted stock outstanding, end of period	68,700	$ 14.24	2.4

Stock-based compensation expense for time vested restricted stock awards totaled $0.4 million, $0.7 million and $1.4 million for the years ended December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, unrecognized compensation expense associated with restricted stock awards was $0.7 million, which is expected to be recognized over a weighted average period of 2.4 years.

	Shares	Weighted Average Grant-Date Fair Value Per Share	Weighted Average Remaining Contractual Term
Unvested restricted stock outstanding, beginning of period	68,700	$ 14.24	2.4
Granted	13,000	8.83	
Vested	(29,008)	13.71	
Forfeited	(12,392)	11.56	
Unvested restricted stock outstanding, end of period	40,300	$ 13.59	2.3

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Stock-based compensation expense for time vested restricted stock awards totaled $0.7 million, $0.4 million and $0.7 million for the years ended December 31, 2023, 2022 and 2021, respectively. As of December 31, 2023, unrecognized compensation expense associated with restricted stock awards was $0.3 million.

A summary of performance-based restricted stock units (the "Units") for 2022 2023 follows:

	Shares	Weighted Average Grant-Date Fair Value Per Share	Weighted Average Remaining Contractual Term	Shares	Weighted Average Grant-Date Fair Value Per Share	Weighted Average Remaining Contractual Term
Unvested Units outstanding, beginning of period	59,355	$ 15.00	4.0	153,960	$ 13.02	3.6
Granted	96,105	11.83		110,000	10.20	
Vested	(1,500)	15.00				
Forfeited				(19,250)	12.86	

Unvested Units outstanding, end of period	153,960	$	13.02	3.6	244,710	11.77	3.1

During 2022 and 2021, the Company issued 96,105 and 59,355 non-transferrable Units, respectively, convertible, on a one-on-one basis, into shares of stock to eligible employees, granted pursuant to and subject to the provisions of the 2017 Plan.

These Units are subject to service and performance conditions. These Units vest based on the achievement of both conditions. Achievement of the performance condition will be determined at the end of the five-year performance period (the "Performance Period") by evaluating the: 1) Company's adjusted earnings per share compound annual growth measured for the Performance Period and 2) performance factor achieved. Payouts between performance levels will be determined based on straight line interpolation.

The Company recognized $0.3 million of stock-based compensation expense during the year ended December 31, 2023 as a result of the probability of a portion of the Units vesting. During December 31, 2022 and 2021 the Company did not recognize any stock-based compensation expense associated with these Units during the years ended December 31, 2022 or 2021 because it is was not probable that these the Units will vest. The grant date fair value of these Units was $11.83 $10.20 and $15.00 $11.83 per Unit for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The maximum potential unrecognized compensation expense associated with these Units was $3.0 million $4.4 million and $1.3 million $3.0 million, at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

15. 16. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Financial Instruments With Off-Balance Sheet Risk

Primis is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and guarantees of credit card accounts. These instruments involve elements of credit and funding risk in excess of the amount recognized in the consolidated balance sheet. sheets. Letters of credit are written conditional commitments issued by Primis to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. We had letters of credit outstanding totaling $10.7 million $9.6 million and $13.1 million $10.7 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and letters of credit is based on the contractual amount of these instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments. Unless noted otherwise, we do not require collateral or other security to support financial instruments with credit risk.

Allowance For Credit Losses - Off-Balance Sheet Credit Exposures

The allowance for credit losses on off-balance-sheet off-balance sheet credit exposures is a liability account, calculated in accordance with ASC 326, representing expected credit losses over the contractual period for which we are exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if we have the unconditional right to cancel the obligation. Off-balance-sheet Off-balance sheet credit exposures primarily consist of amounts available under outstanding lines of credit and letters of credit detailed above. For the period of exposure, the estimate of expected credit losses considers both

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the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance-sheet off-balance sheet exposure. The likelihood and expected amount of funding are based on historical utilization rates. The amount of the allowance represents management's best estimate of expected credit losses on commitments expected to be funded over the contractual life of the commitment. Estimating credit losses on amounts expected to be funded uses the same methodology as described for loans in Note 4 - Loans and Allowance for Credit Losses, as if such commitments were funded. The allowance for credit losses on off-balance-sheet off-balance sheet credit exposures is reflected in other liabilities in our consolidated balance sheets.

The following table details activity in the allowance for credit losses on off-balance-sheet off-balance sheet credit exposures:

	2022	2021	2023	2022
Balance as of January 1	$ 977	$ 740	$1,416	$ 977
Credit loss expense	439	237	163	439
Balance as of December 31,	$ 1,416	$ 977		
Balance as of December 31			$1,579	$1,416

Commitments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments are made predominately for adjustable rate loans, and generally have fixed expiration dates of up to three months or other termination clauses and usually require payment of a fee. Since many of the commitments may expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis.

We had $52.7 million $76.3 million of mortgage loan commitments outstanding as of December 31, 2022 December 31, 2023, all of which contractually expire within thirty years.

At December 31, 2022 December 31, 2023 and 2021, 2022, we had unfunded lines of credit and undisbursed construction loan funds totaling $540.6 million $473.1 million and $411.0 million $540.6 million, respectively. respectively, not all of which will ultimately be drawn. Virtually all of our unfunded lines of credit and undisbursed construction loan funds are variable rate.

Primis also had commitments on the subscription agreements entered into for the investments in non-marketable equity securities of $3.2 million $1.6 million and $3.1 million $3.2 million, at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

16. 17. EARNINGS PER SHARE

The following is a reconciliation of the denominators of the basic and diluted EPS computations for 2023, 2022 2021 and 2020 2021 (amounts in thousands, except per share data):

	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
For the year ended December 31, 2023						
Basic EPS				$ (7,832)	24,639	$ (0.32)
Effect of dilutive stock options and unvested restricted stock				—	—	—
Diluted EPS				$ (7,832)	24,639	$ (0.32)
For the year ended December 31, 2022						
Basic EPS from continuing operations	$ 17,741	24,561	$ 0.72			
Basic EPS				$ 14,148	24,561	$ 0.58
Effect of dilutive stock options and unvested restricted stock	—	108	—	—	108	(0.01)
Diluted EPS from continuing operations	$ 17,741	24,669	$ 0.72			
Basic EPS from discontinued operation	$ —	24,561	$ 0.00			
Effect of dilutive stock options and unvested restricted stock	—	108	—			
Diluted EPS from discontinued operation	$ —	24,669	$ 0.00			
Diluted EPS				$ 14,148	24,669	$ 0.57
For the year ended December 31, 2021						
Basic EPS from continuing operations	$ 31,018	24,438	$ 1.27	$ 30,883	24,438	$ 1.26
Effect of dilutive stock options and unvested restricted stock	—	163	(0.01)	—	163	—
Diluted EPS from continuing operations	$ 31,018	24,601	$ 1.26	$ 30,883	24,601	$ 1.26
Basic EPS from discontinued operation	$ 230	24,438	$ 0.01	$ 230	24,438	$ 0.01
Effect of dilutive stock options and unvested restricted stock	—	163	—	—	163	—
Diluted EPS from discontinued operation	$ 230	24,601	$ 0.01	$ 230	24,601	$ 0.01
For the year ended December 31, 2020						
Basic EPS from continuing operations	$ 14,884	24,239	$ 0.61			
Effect of dilutive stock options and unvested restricted stock	—	124	—			
Diluted EPS from continuing operations	$ 14,884	24,363	$ 0.61			
Basic EPS from discontinued operation	$ 8,403	24,239	$ 0.35			
Effect of dilutive stock options and unvested restricted stock	—	124	—			
Diluted EPS from discontinued operation	$ 8,403	24,363	$ 0.35			

The Company had 54,800 anti-dilutive options as of December 31, 2023 and did not have any anti-dilutive options as of December 31, 2022 and 2021 and had 226,300 anti-dilutive options as of December 31, 2020. 2021.

17. 18. REGULATORY MATTERS

Primis Financial Corp. and its subsidiary bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action ("PCA"), we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. At December 31, 2022 December 31, 2023 and 2021, 2022, the most recent regulatory notifications categorized the Bank as well capitalized under regulatory framework for PCA.

Quantitative measures established by regulation to ensure capital adequacy require Primis to maintain minimum amounts and ratios of Total and Tier I capital (as defined in the regulations) to average assets (as defined). Management believes, as of December 31, 2023, that Primis meets all capital adequacy requirements to which it is subject.

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Quantitative measures established by regulation to ensure capital adequacy require Primis to maintain minimum amounts and ratios of Total and Tier I capital (as defined in the regulations) to average assets (as defined). Management believes, as of December 31, 2022, that Primis meets all capital adequacy requirements to which it is subject.

The following table provides a comparison of the leverage and risk-weighted capital ratios of Primis Financial Corp. and Primis Bank at the periods indicated to the minimum and well-capitalized required regulatory standards:

	Actual	Required For Capital Adequacy Purposes	To Be Categorized as Well Capitalized (1)	Actual		Required For Capital Adequacy Purposes		To Be Categorized as Well Capitalized (1)	
				Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023									
Primis Financial Corp.									
Leverage ratio				$312,521	8.37 %	$149,300	4.00 %	n/a	n/a
Common equity tier 1 capital ratio				302,521	8.96 %	152,011	4.50 %	n/a	n/a
Tier 1 risk-based capital ratio				312,521	9.25 %	202,681	6.00 %	n/a	n/a
Total risk-based capital ratio				453,931	13.44 %	270,242	8.00 %	n/a	n/a
Primis Bank									
Leverage ratio				$364,874	9.80 %	$148,989	4.00 %	$ 186,236	5.00 %
Common equity tier 1 capital ratio				364,874	10.88 %	150,980	4.50 %	218,082	6.50 %
Tier 1 risk-based capital ratio				364,874	10.88 %	201,306	6.00 %	268,408	8.00 %
Total risk-based capital ratio				406,663	12.12 %	268,408	8.00 %	335,510	10.00 %

	Amount	Ratio	Amount	Ratio	Amount	Ratio						
December 31, 2022 Primis Financial Corp.												
Leverage ratio	$ 322,390	9.68 %	$ 133,279	4.00 %	n/a	n/a	$316,956	9.52 %	$133,154	4.00 %	n/a	n/a
Common equity tier 1 capital ratio	312,390	10.30 %	136,482	4.50 %	n/a	n/a	306,956	10.07 %	137,135	4.50 %	n/a	n/a
Tier 1 risk-based capital ratio	322,390	10.63 %	181,976	6.00 %	n/a	n/a	316,956	10.40 %	182,847	6.00 %	n/a	n/a
Total risk-based capital ratio	441,902	14.57 %	242,635	8.00 %	n/a	n/a	436,649	14.33 %	243,796	8.00 %	n/a	n/a
Primis Bank												
Leverage ratio	$ 378,659	11.39 %	$ 137,290	4.00 %	$ 149,830	5.00 %	$373,225	11.24 %	$132,850	4.00 %	$ 166,063	5.00 %
Common equity tier 1 capital ratio	378,659	12.64 %	134,847	4.50 %	194,779	6.50 %	373,225	12.40 %	135,487	4.50 %	195,703	6.50 %
Tier 1 risk-based capital ratio	378,659	12.64 %	179,796	6.00 %	239,728	8.00 %	373,225	12.40 %	180,649	6.00 %	240,865	8.00 %
Total risk-based capital ratio	414,619	13.84 %	239,728	8.00 %	299,660	10.00 %	409,185	13.59 %	240,865	8.00 %	301,081	10.00 %
December 31, 2021 Primis Financial Corp.												
Leverage ratio	$ 314,353	9.41 %	$ 133,664	4.00 %	n/a	n/a						
Common equity tier 1 capital ratio	304,353	13.09 %	104,598	4.50 %	n/a	n/a						
Tier 1 risk-based capital ratio	314,353	13.52 %	139,464	6.00 %	n/a	n/a						
Total risk-based capital ratio	430,421	18.52 %	185,952	8.00 %	n/a	n/a						
Primis Bank												
Leverage ratio	$ 372,076	11.14 %	$ 137,890	4.00 %	$ 114,973	5.00 %						
Common equity tier 1 capital ratio	372,076	16.18 %	103,476	4.50 %	149,465	6.50 %						

Tier 1 risk-based capital ratio	372,076	16.18 %	137,968	6.00 %	183,957	8.00 %
Total risk-based capital ratio	400,836	17.43 %	183,957	8.00 %	229,947	10.00 %

(1) Prompt corrective action provisions are not applicable at the bank holding company level.

Primis Financial Corp. and Primis Bank are required to meet minimum capital requirements set forth by regulatory authorities. Bank regulatory agencies have approved regulatory capital guidelines ("Basel III") aimed at strengthening existing capital requirements for banking organizations. The Basel III Capital Rules require Primis Financial Corp. and Primis Bank to maintain (i) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer", (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer, (iii) a minimum ratio of Total capital to risk-weighted assets of at least 8.0%, plus the capital conservation buffer and (iv) a minimum leverage ratio of 4.0%. Failure to meet minimum capital requirements may result in certain actions by regulators which could have a direct material effect on the consolidated financial statements.

Primis Financial Corp. and Primis Bank remain well-capitalized under Basel III capital requirements. Primis Bank had a capital conservation buffer of 5.84% 4.12 % at December 31, 2022 December 31, 2023, which exceeded the 2.50% minimum requirement below which the regulators may impose limits on distributions.

Primis Bank's capital position is consistent with being well-capitalized under the regulatory framework for PCA.

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18. SEGMENT INFORMATION

The Company's management reporting process measures the performance of its operating segment based on internal operating structure, which is subject to change from time to time. Accordingly, the Company operates two reportable segments for management reporting purposes as discussed below:

Primis Bank. This segment specializes in providing financing services to businesses in various industries and deposit-related services to businesses, consumers and other customers. The primary source of revenue for this segment is net interest income and the origination and sale of loans.

Primis Mortgage. This segment specializes in originating mortgages in majority of the U.S. The primary source of revenue for this segment is net interest income, noninterest income and the origination of mortgage loans.

Prior to the Primis Mortgage acquisition in 2022, we operated as one reportable segment.

The following table provides financial information for the Company's segment. The information provided under the caption "Primis Bank" represents operations not considered to be reportable segments and/or general operating expenses of the Company, and includes the parent company and elimination adjustments to reconcile the results of the operating segment to the consolidated financial statements prepared in conformity with GAAP.

	As of and for the year ended December 31, 2022		
	Primis Mortgage	Primis Bank	Consolidated

Interest income	$ 705	$ 125,369	$ 126,074
Interest expense	2	21,585	21,587
Net interest income	703	103,784	104,487
Provision for loan losses	—	11,271	11,271
Noninterest income	5,055	16,273	21,328
Noninterest expense	9,361	82,907	92,268
Income before income taxes	(3,603)	25,879	22,276
Income tax expense (benefit)	(752)	5,287	4,535
Net income (loss)	$ (2,851)	$ 20,592	$ 17,741
Assets	$ 31,398	$ 3,540,139	$ 3,571,537

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19. SEGMENT INFORMATION

The Company's management reporting process measures the performance of its operating segments based on internal operating structure, which is subject to change from time to time. As of December 31, 2023, the Company operates two reportable segments for management reporting purposes as discussed below:

Primis Bank. This segment specializes in providing financing services to businesses in various industries and deposit-related services to businesses, consumers and other customers. The primary source of revenue for this segment is net interest income from the origination of loans.

Primis Mortgage. This segment specializes in originating mortgages in a majority of the U.S. The primary source of revenue for this segment is, noninterest income and the origination and sale of mortgage loans.

Prior to the Primis Mortgage acquisition in 2022, we operated as one reportable segment.

The following table provides financial information for the Company's reportable segments. The information provided under the caption “Primis Bank” includes operations not considered to be reportable segments and/or general operating expenses of the Company, and includes the parent company and elimination adjustments to reconcile the results of the operating segment to the consolidated financial statements prepared in conformity with GAAP.

	As of and for the year ended December 31, 2023		
	Primis Mortgage	**Primis Bank**	**Consolidated Company**
($ in thousands)			
Interest income	$ 2,813	$ 189,805	$ 192,618
Interest expense	—	93,907	93,907
Net interest income	2,813	95,898	98,711
Provision for credit losses	—	32,540	32,540

Noninterest income	17,674	27,576	45,250
Noninterest expense	20,153	102,447	122,600
Income before income taxes	334	(11,513)	(11,179)
Income tax expense (benefit)	3	(1,070)	(1,067)
Net income (loss)	$ 331	$ (10,443)	$ (10,112)
Total assets	$ 66,282	$ 3,790,264	$ 3,856,546

	As of and for the year ended December 31, 2022		
	Primis Mortgage	**Primis Bank**	**Consolidated Company**
($ in thousands)			
Interest income	$ 705	$ 122,582	$ 123,287
Interest expense	2	21,585	21,587
Net interest income	703	100,997	101,700
Provision for credit losses	—	11,271	11,271
Noninterest income	5,055	13,297	18,352
Noninterest expense	9,361	82,087	91,448
Income (loss) before income taxes	(3,603)	20,936	17,333
Income tax expense (benefit)	(752)	3,937	3,185
Net income (loss)	$ (2,851)	$ 16,999	$ 14,148
Total assets	$ 31,398	$ 3,535,266	$ 3,566,664

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20. PARENT COMPANY FINANCIAL INFORMATION

Condensed financial information of Primis Financial Corp. follows (in thousands):

CONDENSED BALANCE SHEETS
DECEMBER 31,

	2022	2021	2023	2022
ASSETS				
Cash	$ 21,276	$ 23,517	$ 23,627	$ 21,276
Loans held for investment	2,000	—	1,500	2,000
Investment in subsidiaries	460,982	479,855	438,883	455,548
Preferred investment in mortgage company	3,005	3,064		
Preferred investment in unaffiliated mortgage company			3,005	3,005

Investments in non-marketable equity securities	2,319	430	3,855	2,319
Other assets	1,637	2,681	3,288	1,636
Total assets	$ 491,219	$ 509,547	$474,158	$485,784
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Junior subordinated debt - long term	$ 9,781	$ 9,731		
Senior subordinated notes - long term	85,531	85,297		
Junior subordinated debt			$ 9,830	$ 9,781
Senior subordinated notes			85,765	85,531
Other liabilities	1,504	2,638	1,871	1,504
Total liabilities	96,816	97,666	97,466	96,816
Stockholders' equity:				
Common stock	246	245		
Preferred stock, $0.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding			—	—
Common stock, $0.01 par value. Authorized 45,000,000 shares; 24,693,172 and 24,680,097 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively			247	246
Additional paid in capital	312,722	311,127	313,548	312,722
Retained earnings	107,285	99,397	84,675	101,850
Accumulated other comprehensive income (loss)	(25,850)	1,112		
Total stockholders' equity	394,403	411,881		
Accumulated other comprehensive loss			(21,777)	(25,850)
Total Primis stockholders' equity			376,693	388,968
Total liabilities and stockholders' equity	$ 491,219	$ 509,547	$474,158	$485,784

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CONDENSED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31,

	2022	2021	2020	2023	2022	2021
Income:						
Cash dividends received from bank subsidiary	$ 15,000	$ —	$ 2,500	$ 20,000	$15,000	$ —
Interest income	27	—	—	91	27	—
Gain on debt extinguishment	—	573	—	—	—	573
Other investment income	150	—	—	150	150	—
Total income	15,177	573	2,500	20,241	15,177	573
Expenses:						
Interest on junior subordinated debt	536	355	426	887	536	355
Interest on senior subordinated notes	5,111	5,127	3,909	5,992	5,111	5,127
Other operating expenses	1,227	1,236	841	1,335	1,227	1,236
Total expenses	6,874	6,718	5,176	8,214	6,874	6,718

Income (loss) before income tax benefit and equity in undistributed net income of subsidiaries	8,303	(6,145)	(2,676)	12,027	8,303	(6,145)
Income tax benefit	(1,408)	(1,280)	(1,084)	(1,470)	(1,408)	(1,280)
Equity in undistributed net income of subsidiaries	8,030	36,113	24,879	(20,797)	4,437	35,978
Net income	$ 17,741	$ 31,248	$ 23,287			
Net income (loss) to common stockholders				$ (7,300)	$14,148	$31,113

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CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2022	2021	2020	2023	2022	2021
Operating activities:						
Net income	$ 17,741	$ 31,248	$ 23,287			
Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities:						
Net income (loss)				$ (7,300)	$ 14,148	$ 31,113
Adjustments to reconcile net income to net cash and cash equivalents used in operating activities:						
Equity in undistributed net income of subsidiaries	(23,030)	(36,113)	(27,379)	797	(19,436)	(35,978)
Loan forgiven				500	—	—
Gain on debt extinguishment	—	(573)	—	—	—	(573)
Other, net	1,229	1,426	8,766	(350)	1,228	1,426
Net cash and cash equivalents provided by (used in) in operating activities	(4,060)	(4,012)	4,674			
Net cash and cash equivalents used in operating activities				(6,353)	(4,060)	(4,012)
Investing activities:						
Net (increase) decrease in loans	(2,000)	—	—			
Net increase in loans				—	(2,000)	—
Increase in preferred investment in mortgage company	—	(3,064)	—	—	—	(3,064)
Increase in non-marketable equity securities investments	(1,889)	(430)	—	(1,536)	(1,889)	(430)
Dividend from subsidiaries	15,000	—	2,500	20,000	15,000	—
Net cash and cash equivalents provided by (used in) investing activities	11,111	(3,494)	2,500	18,464	11,111	(3,494)
Financing activities:						
Issuance of subordinated notes, net of cost	—	—	58,600			
Extinguishment of subordinated debt	—	(20,000)	—	—	—	(20,000)
Proceeds from exercised stock options	572	1,526	574	146	572	1,526
Repurchase of restricted stock	(11)	(14)	—	(31)	(11)	(14)

Cash dividends paid on common stock	(9,853)	(9,807)	(9,737)	(9,875)	(9,853)	(9,807)
Net cash and cash equivalents provided by (used in) financing activities	(9,292)	(28,295)	49,437	(9,760)	(9,292)	(28,295)
Net change in cash and cash equivalents	(2,241)	(35,801)	56,611	2,351	(2,241)	(35,801)
Cash and cash equivalents at beginning of period	23,517	59,318	2,707	21,276	23,517	59,318
Cash and cash equivalents at end of period	$ 21,276	$ 23,517	$ 59,318	$23,627	$ 21,276	$ 23,517

20. 21. RELATED PARTY TRANSACTIONS

During the year, officers, directors, principal shareholders, and their affiliates (related parties) were customers of and had transactions with the Company. Loan activity to related parties is as follows (in thousands):

	2022	2023
Balance at January 1,	$ 40,595	$27,875
Principal advances	6,641	2,197
Principal paid	(4,985)	(2,405)
Transfers in (out) of related party status	(14,376)	(1,057)
Balance at December 31,	$ 27,875	$26,610

Primis has also entered into deposit transactions with its related parties. The aggregate amount of these deposit accounts were $15.9 million $38.3 million and $22.4 million $15.9 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

21. 22. VARIABLE INTEREST ENTITIES

Variable interests are defined as contractual ownership or other interests in an entity that change with fluctuations in the fair value of an entity's net asset value. The primary beneficiary consolidates the VIE. The primary beneficiary is defined as the enterprise that has both the power to direct the activities of the VIE that most significantly impact the entity's

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economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE.

Our involvement with VIEs includes our investments in PFH, low income housing tax credit funds, and non-marketable and other equity securities.

PFH

PFH is a separate legal entity that owns the rights to the Panacea Financial brand and intellectual property with a goal of growing and monetizing those assets. The Panacea Financial Division of the Bank has a partnership agreement with PFH and is the primary bank partner as of December 31, 2023. The substantial activities between PFH and the Panacea Financial Division of the Bank along with limited activities of PFH outside of its relationship with the Company as of December 31, 2023, resulted in the Company concluding that it had a controlling financial interest in PFH and as the primary beneficiary, the Company consolidated PFH as of December 31, 2023. As of December 31, 2023, PFH had approximately $24.0 million of cash and a nominal amount of prepaid insurance assets and $3.1 million of accrued legal and other liabilities that are included in the Company’s consolidated balance sheet. PFH’s cash is on deposit with the bank and it is eliminated in consolidation. PFH's assets may only be used to settle PFH's liabilities and PFH's creditors do not have any recourse to the Company related to PFH's liabilities. During the year ended December 31, 2023, the Company did not provide any financial or other support to PFH that is was not contractually required to provide.

Low Income Housing Tax Credits

The general purpose of housing equity funds is to encourage and assist participants in investing in low-income residential rental properties located in the Commonwealth of Virginia, develop and implement strategies to maintain projects as low-income housing, deliver Federal Low Income Housing Credits to investors, allocate tax losses and other possible tax benefits to investors, and to preserve and protect project assets. The Company applies the proportional amortization method to its low income housing tax credits.

Non-Marketable and Other equity investments

The Company also has a limited interest in several funds that focus on providing venture capital to new and emerging financial technology companies, which are accounted for as VIEs. Investments held by the Company in these third-party funds do not have controlling or significant variable interests.

The above investments meet the criteria of a VIE, however, the Company is not the primary beneficiary of the entities, as it does not have the power to direct the activities that most significantly impact the economic performance of the entities and their accounts are not included in our consolidated financial statements. The Company's investment in the unconsolidated VIEs were carried as other assets on the consolidated balance sheets.

The low income housing tax credit funds were carried at $2.7 million and $3.4 million at December 31, 2023 and $4.2 million at December 31, 2022 and 2021, 2022, respectively. Tax credits, net of amortization recognized related to these investments during the years ended December 31, 2022 December 31, 2023 and 2021 2022 were $(4) $1 thousand and $(39) $4 thousand, respectively. Additional capital calls expected for the funds totaled $0.2 million and $0.4 million at December 31, 2022 December 31, 2023 and 2021 2022, respectively and are accrued for in other liabilities on the consolidated balance sheets.

The non-marketable and other equity investments were carried at $5.9 million and $4.4 million at December 31, 2023 and $2.1 million at December 31, 2022 and 2021, 2022, respectively. We also make commitments on the subscription agreements entered into for the investments in non-marketable equity securities. For additional details, see Note 15 16 – Financial Instruments with Off-Balance-Sheet Off-Balance Sheet Risks.

The Company's maximum exposure to loss from unconsolidated VIEs is the higher of the investment recorded on the Company's consolidated balance sheets or the commitment on the investment. As of December 31, 2022 December 31, 2023 and 2021, 2022, the maximum exposure to loss for our unconsolidated VIEs was $11.0 million $10.2 million and $9.4 million $11.0 million, respectively.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this Annual Report on Form 10-K, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d -15(e) under the Securities Exchange Act of 1934) utilizing the framework established in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon that evaluation, our chief executive officer and chief financial

officer have concluded that these controls and procedures are effective as of the end of the period covered by this Annual Report on Form 10-K.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management identified three material weaknesses during the year ended December 31, 2023, over the Company's internal controls over financial reporting. The material weaknesses were related to:

(i) accounting determinations for transfers of financial assets including lack of a formally designed process and procedure for evaluation of loan transfers. The existing procedures did not outline the process to be taken and individuals to be involved in assessment of the proper accounting for loan transfers and were not sufficient enough to facilitate a proper conclusion on loan transfer transactions.

(ii) the process for evaluation of credit losses on the third party managed consumer loan portfolio including evaluating recent actual loss history on the portfolio relative to previous model inputs. The existing process relies on publicly available peer data for historical credit loss characteristics to inform our allowance calculation because the portfolio is relatively new and did not have an extended credit loss history to serve as the primary source of credit loss history when constructing the model. Management did not have a detailed process for review of recent actual portfolio loss trends and incorporation of those trends into the allowance determination.

(iii) accounting evaluation for a complex agreement with a third-party that sources and manages a portfolio of consumer loans for the Company. The existing process did not appropriately facilitate a thorough evaluation of the entire transaction and did not include the involvement of individuals with the necessary expertise to enable identification of complex accounting matters in the agreement and to conclude on them.

*(b) Management's Report on Internal Control Over Financial Reporting***.** Management of Primis Financial Corp. is responsible for establishing and maintaining adequate internal control over financial reporting for Primis Financial Corp. ("we" and "our"), as that term is defined in Exchange Act Rules 13a-15(f). As permitted by guidance provided by the Staff of U.S. Securities and Exchange Commission, the scope of management's assessment of internal control over financial reporting as of December 31, 2022, has excluded Primis Mortgage Company ("Primis Mortgage" formerly named SeaTrust Mortgage Company) acquired on May 31, 2022. Primis Mortgage represented 1 percent of consolidated total assets as of December 31, 2022 and 4 percent of consolidated revenues for the year ended December 31, 2022. Primis Financial Corp. conducted an evaluation of the effectiveness of our internal control over Primis' financial reporting as of December 31, 2022 December 31, 2023 based on the framework in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, we concluded that our internal control over financial reporting is not effective as of December 31, 2022 December 31, 2023. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") concluded that the Company's disclosure controls and procedures were not effective, at the reasonable assurance level, because of the material weaknesses in internal controls, which were disclosed in the Company's Current Report on Form 8-K on March 1,

2024 and the material weakness that resulted from the Company’s implementation of change to the accounting for a third-party managed consumer loan portfolio which was the subject of a “pre-clearance” consultation

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with the SEC’s Office of the Chief Accountant as described in Form 12b-25 on March 18, 2024, Amendment No. 1 filed April 1, 2024, Form 12b-25 filed May 13, 2024, and Form 12b-25 filed August 12, 2024. Notwithstanding the material weaknesses, the Company’s management, including the CEO and CFO, has concluded that the consolidated financial statements, included in this Annual Report on Form 10-K, for the year ended December 31, 2023, fairly present, in all material respects, the Company's financial condition, results of operations and cash-flows for the periods presented in conformity with generally accepted accounting principles.

FORVIS,***Remediation Plans***

(i) *Loan transfers*

Management continues to review and make changes to the overall design of its internal control environment, including implementing additional internal controls over the identification of loan transfer transactions and management review of the transactions. The Company has added additional internal controls to its financial close and reporting process to enhance the effectiveness of internal controls over financial reporting. The material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period. The Company has made progress in the remediation efforts related to the material weakness and anticipates the control weakness to be remediated by the end of 2024.

The Company’s remediation efforts include:

- created a specific control in its quarterly financial close process to facilitate the identification of loan transfers and trigger an accounting review;
- created a process to assess loan transfers in accordance with applicable accounting guidance;
- established procedures to enable the accounting assessment in accordance with U.S. GAAP; and
- developed criteria that facilitates the decision process for use of outside legal counsel to assist in evaluating the legal isolation requirement.

(ii) Third party consumer loan allowance

Management continues to review and make changes to the overall design of its internal control environment, including implementing additional internal controls over its allowance for credit losses process related to more timely review and incorporation of portfolio-specific credit loss trends its allowance calculation process for the third party managed consumer loan portfolio. The portfolio of consumer loans is relatively new and has a limited amount of loss history on which to rely in determining expected credit losses, which resulted in management using comparable peer credit loss data that was publicly available. However, recent portfolio performance has resulted in management considering the use of actual credit loss history more prominently in the allowance determinations as trends have started to become present that are in deviation from the publicly available peer loss data. As a result, management is currently implementing efforts to:

- compile more asset quality information on the consumer portfolio from the third party that is managing the portfolio;
- obtain the third party’s projections of future credit losses of the portfolio for analysis and consideration in our expected credit loss calculations; and
- collaborate with the third party to implement a process to receive actual credit loss history and projections on a more timely basis to enable us to assess the information and incorporate it into our credit loss estimates.

(iii) Third-party managed loan agreement

Management continues to review and make changes to the overall design of its internal control environment, including implementing additional internal controls over the identification of complex agreements the Company enters into and ensuring the appropriate level of review of these agreements by an individual with the requisite accounting expertise. The Company is adding additional internal controls to its financial close and reporting process to enhance the effectiveness of internal controls over financial reporting to require appropriate levels of accounting management review of new transactions. Additionally, the Company will seek appropriate third-party accounting expertise when it determines a transaction contains complex arrangements that management does not have sufficient expertise to assess and conclude

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upon. The material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period.

Management may determine that additional measures are required to address control deficiencies, strengthen internal control over financial reporting, or it may determine to modify the remediation measures described above. The actions the Company is taking are subject to ongoing executive management review and are also subject to Audit Committee oversight. If the Company is unable to successfully remediate the material weaknesses, or if in the future, the Company identifies further material weaknesses in its internal control over financial reporting, the Company may not detect errors on a timely basis, and its condensed consolidated financial statements may be materially misstated.

Forvis Mazars, LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and has issued a report on the effectiveness of our internal control over financial reporting, which report is included in "Part II - Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

(c) Changes in Internal Control over Financial Reporting. As a result of the acquisition of Primis Mortgage, the Company is continuously working to integrate integrated Primis Mortgage into its internal control over financial reporting process. process during the year ended December 31, 2023. Except for the changes in connection with this integration of Primis Mortgage and the material weaknesses noted above, there were no changes in our internal controls over financial reporting that occurred during the three months year ended December 31, 2022 December 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.During the three months ended December 31, 2023, there were no Rule 10b5-1 plans or non-Rule 10b5-1 trading arrangements adopted, modified or terminated by any director or officer of the Company.

As previously reported in the Company's Current Report on Form 8-K filed on March 1, 2024, the Company will be restating its financial statements for each of the first three quarters of 2023. In connection with the restatement, and as soon as practicable, the Company will file amended Quarterly Reports on Form 10-Q/A as of and for the three months ended March 31, 2023, as of and for the three and six months ended June 30, 2023, and as of and for the three and nine months ended September 30, 2023. In addition, the Company presently anticipates that it will file an Amended Current Report on Form 8-K/A in respect of and to restate the Company's most recent earnings release and investor presentation. The Company also anticipates filings its Quarterly Reports on Form 10-Q for the three months ended March 31, 2024 and three and six months ended June 30, 2024, which have been delayed due to the late filing of this Form 10-K, as soon as practicable after filing this Form 10-K.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information under the captions "Election**Board of Directors" "Continuing**

The Board of Directors currently consists of ten directors. In accordance with the Company's Amended and Executive Officers," "Corporate Governance — Committees Restated Bylaws, members of the Board of Directors— Audit Committee," "Corporate Governance — Director Nominations Process" Directors are divided into three classes, Class I, Class II and "Corporate Governance — Code Class III. The members of Ethics" in Primis Financial Corp.'s definitive Proxy Statement each class are elected for its 2023 Annual Meeting a term of Shareholders, office to expire at the third succeeding annual meeting of stockholders following their election.

Any director vacancy occurring after the election may be filed with filled only by a majority vote of the SEC within 120 days after December 31, 2022 pursuant to Regulation 14A under remaining directors, even if there is less than a quorum of the Exchange Act (the "2023 Proxy Statement"), is incorporated herein by reference in response to this item.

Item 11. Executive Compensation Board of Directors.

The biographies of the directors and executive officers below contains information under regarding the captions "Executive Compensation person's service as a director and/or executive officer, business experience, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and Other Matters," "Director Compensation" and "Compensation Committee Report on Executive Compensation" in the 2023 Proxy Statement is incorporated herein by reference in response to this item.

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experiences, qualifications, attributes or skills that caused the Corporate Governance Committee and the Board of Directors to determine that the person should serve as a director and/or executive officer.Members of the Company's and the Bank's Board of Directors are expected to have the appropriate skills and characteristics necessary to function in the Company and Bank's current operating environment and contribute to its future direction and strategies. These include legal, financial, management and other relevant skills. In addition, the Company looks to achieve a diversified Board, including members with varying experience, age, perspective, residence, background, race, gender, and other demographic characteristics.

The following table sets forth certain information with respect to the Company's Class I, Class II and Class III directors, and the executive officers of the Company and the Bank who are not also directors:

Name	Age	Positions with the Company and Bank
Directors:		
John F. Biagas	59	Class I Director of the Company; Director of the Bank
Robert Y. Clagett	84	Class III Director of the Company; Director of the Bank
Deborah B. Diaz	67	Class III Director of the Company; Director of the Bank
John M. Eggemeyer	76	Class I Director of the Company; Director of the Bank
F. L. Garrett, III	83	Class I Director of the Company; Director of the Bank
Dr. Allen R. Jones Jr.	60	Class I Director of the Company; Director of the Bank
Charles A. Kabbash	87	Class III Director of the Company; Director of the Bank
W. Rand Cook	70	Class II Director of the Company; Director of the Bank
Eric A. Johnson	70	Class II Director of the Company; Director of the Bank
Dennis J. Zember, Jr.	54	Class II Director of the Company; Director of the Bank; President and Chief Executive Officer of each of the Company and the Bank
Executive Officers:		
Matthew A. Switzer	46	Executive Vice President and Chief Financial Officer of each of the Company and the Bank
Rickey A. Fulk	57	Executive Vice President of each of the Company and the Bank
Ann-Stanton C. Gore	38	Executive Vice President and Chief Marketing Officer of each of the Company and the Bank

John F. Biagas has been a director of the Company and the Bank since the closing of the Company's merger with Eastern Virginia Bankshares, Inc. ("EVBS") in June 2017. Mr. Biagas served as a director of EVBS and Eastern Virginia Bank ("EVB") from 2014 until 2017, and has been the owner, President and CEO of Bay Electric Co., Inc., an electrical and general contractor located in Newport News, Virginia since 1997. Mr. Biagas is a Master Electrician licensed in four states and the District of Columbia. Bay Electric serves a very diverse client base and specializes in general contracting as well as in design/build general and electrical construction, security/technology solutions and services, and solar photovoltaic. Under Mr. Biagas' direction, Bay Electric has become one of the fastest growing minority-owned electrical and general construction contractors in the Mid-Atlantic region with annual revenues in excess of $70 million. Mr. Biagas is also the Vice Rector for the Old Dominion University Board of Visitors and serves as vice chair of the Student Advancement Committee and as a member of the Administration and Finance Committee. Mr. Biagas provides the Board of Directors essential guidance related to his business development expertise and general business experience through

owning and operating a fast-paced contracting company and working on multi-million dollar projects. Mr. Biagas brings to the Board of Directors extensive experience in identifying potential risks and rewards in real estate development and construction. Mr. Biagas also brings to the Board of Directors leadership skills and oversight experience through his service on numerous local, statewide and national boards, including the U.S. Chamber of Commerce Board of Directors, a founding and current member of the Virginia Chapter of the Young Presidents Organization and as a founding member and director of Virginia Company Bank from its inception in 2005 until its acquisition by EVBS in 2014.

John M. Eggemeyer has been a director of the Company and the Bank since June 15, 2021. Mr. Eggemeyer is a Founder and Managing Principal of Castle Creek Capital LLC which has been an investor in the banking industry since 1990. Mr. Eggemeyer has over 40 years of experience in the banking industry and has been involved in more than 75 bank acquisitions. In 2006, the American Banker honored Mr. Eggemeyer as "Community Banker of the Year" for his success as a builder of community banking companies. Prior to founding Castle Creek, Mr. Eggemeyer spent nearly 20 years as a senior executive with some of the largest banking organizations in the U.S. with responsibilities across a broad spectrum of banking activities. Mr. Eggemeyer has served as the Chairman of PacWest Bancorp since its formation in 2000, is a Board member of The Bancorp, Northpointe Bancshares, Inc. and was a founder and Director of Guaranty Bancorp. Previously, he was Chairman and Chief Executive Officer of White River Capital and a Board member of TCF Financial Corporation, Western Bancorp and American Financial Realty. Mr. Eggemeyer's civic and philanthropic efforts have been focused in the areas of improving the quality of instruction in education and expanding educational opportunities for lower income students. He was a founder and past President of the Rancho Santa Fe Community School Endowment and was a member of the Rancho Santa Fe School Site Selection Committee. He also helped establish the Minnesota Charter of A Better Chance, a national organization committed to creating improved educational opportunities for minority high school students. Mr. Eggemeyer is a Life Trustee of Northwestern University where he serves on the Finance and Investment Committees and is a past Trustee of the Bishop's School of La Jolla, California and the Parent Advisory Board at Stanford University. Mr. Eggemeyer holds a Bachelor of Science degree from Northwestern University and an M.B.A. from the University of Chicago. Mr. Eggemeyer brings to the Board of Directors extensive experience in identifying potential risks and rewards in the banking industry. The Company benefits from his experience and counsel as a member of our board.

F.L. Garrett, III has served as a director of the Company and the Bank since the closing of the Company's merger with EVBS in June 2017. Mr. Garrett served as Vice Chairman of the Board of Directors of EVBS and previously served as Chairman of the Board of Directors of a predecessor of EVB. Mr. Garrett served as a director of the Bank and a predecessor of the Bank from 1982 until June 2017. Mr. Garrett has owned Harborside Storage since 1994, a boat storage company and has been an active realtor with Long & Foster Real Estate in Essex County, Virginia and neighboring areas since 1989. As a local business owner and a successful realtor, Mr. Garrett contributes to the Board of Directors a strong sense of changing economic and market conditions in the Company's market areas. Mr. Garrett has also developed extensive knowledge of our business during his extended service to the Company, the Bank and one of the Bank's predecessors.

Dr. Allen R. Jones Jr. has been a director of the Company and the Bank since June 15, 2021. Dr. Jones is a licensed physical therapist in the Commonwealth of Virginia. Dr. Jones is the owner and CEO of Dominion Physical Therapy, a practice he founded in 1990 and has since expanded to six locations in the Hampton Roads region. Virginia has been Dr. Jones' home since 1987, the year he completed his degree in physical therapy from the University of Connecticut. Dedicated to continuing education, he earned a Doctor of Physical Therapy degree from Rocky Mountain University School of Health Professions in Provo, Utah, in 2014 and also holds a postgraduate certification in Clinical

Management of Head, Facial and Neck Pain and TMJ Disorders. He has been a member of the American Physical Therapy Association since 1988. Dr. Jones' passion for high-quality care has led to numerous awards for his practice, as well as statewide leadership positions. In 2014, Gov. Terry McAuliffe appointed him to the Virginia State Board of Physical Therapy. Dr. Jones was reelected as Chairman of the Board of Physical Therapy for the state of Virginia on August 11, 2020, where he previously served as Chairman in 2017 and 2018. Dr. Jones served as Chairman for two consecutive years (2019-2021) for the Board of Health Professions. For three decades, Dr. Jones has worked hard to foster a spirit of community involvement and service through his practice. In 2014, Dr. Jones provided financial and staffing support for a collaborative trip with Old Dominion specialists to the Dominican Republic to educate clinical staff there on the treatment of autism spectrum disorder. Dr. Jones serves as a board member of Norfolk State University Foundation and Old Dominion University School of Physical Therapy & Athletic Training. Dr. Allen contributes to the Board of Directors with strong

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ties to its surrounding communities in the Company's market areas. Dr. Allen has also developed extensive knowledge of our business as he served as our Hampton Advisory Board Chairman since 2018.

W. Rand Cook has been serving as Chairman of the Board of each the Company and the Bank since 2020. Mr. Cook has also served as a director of the Company and the Bank since the closing of the Company's merger with EVBS in June 2017. Mr. Cook served as Chairman of the Board of Directors of EVBS and served as a director of EVB and a predecessor of EVB from 2000 until June 2017. Mr. Cook is a Partner in the law firm of McCaul, Martin, Evans and Cook, P.C., where he has been practicing law since 1985, and is the Commissioner of Accounts for Hanover County Circuit Court. Mr. Cook holds both MBA and JD degrees, and maintains an active law practice that focuses on corporate law and debtor and creditor rights. Mr. Cook brings experience in corporate governance, strategic planning and financial planning to the Board of Directors, and his legal background gives Mr. Cook valuable insight into various legal risks that the Company may encounter. Previously, Mr. Cook worked with the Virginia General Assembly, which provides Mr. Cook with a unique perspective on state legislative and regulatory environments.

Eric A. Johnson has served as a director of the Company and the Bank since the closing of the Company's merger with EVBS in June 2017. For over 45 years, Mr. Johnson has been in the real estate business. Mr. Johnson has served as a real estate broker with Mason Realty in Middlesex, Virginia since 1976 and served as a director of EVB and a predecessor of EVB from 1988 until June 2017. In addition, Mr. Johnson previously owned Urbanna Market and Urbanna Builders Supply, both of which generated multi-million dollar annual sales. Mr. Johnson brings experience in local real estate markets to the Board of Directors, as well as entrepreneurial spirit, business judgment and knowledge of local business markets that he has developed through his business ventures.

Dennis J. Zember, Jr. has served as a director of the Company and the Bank since February 2020. Mr. Zember was appointed President and Chief Executive Officer of both the Company and the Bank on February 19, 2020. Mr. Zember was previously Executive Vice President and Chief Operating Officer of Ameris Bancorp from June 2016 through June 2018 and Chief Financial Officer of Ameris Bancorp from February 2005 through December 2017. The Company believes Mr. Zember's qualifications to sit on the Board of Directors include his extensive banking experience from years spent as an executive in the industry.

Robert Y. Clagett has served as a director of the Company and the Bank since August 2014. Mr. Clagett has practiced law in the State of Maryland since 1967, with a primary focus in real estate law. He previously served as a director of Prince George's Federal Savings Bank commencing in 1967 and was elected President and Chief Executive Officer in 1968. Mr. Clagett served as President of Prince George's Federal Savings Bank from 1968 to 2005, and served as Chief Executive Officer from 1968 to 2014. The Company believes Mr. Clagett's qualifications to sit on the Board of Directors include his extensive banking experience and legal expertise.

Deborah B. Diaz has served as a director of the Company and the Bank since October 2020. Ms. Diaz is CEO of Catalyst ADV, a technology and strategic growth advisory firm, and venture capital advisor developing new business markets and industry partnership opportunities since 2016. Catalyst ADV currently provides advisory services to high tech, transportation and aerospace clients such as Google, Boeing, Dell Technologies, Leidos, Equinix, PTC and many other notable public companies. Previously, Ms. Diaz served as Chief Technology Officer and Deputy Chief Information Officer at the National Aeronautics and Space Administration responsible for global system infrastructure, investment oversight, risk management, data management, innovation and technology infusion from 2009 to 2016. As Chief Information Officer for Science and Technology of the Department of Homeland Security, she was responsible for all global defense and research system infrastructure and manufacturer delivery to support a $1 billion portfolio from 2002 to 2007. She has also served as a senior government executive and international consultant in the areas of intellectual property, patents, digital transformation, data forensics, and foreign joint ventures. Ms. Diaz serves on the advisory boards of Dell Technologies; Intel Corporation; Equinix, Inc.; Raytheon Forcepoint and on the National Association of Corporate Directors ("NACD") Capital Area Chapter Board. Ms. Diaz has also previously served on multiple private company and non-profit boards. Ms. Diaz was NACD Directorship Certified in 2019. The Company believes Ms. Diaz qualifications to sit on the Board of Directors include her extensive operational experience as a technology executive and strategic cybersecurity expert focused on digital transformation and risk management.

Charles A. Kabbash has served as a director of the Company and the Bank since April 2005. Mr. Kabbash is the owner of 414 Associates, a real estate investment and holding company, operating primarily in the Charlottesville, Virginia area since 1984. Mr. Kabbash has also served a partner in Kabbash, Fox & Gentry Commercial Real Estate since 2009 and is the owner of Kabbash Business Brokerage, which negotiates the purchase or sale of businesses. Both of these firms also operate primarily in the Charlottesville area. In addition, Mr. Kabbash is the co-owner, along with his wife, Rebecca Gentry, of CandR LLC, a company investing in emerging businesses. Mr. Kabbash was a realtor at Summit Realty from 2002 to 2009. Mr. Kabbash is heavily involved in the business, political and civic community in Charlottesville, Virginia. The Company believes Mr. Kabbash's qualifications to sit on the Board of Directors include his management and operational expertise from years spent as a professional realtor, investor and consultant.

Executive Officers of the Company

Matthew A. Switzer has served as Executive Vice President and Chief Financial Officer of the Company and the Bank since January 2021. Mr. Switzer served as Managing Director at Stephens, Inc. from June 2015 to January 2021. Prior to that, Mr. Switzer served at Keefe, Bruyette & Woods, a Stifel Company, from July 2005 to May 2015, most recently as Managing Director.

Rickey A. Fulk has served as Executive Vice President of the Company and the Bank since October 2023. Mr. Fulk has worked for Primis Bank (or its predecessors) since 1998 in various commercial capacities, most recently as the regional executive for the Richmond and Hampton Roads areas. Mr. Fulk is an active leader in the community with a passion for supporting animal rescue and the local humane society.

Ann-Stanton C. Gore has served as Executive Vice President and Chief Marketing Officer of the Company and the Bank since September 2021. Prior to that, Ms. Gore served as Senior Vice President and Director of Corporate Communications of Ameris Bank from 2019 to 2021. Ms. Gore served as Senior Vice President and Director of Corporate Marketing of Ameris Bank from 2018 to 2019. Ms. Gore previously served as Vice President and Corporate Marketing Manager of Ameris Bank from 2014 to 2018.

CORPORATE GOVERNANCE

Audit Committee

The members of the Audit Committee are currently Robert Y. Clagett (Chairman), John F. Biagas, W. Rand Cook (ex-officio), Deborah B. Diaz, and Eric A. Johnson, all of whom the Board has determined to be "independent directors" as defined under the NASDAQ Stock Market listing standards and in Section 10A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board has determined that all of the Audit Committee members have the financial knowledge, business experience and independent judgment necessary for service on the Audit Committee. The Board has further determined that Robert Y. Clagett has the requisite attributes of an "audit committee financial expert" as defined by the rules and regulations of the SEC, and has the financial literacy and accounting or financial qualifications and experience to provide effective oversight of the Audit Committee. The Audit Committee operates pursuant to a written charter, which is available electronically in the corporate governance section of the Investor Relations page of the Company's website at *www.primisbank.com*.

As set forth in the Audit Committee's charter, the functions of the Audit Committee are to assist the Board in its oversight of:

- the integrity of the Company's financial statements;

- the adequacy of the Company's system of internal controls;
- the Company's compliance with regulatory requirements;
- the qualifications and independence of the Company's independent registered public accountants; and

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- the performance of the Company's independent registered public accountants and of the Bank's internal audit function.

In carrying out these responsibilities, the Audit Committee, among other things:

- monitors the preparation of quarterly and annual financial reports by the Company's management;
- supervises the relationship between the Company and its independent registered public accountants, including: having direct responsibility for their appointment, compensation and retention; reviewing the scope of their audit services; approving audit and non-audit services; and confirming the independence of the independent registered public accountants; and
- oversees management's implementation and maintenance of effective systems of internal and disclosure controls, including review of the Company's policies relating to legal and regulatory compliance, ethics and conflicts of interests and review of the Bank's internal auditing program.

The Audit Committee's meetings include, whenever appropriate, executive sessions with the Company's independent registered public accountants and with the Bank's internal auditors, in each case without the presence of the Company's or the Bank's management. The Audit Committee met seven (7) times during 2023.

As part of its oversight of the Company's financial statements, the Audit Committee reviews and discusses with both management and the independent registered public accountants all annual and quarterly financial statements prior to their issuance. During 2023, management of the Company advised the Audit Committee that each set of financial statements reviewed had been prepared in accordance with generally accepted accounting principles, and reviewed significant accounting and disclosure issues with the Audit Committee.

Policy On Insider Trading

We have adopted an Insider Trading Policy to promote compliance with federal, state and foreign securities laws that prohibit certain persons who are aware of material non-public information about a company from: (i) trading in securities of that company; or (ii) providing material non-public information about the Company or about other companies doing business with the Company to persons who may trade on the basis of that information. Our insider trading policy includes pre-clearance requirements and procedures for our officers and directors prior to effecting a transaction.

Code of Ethics

The Company's Board of Directors has adopted a Code of Ethics that applies to all directors, officers and employees, including the Company's Chairman of the Board, the Company's President and Chief Executive Officer and senior financial officers. The Board designed the Code of Ethics in an effort to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of conflicts of interest, full, fair and accurate disclosure in filings and other public communications made by the Company, compliance with applicable laws, prompt internal reporting of violations of the Code of Ethics, and accountability for adherence to the Code. The Code of Ethics is available electronically in the corporate governance section of the Investor Relations page of the Company's website at *www.primisbank.com*.

Delinquent Section 16 Reports

The members of the Board, the executive officers of the Company and persons who hold more than 10% of our common stock (collectively, the "Reporting Persons") are subject to the reporting requirements of Section 16(a) of the Exchange Act, which require them to file reports with respect to their ownership of the Company's securities on Form 3 and transactions in the Company's securities on Forms 4 or 5. Based solely on its review of the copies of such forms received by it and written representations from the Company's executive officers and directors, the Company believes that, for the fiscal year ended December 31, 2023, the Section 16(a) filing requirements were complied with by all the

Reporting Persons during and with respect to such year, except that Julia E. Fredricks did not timely file a Form 4 for two purchase transactions occurring on February 24, 2023 and March 14, 2023. Such transactions have since been reported on a Form 4 filed on February 8, 2024.

Item 11. Executive Compensation

Compensation Discussion and Analysis

This section discusses the Company's compensation program, including how it relates to the executive officers named in the compensation tables that follow (who we sometimes refer to below and elsewhere in this Annual Report on Form 10-K as the "named executive officers"). The executive officers of the Company currently hold the same executive officer positions with the Bank and all executive compensation is paid by the Bank for services performed by executives of the Bank. Accordingly, the following discussion of executive compensation relates to the compensation by the Bank to executives of the Bank.

The primary objective of our executive compensation program is to attract, retain and motivate key employees and enable those persons to participate in the long-term success of the Company while also advancing the interests of our stockholders. As such, the compensation program is designed to provide levels of compensation which are reflective of both the individual's and the organization's performance in achieving certain goals and objectives and in helping to build value for our stockholders. Set forth below is an analysis of our compensation program, the material compensation policy decisions we have made under this program and the material factors that we considered in making those decisions. Our named executive officers (the "NEOs") are:

- Dennis J. Zember, Jr., President and Chief Executive Officer
- Matthew A. Switzer, Executive Vice President and Chief Financial Officer;
- Rickey A. Fulk(1), Executive Vice President;
- G. Cody Sheflett, Jr.(2), former Executive Vice President, Chief Operating Officer and Chief Information Officer; and
- Ann-Stanton C. Gore, Executive Vice President and Chief Marketing Officer.

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(1) Mr. Fulk was appointed Executive Vice President on October 2, 2023.

(2) Mr. Sheflett passed away on January 16, 2024.

Overview of Compensation Program

The Compensation Committee of the Board of Directors is responsible for developing and making recommendations to the Board with respect to the Company's executive compensation policies. John F. Biagas, Robert Y. Clagett, and F.L. Garrett III serve on the Compensation Committee (the "Compensation Committee"). The Compensation Committee, along with the Board, has reviewed the compensation policies and practices for all employees and concluded that any risks arising from such policies and practices are not reasonably likely to have a material adverse effect on the Company.

Compensation Philosophy and Objectives

The fundamental objectives of the Bank's executive compensation policies are to ensure that Bank executives are provided incentives and compensated in a way that advances both the short- and long-term interests of stockholders while also ensuring that the Company and the Bank are able to attract, retain and motivate executive management talent. Accordingly, compensation is based on: (1) the employee's individual performance and his or her ability to lead the Company and the Bank to achieve their respective financial goals, (2) the Company's consolidated financial performance and (3) compensation compared to peer institutions' executive compensation. In making decisions with respect to any

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element of an executive officer's compensation, the Compensation Committee considers the total compensation that may be awarded to the executive officer, including salary, annual bonus, long-term equity incentive compensation, accumulated realized and unrealized stock option gains, and the dollar value to the executive and cost to the Company of all perquisites and other personal benefits. The Compensation Committee's goal is to award compensation that is reasonable when all elements of potential compensation are considered.

The Compensation Committee believes tying compensation to Company performance is critical for ensuring management alignment with shareholders, particularly for CEO compensation. As discussed further below, executive compensation in 2023 was heavily influenced by the Company's earnings performance for the year.

Setting Executive Compensation

In reviewing the 2023 compensation of each of our executive officers, the Compensation Committee reviewed all components of his or her respective compensation, including base salary, annual bonus, long-term equity incentive compensation, accumulated realized and unrealized stock option gains, and the dollar value to the executive and cost to the Company of all perquisites and other personal benefits. In addition, the Compensation Committee reviewed each executive officer's compensation history and performance information and the market data discussed below.

Role of Compensation Consultant and Market Data

In 2023, the Compensation Committee engaged Pearl Meyer (the "Consultant") to provide advice with respect to executive officer and director compensation for 2023. The Consultant periodically attended the Compensation Committee's meetings, including executive sessions, and provided information and advice independent of management and, at the direction of the Compensation Committee Chairman, assisted management with various activities that support the Company's executive compensation program. The Compensation Committee considered the independence of the Consultant in light of the SEC rules and NASDAQ listing standards and concluded that the work of the Consultant did not raise any conflicts of interest. The Consultant did not provide any services to the Company other than executive compensation-related services.

The Consultant reviewed a peer group comprised of 24 mid-Atlantic U.S. banks ranging in assets from $2.3 billion to $6.0 billion, with median assets of $3.2 billion and median market cap of $406 million. The peer group consisted of the following banks: ACNB Corporation, American National Bankshares, Blue Ridge Bankshares, C&F Financial Corporation, Capital City Bank Group, CapStar Financial Holdings, Carter Bankshares, City Holding, CNB Financial, Codorus Valley Bancorp, Colony Bankcorp, First Bank, First Community Bancshares, HomeTrust Bancshares, MetroCity Bankshares, Mid Penn Bancorp, MVB Financial, Orrstown Financial Services, Peoples Financial Services, SmartFinancial Inc., Southern First Bancshares, Summit Financial Group, Shore Bancshares, Inc. and Wilson Bank Holding Company. The Consultant reviewed base salary, total cash compensation, targeted total cash compensation and targeted total direct compensation of our executive officers as compared to the peer group.

The Company did not benchmark the compensation of its named executive officers to a certain percentage or range of compensation within the market data provided by the Consultant. Instead, the Compensation Committee used this information as a point of reference for measurement, but not as the determinative factor in setting the compensation of the Company's named executive officers. The Compensation Committee did not use the compensation data to "target" a specific compensation level for any given executive. Rather, the Compensation Committee used its understanding of peer group compensation as a starting point for its decision making.

Because the comparative compensation information is just one of the analytical tools that are used in setting named executive officer compensation, the Compensation Committee has discretion in determining the nature and extent of its use. Further, given the limitations associated with comparative pay information for setting individual executive compensation, including the difficulty of assessing and comparing wealth accumulation through equity gains and post-employment amounts, the Compensation Committee may elect not to use the comparative compensation information at all in the course of making compensation decisions.

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Role of Executives in Establishing Compensation

In early 2023, the Compensation Committee made all decisions with respect to compensation of Mr. Zember, subject to review and approval by the full Board of Directors. Mr. Zember reviewed the performance of the Company's executive officers (other than himself) and, based on that review, recommended to the Compensation Committee amounts payable to such other executive officers, including the other named executive officers. Mr. Zember was not involved with any aspect of determining his own pay.

Consideration of Last Year's Advisory Stockholder Vote on Executive Compensation

At the 2023 annual meeting of stockholders (the "2023 Annual Meeting"), approximately 94% of the shares represented and entitled to vote at the annual meeting were voted to approve the compensation of the Company's named executive officers, as discussed and disclosed in the proxy statement for the 2023 Annual Meeting. The Compensation Committee concluded that the results of the advisory say-on-pay vote reflected stockholder support of our compensation program. In light of this support, the Compensation Committee did not make material changes to our executive compensation program.

Components of Executive Compensation

The principal components of the executive compensation program of the Company (through the Bank) are:

- base salary;
- cash incentive awards;
- long-term equity incentive awards;
- perquisites and other personal benefits; and
- severance protection through employment agreements.

Base Salary

Salaries provide executive officers with a base level of monthly income and help achieve the objectives outlined above by attracting and retaining strong talent. Generally, base salaries are not based on specific measures of corporate performance, but are determined by tenure of service, scope of the position, including current job responsibilities, relative salaries of the Company's peers and the officer's individual performance and contribution to the Company. The Company's base salaries are adjusted based on factors such as individual experience, individual performance, individual potential, cost of living considerations and specific issues particular to the Company as well as the Compensation Committee's subjective judgment. The Compensation Committee monitors the base salary levels and the various incentives of the named executive officers of the Company to ensure that overall compensation is consistent with the Company's objectives and remains competitive within the area of the Company's operations.

Effective March 1, 2023, the Compensation Committee approved an increase to the base salary of the following executive officers: Mr. Zember, 5.0% to $674,872; Mr. Switzer, 4.8% to $329,994; Mr. Fulk, 19.4% to $225,722; Mr. Sheflett, 5.3% to $299,984 and Ms. Gore, 4.0% to $256,160. Effective April 1, 2023, the Compensation Committee approved an increase to the base salary of Mr. Fulk, 11.1% to $250,799 and effective September 28, 2023, the Compensation Committee further approved an increase to the base salary of Mr. Fulk, 20.0% to $300,959 in connection with his promotion to Executive Vice President.

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Non-Equity Incentive Compensation

The Compensation Committee spent considerable time in 2023, in coordination with the full Board of Directors and the CEO, aligning targets for incentive pay with the Company's short-term goals. In 2023, the Compensation Committee established the following goals with high and low ranges of achievement around the target and with each goal weighted equally:

Financial Measure	Weighting	Incentive Payout Rates Versus Targets 75%	100%	125%	Actual
Net Income as Percent of Budget(1)	35%	90%	100%	110%	72%
Non-Brokered Deposit Growth(2)	25%	10%	15%	20%	25%
Gross Loan Growth(3)	20%	6%	8%	10%	9%
Year-End Nonperforming Assets / Assets(4)	20%		0.50%		0.19%

(1) Reported net income for 2023, adjusted for certain one-time items, as a percentage of budgeted net income for 2023.

(2) Represents growth in non-brokered deposits from December 31, 2022 to December 31, 2023.

(3) Represents growth in gross loans held for investment, excluding Paycheck Protection Program balances, from December 31, 2022 to December 31, 2023.

(4) Represents the level of nonperforming assets to total assets by December 31, 2023. This metric was measured on a pass or fail basis in the incentive plan.

Targets incentive percentages of base salary were determined for executive management. These targets combined with the payout ranges above would determine short-term incentives. The following table shows the target incentive payout levels for each named executive assuming midpoint performance on the established goals:

Named Executive	Salary ($)	Target (% of Salary)	Target Incentive Payment ($)	Calculated Incentive Payment (at 74%) ($)	Actual Incentive Payment ($)	Actual (% of Salary)
Dennis J. Zember, Jr.	$ 674,872	50%	$ 337,436	$ 249,703	$ —	0%
Matthew A. Switzer	329,994	35%	115,498	85,468	—	0%
Rickey A. Fulk	300,959	30%	90,288	66,813	—	0%
G. Cody Sheflett	299,984	35%	104,994	77,696	—	0%
Ann-Stanton C. Gore	256,160	30%	76,848	56,868	—	0%

As noted above, actual results relative to 2023 goals implied a payout of 74% of targeted incentive amounts for the year. However, the Compensation Committee noted that, while progress on multiple strategic initiatives was made in 2023, net income for the year was below expectations. As a result, the Compensation Committee used its discretion to eliminate short-term incentive payments for executive management for 2023.

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Long-Term Equity Incentive Awards

The Company maintains an equity compensation program for its named executive officers and other key employees, in order to attract, retain and motivate key employees and enable those persons to participate in the long-term success of the Company. In 2021, the Compensation Committee began including performance-based grants in management's long-term equity incentive awards to increase the alignment of management incentives with long-term goals versus time-based grants alone. For 2022 and 2023, the Compensation Committee chose to make all awards performance-based. The performance-based restricted stock units are convertible, on a one-for-one basis, into shares of stock based on the level of achievement of the Company's adjusted earnings per share compound annual growth over the 5-year performance period commencing the year of the grant. The following table details the performance targets and payout levels for the 2022 and 2023 performance unit grants.

Adjusted EPS CAGR(1)		Payout
2022	2023	Factor
12%	10%	150%
10%	8%	100%
8%	6%	75%
6%	5%	50%
< 6%	< 5%	0%

(1) Calculated as the five year compound annual growth rate in credit-adjusted pre-tax operating earnings per share beginning the year of the grant.

Amendment to Mr. Zember's Performance Units. During 2023, the Compensation Committee amended Mr. Zember's 2021 and 2022 performance units (collectively, the "Zember Performance Unit Amendment") to provide that (i) with respect to the 2021 performance units, to the extent that the Company meets the performance targets that would entitle Mr. Zember to earn more than 50,000 shares upon settlement of the award in 2026 (or, in certain limited circumstances, an earlier date as provided in the award agreement), Mr. Zember's award will be limited at 50,000 shares of stock and he will be entitled to the cash value of any shares earned in excess of 50,000 (with the value of any cash awards received by Mr. Zember in 2026 limited to $500,000); and (ii) with respect to the 2022 performance units, to the extent that the Company meets the performance targets that would entitle Mr. Zember to earn more than 50,000 shares upon settlement of the award in 2027 (or, in certain limited circumstances, an earlier date as provided in the award agreement), Mr. Zember's award will be limited at 25,233 shares of stock, and he will be entitled to the cash value of any shares earned in excess of 25,233 (with the value of any cash awards received by Mr. Zember in 2027 limited to $500,000).The terms of Mr. Zember's 2023 performance units are consistent with those provided in the Zember Performance Unit Amendment.

Perquisites and Employee Benefit Plans

Perquisites represent a small part of the Company's executive compensation program. The Compensation Committee reviews annually the perquisites provided to the named executive officers, and offers such benefits after consideration of the business need. The named executive officers are eligible to participate in the same employee benefits plans that are generally available to all Company employees.

Employment Agreements

During 2023, the Company and the Bank were party to employment agreements with our named executive officers. The Compensation Committee and the Bank believe that the employment and change-in-control agreements are a critical tool in retaining our executive team. These agreements also include certain protections for the Company and the Bank in the form of post-employment restrictive covenants.

Employment Agreement with Mr. Zember. Effective December 20, 2022, the Company entered into an amended and restated employment agreement with Mr. Zember, President and Chief Executive Officer of the Company and the Bank. The amended and restated agreement amends and restates in its entirety the original employment agreement with

Mr. Zember, dated February 19, 2020 (the “Original Employment Agreement”). The amended and restated employment agreement is substantially the same as the Original Employment Agreement, except as described herein. Pursuant to the amended and restated agreement, Mr. Zember’s base salary was set at $642,735 to align with his 2022 base salary, with eligibility for annual increases at the Compensation Committee’s discretion, and the Company committed to providing Mr. Zember life insurance in the amount of $5,000,000, with fifty percent (50%) of the proceeds directed to the Company and fifty percent (50%) of the proceeds directed to Mr. Zember’s designated beneficiary. The amended and restated agreement also provides that if Mr. Zember’s employment is terminated without cause or he resigns for good reason following a change in control, then his performance-based equity awards will be deemed to have been earned as of his termination date based upon the actual level of achievement of all relevant performance goals measured as of the date of such termination.

Employment Agreement with Mr. Switzer. Effective January 10, 2021, the Company was party to an employment agreement with Mr. Switzer, pursuant to which Mr. Switzer serves as Executive Vice President and Chief Financial Officer of the Company and the Bank. The employment agreement has an initial two-year term that would expire on January 10, 2023, subject to automatic two-year renewals unless either party provided written notice of non-renewal no later than sixty days before any renewal date. Mr. Switzer’s employment agreement provides for an annual base salary and eligibility for equity awards and annual bonuses and certain other benefits, and payment of private club dues. Mr. Switzer’s employment agreement also provided that any incentive compensation paid to Mr. Switzer, including both equity and cash incentive compensation, is subject to repayment or clawback as further described in the agreement.

Employment Agreement with Mr. Fulk. Effective October 25, 2023, the Company entered into an employment agreement with Mr. Fulk, pursuant to which Mr. Fulk serves as Executive Vice President of the Company and the Bank. The employment agreement has an initial two-year term that would expire on September 13, 2023, subject to automatic two-year renewals unless either party provided written notice of non-renewal no later than sixty days before any renewal date. Mr. Fulk’s employment agreement provides for an annual base salary and eligibility for equity awards and annual bonuses and certain other benefits, and payment of private club dues. Mr. Fulk’s employment agreement also provided that any incentive compensation paid to Mr. Fulk, including both equity and cash incentive compensation, is subject to repayment or clawback as further described in the agreement.

Employment Agreement with Ms. Gore. Effective September 13, 2021, the Company entered into an employment agreement with Ms. Gore, pursuant to which Ms. Gore serves as Executive Vice President and Chief Marketing Officer of the Company and the Bank. The employment agreement has an initial two-year term that would expire on September 13, 2023, subject to automatic two-year renewals unless either party provided written notice of non-renewal no later than sixty days before any renewal date. Ms. Gore’s employment agreement provides for an annual base salary and eligibility for equity awards and annual bonuses and certain other benefits, and payment of private club dues. Ms. Gore’s employment agreement also provided that any incentive compensation paid to Ms. Gore, including both equity and cash incentive compensation, is subject to repayment or clawback as further described in the agreement.

Clawback Policy

We maintain a clawback policy (the “Clawback Policy”) that complies with the applicable NASDAQ listing standards and Rule 10D-1 under the Securities Exchange Act of 1934. In the event of a restatement of the reported financial results of the Company due to material non-compliance with financial reporting requirements, the Compensation Committee will recover reasonably promptly the amount of all erroneously awarded compensation received by a current or former executive officer during the covered period (within the meaning of such terms as provided in the NASDAQ listing standards).

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Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

The Compensation Committee

John F. Biagas (Chairman)
Robert Y. Clagett
F.L. Garrett III

The foregoing Compensation Committee Report shall not be deemed under the Securities Act or the Exchange Act to be (i) "soliciting material" or "filed" or (ii) incorporated by reference by any general statement into any filing made by us with the SEC, except to the extent that we specifically incorporate such report by reference.

DIRECTOR COMPENSATION

Appropriate compensation is critical to attracting, retaining and motivating directors who have the qualities necessary to serve the Corporation as a director and who meet the guidelines set forth by our Governance Committee. The following discusses the Company's approach to director compensation.

Stock Ownership Policy

In December of 2022, the Board adopted stock ownership guidelines for directors of the Company to further align the Board's long-term interests with those of the Company's stockholders. Before their third anniversary as a board member, directors must own unencumbered shares with a minimum value equal to 100% of the average annual board compensation.

To encourage further stock ownership by its directors, the Bank maintains a stock matching program pursuant to which it funds the purchase of additional shares of Company common stock on behalf of a director in an amount equal to 125% of the shares of Company common stock otherwise purchased by the director, up to an annual value of $25,000 per director.

2023 Director Fees

In 2023, each non-employee member of the Board of Directors received an annual retainer of $30,000 and the chairman of each board committee received an additional annual retainer of $2,500, in each case payable quarterly. During 2023, all board meetings of the Company and the Bank were joint meetings, with the Chairman of the Board receiving $2,000 per meeting attended and each non-employee director receiving $1,000 per meeting attended. For special meetings of the Company and the Bank, all non-employee directors received $1,000 per meeting attended. For all committee meetings, the non-employee directors received $700 per meeting attended. Each non-employee director of the Bank and the Company also receives reimbursement for any travel, food and lodging expenses. Directors who are also employees of the Company or the Bank received no additional compensation for their service as a director.

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2023 Director Compensation(1)

The following table contains information concerning the compensation of the directors of the Company and the Bank for the fiscal year ended December 31, 2023. The named executive officers who also serve (or served) as directors did not receive any compensation for their service as directors for the fiscal year ended December 31, 2023.

Name	Fees Earned or Paid in Cash ($)	All Other Compensation ($)(2)	Total ($)
John F. Biagas	53,500	25,000	78,500
Robert Y. Clagett	53,500	25,000	78,500
W. Rand Cook	80,200	25,000	105,200
Deborah B. Diaz	50,100	25,000	75,100

John M. Eggemeyer	45,800	-	45,800
F.L. Garrett, III	50,800	25,000	75,800
Eric A. Johnson	48,000	25,000	73,000
Allen R. Jones, Jr.	43,800	25,000	68,800
Charles A. Kabbash	47,200	25,000	72,200

(1) Non-employee directors were not awarded stock options or stock awards in 2023. As of December 31, 2023, none our non-employee directors held any stock awards.

(2) Represents the value of the shares of Company common stock purchased by the director for which the Bank provided funding pursuant to the Company's stock matching program described above.

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Summary Compensation Table

The following table provides information regarding the compensation paid or accrued by the Company to or on behalf of the Company's named executive officers for the fiscal years ended December 31, 2023, 2022, and 2021.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Non-equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Dennis J. Zember, Jr.	2023	$ 672,194	$ -	$ 459,000	$ -	$ -	$ 65,500 (2)	$ 1,196,693
President and Chief Executive Officer	2022	639,112	-	498,102	250,000	-	45,963	1,433,177
	2021	617,500	-	631,575	341,550	-	27,142	1,617,767
Matthew A. Switzer	2023	328,750	-	102,000	-	-	26,716 (3)	457,466
Executive Vice President and	2022	312,500	-	106,470	100,000	-	28,261	547,231
Current Chief Financial Officer	2021	291,023		199,340	110,000	-	42,302	642,665
Rickey A. Fulk	2023	256,667	-	102,000	-	-	15,345 (4)	374,011
Executive Vice President								
G. Cody Sheflett	2023	298,750	-	102,000	-	-	3,957 (5)	404,707
Executive Vice President and	2022	277,175	-	94,640	80,000	-	4,890	456,705
Chief Information Officer	2021	236,708	-	97,500	84,000	-	4,535	422,743
Ann-Stanton C. Gore (7)	2023	259,167	-	102,000	-	-	11,596 (6)	372,762
Executive Vice President and								
Chief Marketing Officer								

(1) Represents the aggregate grant date fair value of stock awards and performance units awarded pursuant to the Company's 2010 Stock Awards and Incentive Plan (the "2010 Plan") and the 2017 Plan in the applicable fiscal year, computed in accordance with FASB ASC Topic 718. No options were granted in 2023, 2022 or 2021. The grant date fair value of stock awards granted in 2023, 2022 and 2021 and the performance units granted in 2023, 2022 and 2021 were based on the fair market value of the stock on the grant date. The grant date fair value of the performance units was calculated using the target number of units granted, which is the target level of performance achievement under the 2023, 2022 and 2021 performance units. The grant date fair value of the performance units granted in 2023 assuming, instead, maximum level of performance achievement is as follows: Mr. Zember, $688,500; Mr. Switzer, $153,000; Mr. Fulk, $153,000; Mr. Sheflett, $153,000; and Ms. Gore, $153,000.The grant date fair value of the performance units granted in 2022 assuming, instead, maximum level of performance achievement is as follows: Mr. Zember, $747,153; Mr. Switzer, $159,705; Mr. Sheflett, $141,960; and Ms. Gore, $124,215. The grant date fair value of the performance units granted in 2021 assuming, instead, maximum level of performance achievement is as follows: Mr. Zember, $947,363; Mr. Switzer, $73,125; and Mr. Sheflett, $73,125.

(2) The amount included as "All Other Compensation" for 2023 includes: (i) 401(k) matching contribution ($18,307), (ii) dividends on restricted stock ($3,600), (iii) matching contribution to a Health Savings Account ($1,000), (iv) reimbursement of club dues ($39,970), and (v) imputed income related to group term life insurance ($2,622).

(3) The amount included as "All Other Compensation" for 2023 includes: (i) 401(k) matching contribution ($14,794), (ii) dividends on restricted stock ($2,895), (iii) matching contribution to a Health Savings Account ($1,000), (iv) reimbursement of club dues ($6,936), and (v) imputed income related to group term life insurance ($1,092).

(4) The amount included as "All Other Compensation" for 2023 includes: (i) benefit from imputed income as a beneficiary of BOLI ($950), (ii) 401(k) matching contribution ($11,550), (iii) dividends on restricted stock ($560), and (iv) imputed income related to group term life insurance ($2,285).

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(5) The amount included as "All Other Compensation" for 2023 includes: (i) restricted stock dividends ($2,065), (ii) imputed income as a beneficiary of a BOLI ($384), and (iii) imputed income related to group term life insurance ($1,508).

(6) The amount included as "All Other Compensation" for 2023 includes: (i) 401(k) matching contribution ($9,471), (ii) dividends on restricted stock ($1,620), and (iii) imputed income related to group term life insurance ($505).

(7) Ms. Gore was not a named executive officer in 2022 or 2021.

2023 Grants of Plan-Based Awards

The following table contains information about the named executive officers' grants of stock units during 2023, all of which were granted under the 2017 Plan. No stock options were granted during 2023.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ($)			Estimated Possible Payouts Under Equity Incentive Plan Awards (#)			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards ($) (2)
Name	Grant Date	Threshold	Target (1)	Maximum	Threshold	Target	Maximum		Target
Dennis J. Zember, Jr.	11/16/2023 (3)	$ -	$ -	$ -	-	45,000	67,500	$ -	$ 459,000
		-	337,436	367,805	-	-	-	-	-
Matthew A. Switzer	11/16/2023 (3)	-	-	-	-	10,000	15,000	-	102,000
		-	115,498	125,893	-	-	-	-	-

Rickey A. Fulk	11/16/2023 (3)	-	-	-	-	10,000	15,000	-	102,000
		-	90,288	98,414	-	-	-	-	-
G. Cody Sheflett	11/16/2023 (3)	-	-	-	-	10,000	15,000	-	102,000
		-	104,994	114,444	-	-	-	-	-
Ann-Stanton C. Gore	11/16/2023 (3)	-	-	-	-	10,000	15,000	-	102,000
		-	76,848	83,764	-	-	-	-	-

(1) Reflects target payout levels for Annual Incentive Award payments.

(2) Reflects the grant date fair value of the stock awards computed in accordance with FASB ASC Topic 718.

(3) Reflects 2023 performance units which are eligible to vest on March 15, 2028, based on achievement of pre-established performance goals and, in the case of Mr. Zember, subject to the terms and conditions provided in the Zember Performance Unit Amendment.

As described earlier in this Annual Report on Form 10-K/A, the financial statements included in Part II, Item 8. Financial Statements and Supplementary Data, were restated as of and for the year ended December 31, 2022 to correct the accounting for the Consumer Program. The error corrections required a recovery analysis under the Clawback Policy, which was effective from and after October 2, 2023, in accordance with Section 5608 of the Nasdaq Listing Rules. The Clawback Policy is filed with this Annual Report on Form 10-K as Exhibit 97. In accordance with the Nasdaq Listing Rules, the Clawback Policy only applies to incentive compensation received on or after October 2, 2023. Accordingly, any incentive compensation received prior to that date is not subject to recovery under the Clawback Policy.

The Compensation Committee concluded that recovery of compensation was not required pursuant to the Clawback Policy because none of the “incentive compensation” covered by the Clawback Policy that otherwise may have been impacted by the restatement has been paid or otherwise settled to the executive officers. As described earlier in this Annual Report on Form 10-K, the Compensation Committee used its discretion to eliminate short-term incentive payments for executive management for 2023. No amounts have been settled or otherwise paid with respect to the 2021 Performance Units, 2022 Performance Units and 2023 Performance Units because their respective performance periods have not yet

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concluded. Amounts earned, if any, under the 2021 Performance Units, 2022 Performance Units and 2023 Performance Units” will be paid based on appropriately restated metrics following the conclusion of the respective performance periods.

Outstanding Equity Awards at 2023 Fiscal Year-End

The following table contains information concerning the named executive officers’ outstanding stock options, stock awards and stock units as of December 31, 2023.

	Option Awards				Stock Awards			
					Equity Incentive Plan Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Unearned Shares, Units, or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested ($) (1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (1)

Dennis J. Zember, Jr.	-	-	$ -	-	-	$ -	8,000	$ 101,280	(2)
	-	-	-	-	42,105	533,049	-	-	(3)
	-	-	-	-	42,105	533,049	-	-	(4)
	-	-	-	-	45,000	569,700	-	-	(5)
Matthew A. Switzer	-	-	-	-	-	-	4,800	60,768	(6)
	-	-	-	-	-	-	1,950	24,687	(7)
	-	-	-	-	3,250	41,145	-	-	(3)
	-	-	-	-	9,000	113,940	-	-	(4)
	-	-	-	-	10,000	126,600	-	-	(5)
Rickey A. Fulk	-	-	-	-	-	-	400	101,280	(8)
	-	-	-	-	-	-	800	101,280	(9)
	-	-	-	-	10,000	126,600	-	-	(5)
G. Cody Sheflett	2,500	-	10.47	7/22/2024	-	-	-	-	
	4,000	-	11.43	6/19/2025	-	-	-	-	
	4,500	-	11.99	6/17/2026	-	-	-	-	
	-	-	-	-	-	-	800	10,128	(8)
	-	-	-	-	-	-	1,600	20,256	(9)
	-	-	-	-	-	-	1,950	24,687	(7)
	-	-	-	-	3,250	41,145	-	-	(3)
	-	-	-	-	8,000	101,280	-	-	(4)
	-	-	-	-	10,000	126,600	-	-	(5)
Ann-Stanton C. Gore	-	-	-	-	-	-	3,000	37,980	(7)
	-	-	-	-	7,000	88,620	-	-	(4)
	-	-	-	-	10,000	126,600	-	-	(5)

(1) Market value is calculated based on $12.66, the closing price of the Company's Common Stock on the NASDAQ Global Market on December 29, 2023, the last trading day of 2023.

(2) The restricted shares vest in two approximately equal installments on each of February 19, 2024 and 2025.

(3) Reflects the 2021 performance units (at target) which are eligible to vest on March 15, 2026 based on the level of achievement of the Company's adjusted EPS compound annual growth during the performance period commencing January 1, 2021 and ending December 31, 2025, and, in the case of Mr. Zember, subject to the terms and conditions provided in the Zember Performance Unit Amendment (the "2021 Performance Units").

(4) Reflects the 2022 performance units (at target) which are eligible to vest on March 15, 2027 based on the level of achievement of the Company's adjusted EPS compound annual growth during the performance period commencing January 1, 2022 and ending December 31, 2026, and, in the case of Mr. Zember, subject to the terms and conditions provided in the Zember Performance Unit Amendment (the "2022 Performance Units").

(5) Reflects the 2023 performance units (at target) which are eligible to vest on March 15, 2028 based on the level of achievement of the Company's adjusted EPS compound annual growth during the performance period commencing

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January 1, 2023 and ending December 31, 2027, and, in the case of Mr. Zember, subject to the terms and conditions provided in the Zember Performance Unit Amendment (the "2023 Performance Units").

(6) The restricted shares vest in three approximately equal installments on each of January 11, 2024, 2025 and 2026.

(7) The restricted shares vest in two approximately equal installments on each on September 1, 2024 and 2025.

(8) The restricted shares vest on January 24, 2024.

(9) The restricted shares vest in two approximately equal installments on each of February 14, 2024 and 2025.

(10) The restricted shares vest in three approximately equal installments on each of September 13, 2024, 2025 and 2026.

2023 Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($) (1)**
Dennis J. Zember, Jr.	-	$ -	4,000	$ 47,760
Matthew A. Switzer	-	-	2,250	26,702
Rickey A. Fulk	-	-	1,200	9,096
G. Cody Sheflett	-	-	2,750	34,732
Ann-Stanton C. Gore	-	-	1,000	8,380

(1) Reflects the number of shares of stock vesting multiplied by the price per share of Company common stock on the vesting date.

Potential Payments Upon Termination or Change in Control

Employment Agreement with Mr. Zember. On February 19, 2020, the Company and the Bank entered into an employment agreement with Mr. Zember, which agreement was amended and restated on December 20, 2022. If Mr. Zember resigns for good reason or if the Company terminates his employment without cause, then he is entitled to receive any accrued obligations under the employment agreement and, subject to his compliance with certain restrictive covenants and the execution, delivery and non-revocation of a release of claims:

- a lump sum payment equal to three times the sum of (A) his base salary and (B) his highest cash bonus earned with respect to any fiscal year within the three most recently completed fiscal years immediately preceding the termination date, which amount shall be paid in cash on before the 60th day after the termination date,
- continuing health insurance benefits for himself and his covered spouse and dependents, with such premiums paid by the company, for eighteen months,
- any issued but unvested restricted stock, stock options, phantom stock or other long-term incentive will be deemed to be fully vested as of the date of termination, and
- if such termination follows a change in control, his performance-based equity awards will be deemed to have been earned as of his termination date based upon the actual level of achievement of all relevant performance goals measured as of the date of such termination, subject to the Zember Performance Unit Amendment with respect to the performance units granted in 2021 and 2022.

Employment Agreements with Ms. Gore and Messrs. Fulk and Switzer. On September 13, 2021, October 25, 2023 and January 10, 2021, the Company entered into an employment agreement with Ms. Gore, Mr. Fulk and Mr. Switzer, respectively. Pursuant to their employment agreements, if the executive resigns for good reason or the Company terminates his or her employment without cause, the executive is entitled to receive any accrued obligations under the employment agreement and, subject to the executive's compliance with certain restrictive covenants and execution, delivery and non-revocation of a release of claims:

- a lump sum payment equal to two times the sum of the executive's (A) base salary and (B) highest cash bonus earned with respect to any fiscal year within the two most recently completed fiscal years immediately preceding the termination date (or if the termination occurs in within the first year of the employment period, 50% of base salary), which amount will be paid in cash on before the 60th day after the termination date,

- a pro rata bonus payment based on actual performance for the year of termination;

- continuing health insurance benefits for himself and his covered spouse and dependents, with such premiums paid by the company, for eighteen months; and

- any issued but unvested restricted stock, stock options, phantom stock or other long-term incentive will be deemed to be fully vested as of the date of termination,

Code Section 280G. Under the employment agreements with Messrs. Zember, Switzer and Fulk and Ms. Gore, if the payments and benefits under the employment agreement, together with other payments and benefits the executive may have the right to receive, on account of a change in control would exceed the maximum limit imposed on the total of such payments and benefits by Section 280G of the Code (without triggering the excise tax imposed under Section 4999 of the Code), the agreement provides for a comparison of two alternative scenarios for addressing Section 280G and Section 4999 of the Code, and the application of the scenario that leaves the executive in the more favorable net after-tax position. Specifically, the executive will receive whichever of the following is more favorable to him or her on a net after-tax basis: (i) the payments and benefits reduced to the extent necessary so that none of the payments or benefits is subject to the excise tax or (ii) the full amount of the payments and benefits, which is subject to the excise tax, with the executive being responsible for paying any excise tax imposed.

Restrictive Covenants. Each employment agreement contains confidentiality provisions and covenants not to compete and not to solicit customers or employees that are in effect for 18 months after termination of employment.

Definitions. or purposes of the employment agreements:

- the executive will generally have "good reason" to terminate his or her employment if the company negatively changes certain important aspects of the executive's employment, including reducing the executive's authority, responsibility or salary, removes the executive from his or her position, moves the executive's principal office a material distance, reduces the executive's fringe benefits, fails to comply with any material term of the agreement, fails to require any successor to expressly assume and agree to perform the obligations under the agreement, or provides written notice of non-renewal of the initial term or any renewal term of the agreement; and

- termination for "cause" generally includes the executive's willful misconduct, misappropriation or embezzlement of funds or property, fraud or dishonesty, failure to perform material duties or responsibilities or failure to follow reasonable instructions or policies, conviction of, indictment for or entry of a guilty plea or plea of no contest with respect to a felony or misdemeanor involving moral turpitude, breach of a material term of the agreement or material violation of applicable policies, codes and standards of behavior, willful violation of any final cease-and-desist order, breach of a fiduciary duty or conduct likely to result in material injury to the Company or the Bank.

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Treatment of Stock Awards upon a Change in Control

For stock awards granted under the 2017 Plan, in the event of a "change of control" (as defined in the 2017 Plan), the Compensation Committee may, as to any outstanding award, either at the time an award is made or any time thereafter, take any one or more of the following actions in its discretion and without the consent of the participant: (i) provide for acceleration of the vesting, delivery, and exercisability of, and the lapse of time-based and/or performance-based vesting restrictions with respect to, any award so that such award may be exercised or realized in full on or before a date initially fixed by the Compensation Committee; (ii) provide for the purchase, settlement, or cancellation of any award by the Company, for an amount of cash equal to the amount that could have been obtained upon the exercise of such award or realization of a participant's rights had such award been currently exercisable or payable; (iii) provide for the replacement of any stock-settled award with a cash-settled award; (iv) make such adjustment to any such award then outstanding as the Compensation Committee deems appropriate to reflect such change of control and to retain the economic value of the award; or (v) cause any award then outstanding to be assumed, or new rights substituted therefor, by the acquiring or surviving corporation in such change of control.

Upon the occurrence of a change in control, any unvested shares of time-based restricted stock will become vested. The performance unit agreements provide that if there is a change of control prior to the last day of the performance period, then (i) if the units are not assumed by the surviving entity or otherwise equitably converted or substituted in connection with the change of control, then the target number of performance units will vest and convert to shares as of the date of the change of control; or (ii) if the units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the change of control, then the target number of performance units will become fully vested if the grantee resigns for good reason or is terminated without cause within two years following the change in control. Notwithstanding the foregoing, Mr. Zember's amended and restated employment agreement provides that if he is terminated without cause or resigns for good reason following a change in control, then his performance units will be deemed to have been earned as of his termination date based upon the actual level of achievement of all relevant performance goals measured as of the date of such termination, subject to the Zember Performance Unit Amendment.

Treatment of Awards upon Termination of Employment Without Cause, Death or Disability

Pursuant to the 2017 Plan, if the executive's employment or service is terminated due to death or disability, any unvested shares of time-based restricted stock will become vested. With respect to the performance units granted in 2022 and 2021, if the executive's employment with the Company terminates by reason of grantee's death or disability at any time prior to the last day of the performance period, then a pro rata portion of the target award will vest and convert to shares of stock on the date of such termination, subject to the Zember Performance Unit Amendment in the case of Mr. Zember. The performance unit agreements also provide that if the executive's employment is terminated without cause at any time prior to the last day of the performance period, then the target number of units will vest and convert to shares on the date of such termination, subject to the Zember Performance Unit Amendment in the case of Mr. Zember.

Summary of Potential Benefits. The tables below reflect estimates of the amount of compensation that would be payable to the named executive officers upon a qualifying termination under the agreements and plans described above on December 31, 2023. Actual amounts that would be paid out can only be determined at the time of such qualifying termination. Mr. Sheflett passed away on January 16, 2024, and his estate received life insurance payouts (two times his salary plus additional insurance purchased), BOLI payouts, vesting of restricted stock and stock units, and exercise of options.

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Termination without Cause or Resignation for Good Reason

Name	Cash Severance ($)	Health Insurance Benefits ($)	Value of Unvested Equity Awards ($) (1)	Other ($)	Total ($)
Dennis J. Zember, Jr.	$ 3,049,265 (2)	$ 22,644 (3)	$ 1,737,079	$ -	$ 4,808,988
Matthew A. Switzer	859,988 (4)	22,644 (3)	367,140	-	1,249,772
Rickey A. Fulk	601,918 (4)	12,600 (3)	329,160	-	943,678
Ann-Stanton C. Gore	512,321 (4)	-	253,200	-	765,521

(1) Reflects the value of unvested performance units (at target) and restricted stock based on $12.66 per share as of December 29, 2023, subject to the Zember Performance Unit Amendment in the case of Mr. Zember, and assumes, in the event of a change in control, that the awards were not assumed in connection with the transaction.

(2) Reflects an amount equal to three (3) times the sum of Mr. Zember's base salary plus highest cash bonus earned with respect to any fiscal year within the three (3) most recently completed fiscal years.

(3) Reflects the cost of continued payment of an amount equal to the employer-paid portion of the monthly medical premium for the participant and his or her covered spouse and dependents on the date of termination for eighteen (18) months.

(4) Reflects an amount equal to two (2) times the sum of executive's base salary plus highest cash bonus earned with respect to any fiscal year within the two (2) most recently completed fiscal years.

Change in Control (without a termination of employment)

Name	Value of Unvested Equity Awards ($) (1)	Total ($)
Dennis J. Zember, Jr.	$ 1,737,079	$ 1,737,079
Matthew A. Switzer	367,140	367,140
Rickey A. Fulk	329,160	329,160
Ann-Stanton C. Gore	253,200	253,200

Death or Disability

Name	Value of Unvested Equity Awards ($) (2)	Total ($)
Dennis J. Zember, Jr.	$ 674,419	$ 674,419
Matthew A. Switzer	123,899	123,899
Rickey A. Fulk	97,060	97,060
Ann-Stanton C. Gore	69,208	69,208

(1) Reflects the value of unvested performance units (at target) and restricted stock based on $12.66 per share as of December 29, 2023, subject to the Zember Performance Unit Amendment in the case of Mr. Zember, and assumes that the awards were not assumed in connection with the transaction.

(2) Reflects the value of unvested performance units (prorated at target) and restricted stock based on $12.66 per share as of December 29, 2023, subject to the Zember Performance Unit Amendment in the case of Mr. Zember.

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CEO PAY RATIO

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of our CEO. The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K. Given the different methodologies that various public companies will use to determine an estimate of their pay ratio, the estimated ratio reported below should not be used as a basis for comparison between companies.

For 2023, our last completed fiscal year, the median of the annual total compensation of all employees of the Company (other than our CEO) was $53,934 and the annual total compensation of our CEO, as reported in the Summary Compensation Table included in this Annual Report on Form 10-K, was $1,196,693. Based on this information, for 2023, the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all employees was 22 to 1.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of the "median employee," the methodology and the material assumptions, adjustment and estimates that we used were as follows:

- We selected December 31, 2023 as the date upon which we would identify the "median employee." As of December 31, 2023, we had 511 employees working at the Company and its consolidated subsidiaries.
- We used taxable income as reported on Form W-2 as our consistently applied compensation measure, with the measurement period being calendar year 2023.
- We determined that the "median employee" was a full-time, salaried employee located in the United States, with total compensation for the 12-month period ending December 31, 2023 in the amount of $53,934.
- With respect to the annual total compensation of the "median employee," we identified and calculated the elements of such employee's compensation for 2023 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K.
- The annual total compensation of our CEO was $1,196,693, which is the amount reported in the "Total" column of our 2023 Summary Compensation Table included in this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The following table sets forth certain information under regarding the caption "Beneficial Ownership of Common Stock by Management beneficial ownership of the Company Common Stock as of September 16, 2024, by (1) each director, director nominee and Principal Stockholders" in named executive officer of the 2023 Proxy Statement Company, (2) each person who is incorporated herein known by reference in response the Company to this item. own beneficially 5% or more of the Common Stock and (3) all directors, director nominees and named executive officers as a group. Unless otherwise indicated, based on information furnished by such stockholders, management of the Company believes that each person has sole voting and dispositive power over the shares indicated as owned by such person and the address of each stockholder is the same as the address of the Company.

The information required by this Item concerning securities authorized for issuance under equity compensation plans is incorporated herein by reference to Part II, Item 5

Name	Position With the Company and the Bank	Number of Shares of Common Stock Owned	Percentage Beneficially Owned (1)
5% or Greater Holders:			
The Banc Funds Company, L.L.C 20 North Wacker Drive, Suite 3300 Chicago, IL 60606	Investor	1,628,521 (2)	6.58 %
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	Investor	1,832,377 (3)	7.40 %
Castle Creek Capital Partners VII, LP and	Investor and Director	1,887,777 (4)	7.62 %

John M. Eggemeyer 6051 El Tordo PO Box 1329 Rancho Santa Fe, CA 92067			.
Directors and Executive Officers:			
Dennis J. Zember, Jr	Chief Executive Officer of the Company and the Bank Director of the Company and the Bank	199,767 (5)	*
John F. Biagas	Director of the Company and the Bank	74,366 (6)	*
Robert Y. Clagett	Director of the Company and the Bank	43,116	*
W. Rand Cook	Director of the Company and the Bank	37,852 (7)	*
Deborah B. Diaz	Director of the Company and the Bank	14,814	*
F.L. Garrett, III	Director of the Company and the Bank	37,509 (8)	*
Eric A. Johnson	Director of the Company and the Bank	42,061 (9)	*
Allen R. Jones, Jr.	Director of the Company and the Bank	14,055 (10)	*
Charles A. Kabbash	Director of the Company and the Bank	236,257 (11)	*
Matthew A. Switzer	Executive Vice President and Chief Financial Officer of the Company and the Bank	89,226 (12)	*
Rickey A. Fulk	Executive Vice President of the Company and the Bank	10,527 (13)	*
Ann-Stanton C. Gore	Executive Vice President and Chief Marketing Officer of the Company and the Bank	7,371 (14)	*
Directors, Director Nominees and Executive Officers as a Group (14 persons)		2,694,698	10.88 %

* Indicates ownership which does not exceed 1.0%.

(1) The percentage beneficially owned was calculated based on 24,722,734 shares of Company Common Stock outstanding as of September 16, 2024, and assumes the exercise by the stockholder or group named in each row of all options or warrants for the purchase of Company Common Stock held by such stockholder or group and exercisable within 60 days of September 16, 2024.

(2) The information regarding beneficial ownership is included in reliance on a Schedule 13G/A filed with the SEC on February 6, 2023 jointly by Banc Fund IX L.P. ("BF IX"), an Illinois Limited Partnership, Banc Fund X L.P. ("BF

X"), an Illinois Limited Partnership, and TBFC Financial Technologies Fund L.P. (collectively, the "Reporting Persons"). The general partner of BF IX is MidBan IX L.P. ("MidBan IX"), whose principal business is to be a general partner of BF IX. The general partner of BF X is MidBan X L.P. ("MidBan X"), whose principal business is to be a general partner of BF X. The general partner of TBFC Financial Technologies Fund L.P. is MidBan XI L.P. ("MidBan XI"), whose principal business is to be a general partner of TBFC Financial Technologies Fund L.P. The general partner of MidBan IX, MidBan X, and MidBan XI is The Banc Funds Company, L.L.C., ("TBFC"),whose principal business is to be a general partner of MidBan IX, MidBan X, and MidBan XI. TBFC is an Illinois corporation whose principal shareholder is Charles J. Moore. Mr. Moore has been the manager of BF IX, BF X and TBFC Financial Technologies Fund L.P., since their respective inceptions. As manager, Mr. Moore has voting and dispositive power over the securities of the issuer held by each of those entities. As the controlling member of TBFC, Mr. Moore will control TBFC, and therefore each of the Partnership entities directly and indirectly controlled by TBFC.

(3) The information regarding beneficial ownership is included in reliance on a Schedule 13G filed with the SEC on January 26, 2024, by BlackRock, Inc.

(4) The information regarding beneficial ownership is included in reliance on a Schedule 13D/A filed with the SEC on February 23, 2021 jointly by (i) Castle Creek Capital Partners VII, LP, a Delaware limited partnership ("Fund VII") and a private equity fund focused on investing in community banks throughout the United States of America; (ii) Castle Creek Capital VII LLC, a Delaware limited liability company ("CCC VII"), whose principal business is to serve as the sole general partner of, and manage, Fund VII; (iii) Castle Creek Capital Partners IV, LP, a Delaware limited partnership ("Fund IV") and a private equity fund focused on investing in community banks throughout the United States of America; and (iv) Castle Creek Capital IV LLC, a Delaware limited liability company ("CCC IV"), whose principal business is to serve as the sole general partner of, and manage, Fund IV. Mr. Eggemeyer is the Managing Principal of each above listed Castle Creek entity. In addition to the 1,887,364 shares owned by Castle Creek Capital Partners VII, LP, Mr. Eggemeyer owns 413 shares individually.

(5) Includes 8,000 shares of Restricted Common Stock granted under the 2017 Equity Compensation Plan. See "Outstanding Equity Awards at 2023 Fiscal Year-End" table for vesting of restricted stock.

(6) Includes 10,233 shares of Common Stock held of record by an IRA account for the benefit of Mr. Biagas.

(7) Includes 7,537 shares of Common Stock held of record by an IRA account for the benefit of Mr. Cook.

(8) Includes 6,693 shares of Common Stock held by Mr. Garrett's spouse.

(9) Includes (a) 9,622 shares of Common Stock held of record by an IRA account for the benefit of Mr. Johnson and (b) 297 shares held by Mr. Johnson's spouse.

(10) Includes 4,091 share held in a Trust for the benefit of Mr. Jones.

(11) Includes (a) 140,045 shares of Common Stock held in The Charles A. Kabbash Revocable Trust, (b) 19,657 shares of Common Stock held of record by an IRA account for the benefit of Mr. Kabbash, and (c) 372 shares of Common Stock held in a trust for his granddaughter.

(12) Includes (a) 40,000 shares of Common Stock held jointly by Mr. Switzer and his spouse, (b) 10,000 shares of Common Stock held in an Irrevocable Trust, (c) 20,000 shares of Common Stock held of record by an IRA account for the benefit of Mr. Switzer, and (d) 6,750 shares of Restricted Common Stock granted under the 2017 Equity Compensation Plan. See "Outstanding Equity Awards at 2023 Fiscal Year-End" table for vesting of restricted stock.

(13) Includes (a) 941 shares of Common Stock held jointly by Mr. Fulk and his spouse, (b) 1,626 shares of Common Stock held of record by an IRA account for the benefit of Mr. Fulk, and (d) 1,200 restricted shares of Common Stock granted under the 2017 Equity Compensation Plan. See "Outstanding Equity Awards at 2023 Fiscal Year-End" table for vesting of restricted stock.

(14) Includes (a) 1,255 shares of Common Stock held jointly by Ms. Gore and her spouse, and (b) 3,000 shares of Restricted Common Stock granted under the 2017 Equity Compensation Plan. See "Outstanding Equity Awards at 2023 Fiscal Year-End" table for vesting of restricted stock.

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Item 13. Certain Relationships, Related Transactions and Director Independence

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Party Employees

Sharon C. Taylor, the daughter of Marie T. Leibson, Executive Vice President and Chief Credit Officer of the Company and the Bank, is employed as a Vice President of the Bank, and received a salary, bonus and stock awards totaling approximately $119,193 in 2023, as well as benefits consistent with those provided to other employees with equivalent qualifications and responsibilities.

Christian D. Zember, the nephew of Dennis J. Zember, Jr, Chief Executive Officer of the Company and the Bank, is employed as a small business banker of the Bank, and received a salary totaling approximately $81,439 in 2023, as well as benefits consistent with those provided to other employees with equivalent qualifications and responsibilities.

Relationships in the Ordinary Course

Many of the directors and executive officers of the Company and the Bank and their associates, which include corporations, partnerships and other organizations in which they are officers or partners or in which they and their immediate families have at least a 5% interest, are customers of the Bank. Loans to directors and executive officers and certain significant stockholders of the Company and the Bank are subject to limitations contained in the Federal Reserve Act, the principal effect of which is to require that extensions of credit by the Bank to executive officers, directors and certain significant stockholders of the Company and the Bank satisfy the following standards: the loans (i) are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons unaffiliated with the Company and (ii) do not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2023, there were 37 such loans outstanding totaling $25.1 million in the aggregate. The information Company expects the Bank to have such transactions or transactions on a similar basis with the directors, executive officers and certain significant stockholders of the Company and the Bank and their associates in the future.

Policy Concerning Related Party Transactions

Pursuant to the Company's policy, the Board of Directors is required to review all related party transactions for potential conflicts of interest. For purposes of this policy, a "related person transaction" generally means a transaction where the amount involved exceeds $120,000 and in which a related person has a direct or indirect material interest. A "related person" under the captions "Corporate Governance — Director Independence" policy generally means (1) a director, director nominee or executive officer of the Company; (2) a person who is known to be the beneficial owner of more than five percent of any class of our common stock; and "Certain (3) any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of the director, executive officer, nominee, or more than five percent beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee, or more than five percent beneficial owner. Under the policy, any related party transaction may be consummated or may continue only (1) if the Board approves or ratifies such transaction and if the transaction is on terms comparable to those that could be obtained in arms'-length dealings with an unrelated third party, (2) if the transaction involves compensation that has been approved by the Company's Compensation Committee or (3) if the transaction has been approved by the disinterested members of the Board of Directors. The Board may approve or ratify the related party transaction only if the Board determines that, under all of the circumstances, the transaction is in the best interests of the Company.

DIRECTOR INDEPENDENCE

During the review by the Company's Board of Directors of director independence, the Board considered transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries and affiliates, including those reported under "Certain Relationships and Related Party Transactions" in Transactions" below. The Board also considered whether there were any transactions or relationships between directors or any member of their

immediate family (or any entity of which a director or an immediate family member is an executive officer, general partner or significant equity holder) and members of the 2023 Proxy Statement Company's senior management or their affiliates. The purpose of this review was to determine whether any such relationships or transactions existed that were inconsistent with a determination that the director is incorporated herein independent.

As a result of this review, the Board affirmatively determined that all of the Company's current directors, with the exception of Dennis J. Zember, Jr., are independent directors as defined by reference in response the listing standards of the NASDAQ Stock Market. Mr. Zember is considered to this item. be an "inside" director because of his employment as a senior executive of the Company. The independent directors of the Company hold executive sessions from time to time without the Chief Executive Officer or any other member of management present.

Item 14. Principal Accounting Fees and Services

The Independent Registered Public Accounting Firm is FORVIS, Forvis Mazars, LLP (PCAOB Firm ID No. 686) located in Greenville, North Carolina. Tysons, Virginia.

The information under following table sets forth the caption "Fees fees billed to the Company for the fiscal years ending December 31, 2023 and Services 2022 by Forvis Mazars, LLP:

	2023	2022

Audit fees (1)	$ 2,570,396	$ 1,078,517
Audit related fees (2)	92,292	57,987
Tax fees (3)	153,300	6,825
All other fees	—	—

(1) Includes fees billed for professional services rendered in connection with the audits of the Company's annual consolidated financial statements, audit of internal control over financial reporting and quarterly reviews of the Company's consolidated financial statements.

(2) Includes fees billed for professional services rendered in connection with the audit of the Company's employee benefit plan, housing and urban development audit on the mortgage company and various accounting consultations.

(3) Includes fees billed for tax consultations specific to research and development work.

The Audit Committee will consider, on a case-by-case basis, and approve, if appropriate, all audit and permissible non-audit services to be provided by the Company's independent registered public accounting firm. Pre-approval of Independent Registered Public Accounting Firm" such services is required unless a "*de minimis*" exception is met. To qualify for the "*de minimis"* exception, the aggregate amount of all such services provided to the Company must constitute not more than five percent of the total amount of revenues paid by the Company to its independent registered public accounting firm during the fiscal year in which the 2023 Proxy Statement is incorporated herein non-audit services are provided; such services were not recognized by reference in response the Company at the time of the engagement to this item. be non-audit services; and the non-audit services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee to whom authority to grant such approval has been delegated by the Committee.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

(a)(1) Financial Statements

The following consolidated financial statements and reports of independent registered public accounting firm are in Part II, Item 8:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets - December 31, 2022 December 31, 2023 and 2021 2022

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) - Years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021

Consolidated Statements of Changes in Stockholders' Equity - Years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021

Consolidated Statements of Cash Flows -Years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021

Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules

All schedules are omitted since they are not required, are not applicable, or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3) Exhibits

The following are filed or furnished, as noted below, as part of this Annual Report on Form 10-K and this list includes the Exhibit Index.

Exhibit No.	Description
3.1	Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-1 (Registration No. 333-136285) filed on August 4, 2006)
3.2	Certificate of Amendment to the Articles of Incorporation dated January 31, 2005 (incorporated herein by reference to Exhibit 3.2 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-1 (Registration No. 333-136285) filed on August 4, 2006)
3.3	Certificate of Amendment to the Articles of Incorporation dated April 13, 2006 (incorporated herein by reference to Exhibit 3.3 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-1 (Registration No. 333-136285) filed on August 4, 2006)
3.4	ArticlesArticles of Amendment to the Articles of Incorporation dated March 31, 2021 (incorporated herein by reference to Exhibit 3.1 to Primis Financial Corp.'s Current Report on Form 8-K filed on March 31, 2021)

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Exhibit No.	Description
3.5	Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.2 to Primis Financial Corp.'s Current Report on Form 8-K filed on March 31, 2021)
4.1	Specimen Stock Certificate of Southern National (incorporated herein by reference to Exhibit 4.1 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-1 (Registration No. 333-136285))
4.2	Form of Warrant Agreement (incorporated herein by reference to Exhibit 4.2 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-1 (Registration No. 333-136285))
4.3	Form of Amendment to Warrant Agreement (incorporated herein by reference to Exhibit 4.3 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-1 (Registration No. 333-136285))
4.4	Form of 5.875% Fixed-to-Floating Rate Subordinated Notes due January 31, 2027 (incorporated herein by reference to Exhibit 10.1 to Primis Financial Corp.'s (formerly Southern National's) Current Report on Form 8-K filed on January 24, 2017)
4.5*	Description of Registrant's Securities

Certain instruments relating to long-term debt as to which the total amount of securities authorized there under does not exceed 10% of the total assets of Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) have been omitted in accordance with Item 601(b)(4)(iii) of Regulation S-K. The registrant will furnish a copy of any such instrument to the Securities and Exchange Commission upon its request.

4.6	Subordinated Indenture, dated as of August 25, 2020, between Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) and Wilmington Trust, National Association (incorporated herein by reference to Exhibit 4.1 to Primis Financial Corp.'s (formerly Southern National's) Current Report on Form 8-K filed on August 25, 2020)
4.7	First Supplemental Indenture, dated as of August 25, 2020, between Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) and Wilmington Trust, National Association (incorporated herein by reference to Exhibit 4.2 to Primis Financial Corp.'s (formerly Southern National's) Current Report on Form 8-K filed on August 25, 2020)
4.8	Form of 5.40% Fixed-to-Floating Rate Subordinated Notes due 2030 (included in Exhibit 4.7)
10.1+	Form of Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 10.3 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-1/A filed on October 29, 2009 (Registration No. 333-162467))
10.2+	Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) 2010 Stock Awards and Incentive Plan (incorporated herein by reference to Exhibit 4.2 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-8 (Registration No. 333-166511))
10.3+	Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) 2017 Equity Compensation Plan (incorporated herein by reference to Appendix A of Primis Financial Corp.'s (formerly Southern National's) Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on May 11, 2017)

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Exhibit No.	Description
10.4+	Form of Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 4.3 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-8 (Registration No. 333-166511))
10.5+	Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) Supplemental Executive Retirement Plan (incorporated herein by reference to Exhibit 10.9 to Primis Financial Corp.'s (formerly Southern National's) Current Report on Form 8-K filed on June 26, 2017)
10.6+	Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) Executive Severance Plan (incorporated herein by reference to Exhibit 10.10 to Primis Financial Corp.'s (formerly Southern National's) Current Report on Form 8-K filed on June 26, 2017)
10.7+	Form of Subordinated Note Purchase Agreement, dated January 20, 2017 (incorporated herein by reference to Exhibit 10.1 to Primis Financial Corp.'s (formerly Southern National's) Current Report on Form 8-K filed on January 24, 2017)
10.8+	Employment Agreement, dated as of February 28, 2019, by and between George C. Sheflett and Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) (incorporated herein by reference to Exhibit 10.1 to Primis Financial Corp.'s (formerly Southern National's) Quarterly Report on Form 10-Q filed on May 9, 2019)
10.9+	Executive Employment Agreement, dated as of April 29, 2020, by and between Stephen B. Weber and Primis Financial Corp. (formerly Southern National) (incorporated herein by reference to Exhibit 10.1 to Primis Financial Corp.'s Quarterly Report on Form 10-Q filed on May 10, 2021)
10.10+	Change in Control Severance Agreement, dated as of June 1, 2020, by and between Mike Tyler and Primis Financial Corp. (formerly Southern National) (incorporated herein by reference to Exhibit 10.2 to Primis Financial Corp.'s Quarterly Report on Form 10-Q filed on May 10, 2021)

10.11+ 10.9+	Executive Employment Agreement, dated as of January 10, 2021, by and between Matthew Switzer and Primis Financial Corp. (formerly Southern National) (incorporated herein by reference to Exhibit 10.3 to Primis Financial Corp.'s Quarterly Report on Form 10-Q filed on May 10, 2021)
10.12+ 10.10+	Executive Employment Agreement, dated as of June 16, 2021, by and between Tyler Stafford and Primis Financial Corp. (incorporated herein by reference to Exhibit 10.13 to Primis Financial Corp.'s Annual Report on Form 10-K filed on March 14, 2022 March 14, 2021)
10.13+ 10.11+	Executive Employment Agreement, dated as of September 13, 2021, by and between Ann-Stanton C. Gore and Primis Financial Corp. (incorporated herein by reference to Exhibit 10.14 to Primis Financial Corp.'s Annual Report on Form 10-K filed on March 14, 2022 March 14, 2021)
10.14+* 10.12+	Amended and Restated Employment Agreement, dated as of December 20, 2022, by and between Dennis J. Zember, Jr. and Primis Financial Corp. (incorporated herein by reference to Exhibit 10.14 to Primis Financial Corp.'s Annual Report on Form 10-K filed on March 15, 2023)
10.15 10.13	Stock Purchase Agreement dated April 28, 2022 by and among SeaTrust Mortgage Company, Community First Bank, Inc. and Primis Bank (incorporated herein by reference to Exhibit 10.1 to Primis Financial Corp.'s Current Report on Form 8-K/A filed on June 1, 2022)
21.0* 10.14+*	Subsidiaries Amendment to Performance-Based Restricted Stock Unit Award Agreement, dated as of the Registrant September 1, 2021, by and between Dennis J. Zember and Primis Financial Corp., effective as of October 26, 2023
10.15+*	Amendment to Performance-Based Restricted Stock Unit Award Agreement, dated as of December 15, 2022, by and between Dennis J. Zember and Primis Financial Corp., effective as of October 26, 2023

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Exhibit No.	Description
10.16+*	Executive Employment Agreement, dated as of October 25, 2023, by and among Rickey Allen Fulk, Primis Financial Corp. and Primis Bank
21.0*	Subsidiaries of the Registrant
23.1*	Consent of FORVIS, LLP
23.2*	Consent of Richey, May & Co., Forvis Mazars, LLP
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1** 97*	Primis Financial Statements Corp. Clawback Policy, adopted by the Board of Southern Trust Mortgage, LLC as of and for the year ended December 31, 2021 (unaudited) and Financial Statements of Southern Trust Mortgage, LLC as of and for the year ended December 31, 2020 together with Report of Independent Registered Public Accounting Firm thereon as of and for the years ended December 31, 2020; a former mortgage affiliate of the Company. Directors on November 28, 2023

101	The following materials from Primis Financial Corp.'s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, formatted in Extensible Business Reporting Language (Inline XBRL), filed herewith: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income (Loss), (iii) Consolidated Statements of Changes in Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.
104	The cover page from Primis Financial Corp's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, formatted in Inline XBRL.

+ Management contract or compensatory plan or arrangement

* Filed herewith

** Furnished herewith

Item 16. - Form 10-K Summary

None.

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Primis Financial Corp. will furnish, upon written request, a copy of any exhibit listed above upon the payment of a reasonable fee covering the expense of furnishing the copy. Requests should be directed to:

Matthew Switzer, Executive Vice President and Chief Financial Officer
Primis Financial Corp.
10900 Nuckols Road, Suite 325
Glen Allen, Virginia 23060

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Primis Financial Corp.

By: /s/ Dennis J. Zember, Jr. Date: March 15, 2023 October 15, 2024

Dennis J. Zember, Jr.

President and Chief Executive Officer

By: /s/ Matthew Switzer Date: March 15, 2023 October 15, 2024

Matthew Switzer

Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 15, 2023 October 15, 2024

Signature	Title
/s/ Dennis J. Zember, Jr. Dennis J. Zember, Jr.	President and Chief Executive Officer, Director
/s/ John F. Biagas John F. Biagas	Director
/s/ Robert Y. Clagett Robert Y. Clagett	Director
/s/ W. Rand Cook W. Rand Cook	Director
/s/ Deborah Diaz Deborah Diaz	Director
/s/ F. L. Garrett, III F. L. Garrett, III	Director
/s/ Eric A. Johnson Eric A. Johnson	Director
/s/ Charles A. Kabbash Charles A. Kabbash	Director
/s/ Dr. Allen R. Jones Jr. Dr. Allen R. Jones Jr.	Director
/s/ John M. Eggemeyer John M. Eggemeyer	Director

Exhibit 4.5

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of March 6, 2023 March 7, 2024, Primis Financial Corp. ("PRIMIS") has one class of securities, our common stock, registered under Section 12 of the Securities Exchange Act of 1934, as amended.

DESCRIPTION OF COMMON STOCK

The following description of the terms and provisions of our common stock is qualified in its entirety by reference to our amended Articles of Incorporation, Amended and Restated Bylaws or Virginia law applicable to us. For a more thorough understanding of the terms of our capital stock, you should refer to our amended Articles of Incorporation and Amended and Restated Bylaws, which are included as exhibits to this Annual Report on Form 10-K.

General

We are authorized to issue 50,000,000 shares of capital stock of which 45,000,000 are shares of common stock and 5,000,000 are shares of preferred stock, par value $0.01 per share. As of March 6, 2023 March 7, 2024, there were 24,685,458 24,706,088 shares of common stock outstanding held by 1,212 1,168 holders of record and no shares of preferred stock issued and outstanding.

Common Stock

General. Each share of PRIMIS common stock has the same relative rights as, and is identical in all respects to, each other share of PRIMIS common stock. PRIMIS' common stock is traded on the NASDAQ Global Market under the symbol "FRST"

Dividends. PRIMIS' shareholders are entitled to receive dividends or distributions that its board of directors may declare out of funds legally available for those payments. The payment of distributions by PRIMIS is subject to the restrictions of Virginia law applicable to the declaration of distributions by a corporation. A Virginia corporation generally may not authorize and make distributions if, after giving effect to the distribution, it would be unable to meet its debts as they become due in the usual course of business or if the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if it were dissolved at that time, to satisfy the preferential rights of shareholders whose rights are superior to the rights of those receiving the distribution. In addition, the payment of distributions to shareholders is subject to any prior rights of outstanding preferred stock.

As a bank holding company, PRIMIS' ability to pay dividends is affected by the ability of Primis Bank, its bank subsidiary, to pay dividends to the holding company. The ability of Primis Bank, as well as PRIMIS, to pay dividends in the future is, and could be further, influenced by bank regulatory requirements and capital guidelines.

Liquidation Rights. In the event of any liquidation, dissolution or winding up of PRIMIS, the holders of shares of its common stock will be entitled to receive, after payment of all debts and liabilities of PRIMIS and after satisfaction of all liquidation preferences applicable to any preferred stock, all remaining assets of PRIMIS available for distribution in cash or in kind.

Voting Rights. The holders of PRIMIS common stock are entitled to one vote per share and, in general, a majority of votes cast with respect to a matter is sufficient to authorize action upon routine matters. Holders of PRIMIS common stock are not entitled to cumulative voting rights. Directors are

elected by a plurality of the votes cast, and shareholders do not have the right to cumulate their votes in the election of directors.

Directors and Classes of Directors. PRIMIS' board of directors is divided into three classes with directors serving staggered three-year terms. Any newly created directorships or any decrease in directorships are apportioned among the classes as evenly as possible. Under PRIMIS' articles of incorporation, directors may be removed for cause upon the affirmative vote of not less than 75% of the outstanding shares entitled to vote generally in an election of directors. Cause for removal exists only if a director whose removal is proposed has been either declared incompetent by an order of a court, convicted of a felony or of an offense punishable by imprisonment for a term of more than one year, or deemed liable by a court for gross negligence or misconduct in the performance of such director's duties to PRIMIS.

No Preemptive Rights; Redemption and Assessment. Holders of shares of PRIMIS will not be entitled to preemptive rights with respect to any shares that may be issued. PRIMIS common stock is not subject to redemption or any sinking fund and the outstanding shares are fully paid and nonassessable.

Anti-Takeover Effects of Certain Provisions in Our Amended Articles of Incorporation and Amended and Restated Bylaws and Virginia Law

Subject to the application of the Virginia Stock Corporation Act (VSCA), the affirmative vote of the holders of more than two thirds of all votes entitled to be cast is generally required with respect to a merger, exchange offer or the sale of all or substantially all of our assets. Under the VSCA and our amended Articles of Incorporation, any action required or permitted to be taken by our shareholders may be taken without a meeting and without a shareholder vote if a written consent is signed by the holders of the shares of outstanding stock having not less than the minimum number of votes that would be necessary to authorize such action at a meeting of shareholders at which all shares entitled to vote on such matter were present and voted.

Virginia law provides for certain restrictions on extraordinary corporate transactions that may discourage the acquisition of control of Virginia corporations. We elected to "opt out" of those protective provisions.

The provisions described below, to the extent applicable, will have the general effect of discouraging, or rendering more difficult, unfriendly takeover or acquisition attempts. Consequently, such provisions would be beneficial to current management in an unfriendly takeover attempt, but could have an adverse effect on shareholders who might wish to participate in such a transaction. However, we believe that such provisions are advantageous to our shareholders in that they will permit management and our shareholders to carefully consider and understand a proposed acquisition, lead to higher offering prices, and require a higher level of shareholder participation in the decision if the transaction is not approved by our board of directors.

Staggered Board and Removal of Directors

One class of our three classes of directors is elected annually. Directors serve for three-year terms. There is no cumulative voting for directors provided for in the amended Articles of Incorporation. As permitted by Virginia law, our amended Articles of Incorporation provide that where a corporation's directors are elected in classes that a director, or the entire board of directors, only may be removed for cause by the affirmative vote of not less than 75% of the shares entitled to vote generally in an election of directors. The provisions contained in our amended Articles of Incorporation relating to election of directors in staggered three-year classes and the supermajority vote required to remove a director tend to discourage attempts by third parties to acquire us because of the extra time and expense involved and a greater possibility of failure. This also can affect the price that a potential purchaser would be willing to

pay for our common stock, thereby reducing the amount a shareholder would receive in, for example, a tender offer for our common stock.

Special Shareholder Meetings

Our amended Articles of Incorporation also restrict the manner in which special meetings may be called. Under the VSCA, a corporation is permitted to provide for calling of special meetings either in its bylaws or articles of incorporation. Our amended Articles of Incorporation specify that special meetings may be called by our Chairman of the Board or President or by the affirmative vote of three-fourths of the board of directors or by holders of record of not less than 40% of our then outstanding voting shares.

Evaluation of Change in Control Offers

Our amended Articles of Incorporation also provide that when evaluating any offer that may result in a change in control of our company, the board of directors may consider, consistent with the exercise of its fiduciary duties and in connection with the exercise of its judgment in determining what is in the best interests of our company and our shareholders, not only the price or other consideration being offered, but also all other relevant factors including, without limitation, the financial and management resources and future prospects of the other party, the possible effect on our business and the business of our subsidiaries and on our employees, customers, suppliers and creditors and those of our subsidiaries, the effects on the ability of our company to fulfill its corporate objectives as a holding company and on the ability of Primis Bank to fulfill its objectives as a bank, and the effects on the communities in which our facilities are located.

Blank Check Preferred Stock

In addition to common stock, our amended Articles of Incorporation permit the board of directors to issue up to 5,000,000 shares of "blank check" preferred stock. Among other things, the board of directors in issuing a series of preferred stock has the power to determine voting powers, if any, of such series. Such issuance of preferred stock having voting rights could dilute the voting and ownership interest of existing shareholders. Such issuance may have the effect of discouraging unilateral attempts by third parties to obtain control of our company, since the issuance of additional shares of capital stock could be used to dilute the voting power of, or increase the cost to, any person seeking to obtain control of us. This may occur by virtue of the fact that the preferred stock may be issued in a series having rights in excess of one vote per share or having the right to vote separately by class respecting some matters.

Transfer Agent and Registrar

The transfer agent for PRIMIS' common stock is Computershare Inc., 250 Royall Street, Canton, Massachusetts 02021.

Exhibit 10.14

Graphic

AMENDMENT TO PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

This Amendment ("Amendment") to the Performance-Based Restricted Stock Unit Award Agreement (the "Award Agreement"), dated as of September 1, 2021, by and between Dennis J. Zember, Jr. ("Grantee") and Primis Financial Corp. (the "Company") is effective as of October 26, 2023 (the "Effective Date").

WITNESSETH

WHEREAS, the Company and Grantee desire to amend the Award Agreement to provide for cash-settlement of the award in certain circumstances, effective as of the Effective Date.

NOW THEREFORE, the parties hereto agree as follows:

1. Section 3 of the Award Agreement shall be deleted in its entirety and replaced with the following:

"3. Conversion to Stock.

(a)The Earned Award shall be converted to shares of Stock on the Determination Date, subject to the Share Cap (as defined below), provided that, except as otherwise provided herein, Grantee remains employed by the Company or a subsidiary of the Company through the last day of the Performance Period. The shares of Stock shall be registered in the name of Grantee as of the Determination Date, and certificates for the shares of Stock (or, at the option of the Company, statements of book entry notation of the shares of Stock in the name of Grantee in lieu thereof) shall be delivered to Grantee or Grantee's designee upon request of Grantee as soon as practicable after the Determination Date, but no later than sixty (60) days following the Determination Date.

(b)Notwithstanding the foregoing, if the number of shares of Stock underlying the Earned Award are Excess Shares (as defined herein), then in lieu of receiving such Excess Shares, Grantee shall receive an amount in cash equal to the Fair Market Value of a share of Stock on the Determination Date for each Excess Share; provided, however, that such cash payment, plus the value of any additional cash Awards granted to Grantee under the Plan in the calendar year in which the Determination Date occurs, shall not exceed $500,000 in the aggregate. For purposes of this Agreement, the "Share Cap" is 50,000[1]; and (ii) the "Excess Shares" are any shares of Stock in excess of the Share Cap."

2. Section 4(b) of the Award Agreement shall be deleted in its entirety and replaced with the following:

"(b) If Grantee's employment with the Company or a subsidiary of the Company terminates by reason of a termination by the Company or a subsidiary without Cause at any time prior to the last day of the Performance Period, then the Target Award shall vest and (i) the number

1 Reflects the 50,000 cap under the Plan.

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of Units underlying the Share Cap shall convert to shares of Stock on the date of such termination; and (ii) in lieu of receiving the Excess Shares, Grantee shall receive an amount in cash equal to the Fair Market Value of a share of Stock on the date of termination for each Excess Share, payable within thirty (30) days following the date of such termination; provided, however, that such cash payment, plus the value of any additional cash Awards granted to Grantee under the Plan in the calendar year in which the date of termination occurs, shall not exceed $500,000 in the aggregate."

3. Section 4(c) of the Award Agreement shall be deleted in its entirety and replaced with the following:

"(c) If Grantee's employment with the Company or a subsidiary of the Company terminates by reason of Grantee's death or Disability at any time prior to the last day of the Performance Period, then a pro rata portion of the Target Award shall vest and convert to shares of Stock on the date of such termination (with such pro rata portion determined by multiplying the Target Award by a fraction, the numerator of which shall be the number of months elapsed in the Performance Period prior to Grantee's death or Disability, and the denominator shall be 36). Notwithstanding the foregoing, if the number of shares of Stock underlying the prorated Target Award are Excess Shares, then in lieu of receiving such Excess Shares, Grantee shall receive an amount in cash equal to the Fair Market Value of a share of Stock on the date of termination for each Excess Share, payable within thirty (30) days following the date of such termination; provided, however, that such cash payment, plus the value of any additional cash Awards granted to Grantee under the Plan in the calendar year in which the date of termination occurs, shall not exceed $500,000 in the aggregate."

4. The following new subsection (d) shall be added to Section 5 of the Award Agreement:

"(d) Notwithstanding the foregoing, if the number of shares of Stock determined to vest under this Section 5 are Excess Shares, then in lieu of receiving such Excess Shares, Grantee shall receive an amount in cash equal to the Fair Market Value of a share of Stock on the date of the Change in Control, in the case of subsection (a) or (c), or as of the date of the CIC Qualifying Termination, in the case of subsection (b), for each Excess Share, payable within thirty (30) days following the Change in Control or CIC Qualifying Termination, as applicable; provided, however, that such cash payment, plus the value of any additional cash Awards granted to Grantee under the Plan in the calendar year in which the Change in Control or CIC Qualifying Termination, respectively, occurs, shall not exceed $500,000 in the aggregate."

5. The terms of the Award Agreement not hereby amended shall be and remain in full force and effect and are not affected by this Amendment.

[Signatures on the following page]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment as of the Effective Date.

PRIMIS FINANCIAL CORP.

____

By:

Title:

GRANTEE:

____

Dennis J. Zember, Jr.

Exhibit 10.15

Graphic

AMENDMENT TO PERFORMANCE-BASED
RESTRICTED STOCK UNIT AWARD AGREEMENT

This Amendment ("Amendment") to the Performance-Based Restricted Stock Unit Award Agreement (the "Award Agreement"), dated as of December 15, 2022, by and between Dennis J. Zember, Jr. ("Grantee") and Primis Financial Corp. (the "Company") is effective as of October 26, 2023 (the "Effective Date").

WITNESSETH

WHEREAS, the Company and Grantee desire to amend the Award Agreement to provide for cash-settlement of the award in certain circumstances, effective as of the Effective Date.

NOW THEREFORE, the parties hereto agree as follows:

1. Section 3 of the Award Agreement shall be deleted in its entirety and replaced with the following:

"3. Conversion to Stock.

(a)The Earned Award shall be converted to shares of Stock on the Determination Date, subject to the Share Cap (as defined below), provided that, except as otherwise provided herein, Grantee remains employed by the Company or a subsidiary of the Company through the last day of the Performance Period. The shares of Stock shall be registered in the name of Grantee as of the Determination Date, and certificates for the shares of Stock (or, at the option of the Company, statements of book entry notation of the shares of Stock in the name of Grantee in lieu thereof) shall be delivered to Grantee or Grantee's designee upon request of Grantee as soon as practicable after the Determination Date, but no later than sixty (60) days following the Determination Date.

(b)Notwithstanding the foregoing, if the number of shares of Stock underlying the Earned Award are Excess Shares (as defined herein), then in lieu of receiving such Excess Shares, Grantee shall receive an amount in cash equal to the Fair Market Value of a share of Stock on the Determination Date for each Excess Share; provided, however, that such cash payment, plus the value of any additional cash Awards granted to Grantee under the Plan in the calendar year in which the Determination Date occurs, shall not exceed $500,000 in the aggregate. For purposes of this Agreement, the "Share Cap" is [25,233][1]; and (ii) the "Excess Shares" are any shares of Stock in excess of the Share Cap."

2. Section 4(b) of the Award Agreement shall be deleted in its entirety and replaced with the following:

"(b) If Grantee's employment with the Company or a subsidiary of the Company terminates by reason of a termination by the Company or a subsidiary without Cause at any time prior to the last day of the Performance Period, then the Target Award shall vest and (i) the number

1 Reflects the 50,000 cap under the Plan, less the 24,767 shares granted to Mr. Zember as annual bonus in 2022 for performance in 2021.

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of Units underlying the Share Cap shall convert to shares of Stock on the date of such termination; and (ii) in lieu of receiving the Excess Shares, Grantee shall receive an amount in cash equal to the Fair Market Value of a share of Stock on the date of termination for each Excess Share, payable within thirty (30) days following the date of such termination; provided, however, that such cash payment, plus the value of any additional cash Awards granted to Grantee under the Plan in the calendar year in which the date of termination occurs, shall not exceed $500,000 in the aggregate."

3. Section 4(c) of the Award Agreement shall be deleted in its entirety and replaced with the following:

"(c) If Grantee's employment with the Company or a subsidiary of the Company terminates by reason of Grantee's death or Disability at any time prior to the last day of the Performance Period, then a pro rata portion of the Target Award shall vest and convert to shares of Stock on the date of such termination (with such pro rata portion determined by multiplying the Target Award by a fraction, the numerator of which shall be the number of months elapsed in the Performance Period prior to Grantee's death or Disability, and the denominator shall be 36). Notwithstanding the foregoing, if the number of shares of Stock underlying the prorated Target Award are Excess Shares, then in lieu of receiving such Excess Shares, Grantee shall receive an amount in cash equal to the Fair Market Value of a share of Stock on the date of termination for each Excess Share, payable within thirty (30) days following the date of such termination; provided, however, that such cash payment, plus the value of any additional cash Awards granted to Grantee under the Plan in the calendar year in which the date of termination occurs, shall not exceed $500,000 in the aggregate."

4. The following new subsection (d) shall be added to Section 5 of the Award Agreement:

"(d) Notwithstanding the foregoing, if the number of shares of Stock determined to vest under this Section 5 are Excess Shares, then in lieu of receiving such Excess Shares, Grantee shall receive an amount in cash equal to the Fair Market Value of a share of Stock on the date of the Change in Control, in the case of subsection (a) or (c), or as of the date of the CIC Qualifying Termination, in the case of subsection (b), for each Excess Share, payable within thirty (30) days following the Change in Control or CIC Qualifying Termination, as applicable; provided, however, that such cash payment, plus the value of any additional cash Awards granted to Grantee under the Plan in the calendar year in which the Change in Control or CIC Qualifying Termination, respectively, occurs, shall not exceed $500,000 in the aggregate."

5. The terms of the Award Agreement not hereby amended shall be and remain in full force and effect and are not affected by this Amendment.

[Signatures on the following page]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment as of the Effective Date.

PRIMIS FINANCIAL CORP.

____

By:
Title:

GRANTEE:

____

Dennis J. Zember, Jr.

Exhibit 10.16

THIS AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement" "Agreement") is made and entered as of the 20th 25th day of December, 2022, October, 2023, by and among **PRIMIS FINANCIAL CORPORATION, CORP.,**, a Virginia corporation (the "Bancorp" "Bancorp"), **PRIMIS BANK**, a Virginia state-chartered bank and wholly owned subsidiary of the Bancorp (the "Bank" "Bank"; the Bancorp and the Bank are collectively referred to herein as the "Employer" "Employer"), and **DENNIS J. ZEMBER, JR. RICKEY ALLEN FULK** ("Executive" ("Executive").

BACKGROUND

WHEREAS, the expertise and experience of Executive in the financial institutions industry are valuable to the Employer;

WHEREAS, it is in the best interests of the Employer to maintain an experienced and sound executive management team to manage the Employer, further the Employer's Employer's overall strategies and protect and enhance shareholder value; and

WHEREAS, Executive and Employer are presently party to that certain Employment Agreement, dated February 19, 2020 (the "Prior Agreement"); and

WHEREAS, the Employer and Executive desire to amend enter into this Agreement to establish the scope, terms and restate conditions of Executive's continued employment by the Prior Agreement as of the Effective Date (as defined in Section 1 hereof), as set forth herein; Employer;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Effective Date. The effective time and date of this Agreement shall be deemed to be 5:00 p.m. on the date of its making first set forth above (the "Effective Date").

2. Employment. Executive is employed as the President and Chief Executive Officer and Member of the Board of Directors of the Bancorp and the Bank.. Executive's responsibilities, duties, prerogatives and authority in such offices shall be those customary for persons holding such offices of institutions in the financial institutions industry, as well as such other duties of an executive, managerial or administrative nature, which are consistent with such offices, as shall be specified and designated from time to time by the Board of Directors of the Bancorp (the "Bancorp Board").Executive will report directly to Bancorp Board and the Board of the Directors of the Bank.

3. Employment Period. Unless earlier terminated in accordance with Section 6 hereof, Executive's employment under this Agreement shall begin as of the Effective Date and shall continue thereafter for a term of three years (the "Employment Period"). Commencing on the third anniversary of the Effective Date, this Agreement and the Employment Period shall automatically renew for successive three (3) year periods unless the Employer or the Executive delivers written notice of non-renewal at least sixty (60) days prior to the expiration of the then current Employment Period. A non-renewal of the Employment Period by the Employer shall not constitute a termination of the Executive's employment without Cause.

4. Extent of Service. During the Employment Period, and excluding any periods of vacation, sick or other leave to which Executive is entitled under this Agreement, Executive agrees to devote all of Executive's business time and efforts to serving the business and affairs of the Employer commensurate with Executive's offices. During the Employment Period, it shall not be a violation of this Agreement for Executive, subject to the requirements of Section 11, to (i) serve on civic or charitable boards or committees or (ii) manage personal investments, so long as such activities do not interfere with the performance of Executive's responsibilities to the Employer or violate the Employer's conflicts of interest or other applicable policies.

5. Compensation and Benefits.

1. Effective Date. The effective time and date of this Agreement shall be deemed to be 5:00 p.m. on the date of its making first set forth above (the "Effective Date").
2. Employment. Executive is employed as the President of the Bank. Executive's responsibilities, duties, prerogatives and authority in such offices shall be those customary for persons holding such offices of institutions in the financial institutions industry, as well as such other duties of an executive, managerial or administrative nature, which are consistent with such offices, as shall be specified and designated from time to time by the Board of Directors of the Bancorp (the "Bancorp Board"). Executive will report directly the Chief Executive Officer of the Bank.
3. Employment Period. Unless earlier terminated in accordance with Section 6 hereof, Executive's employment under this Agreement shall begin as of the Effective Date and shall continue thereafter for a term of two years (the "Employment Period"). Commencing on the second anniversary of the Effective Date, this Agreement and the Employment Period shall automatically renew for successive two (2) year periods unless the Employer or the Executive delivers written notice of non-renewal at least sixty (60) days prior to the expiration of the then current Employment Period. A non-renewal of the Employment Period by the Employer shall not constitute a termination of the Executive's employment without Cause.
4. Extent of Service. During the Employment Period, and excluding any periods of vacation, sick or other leave to which Executive is entitled under this Agreement, Executive agrees to devote all of Executive's business time and efforts to serving the business and affairs of the Employer commensurate with Executive's offices. During the Employment Period, it shall not be a violation of this Agreement for Executive, subject to the requirements of Section 11, to (i) serve on civic or charitable boards or committees or (ii) manage personal investments, so long as such activities do not interfere with the performance of Executive's responsibilities to the Employer or violate the Employer's conflicts of interest or other applicable policies.
5. Compensation and Benefits.
   a. Base Salary. During the Employment Period, the Employer will pay to Executive a base salary at the rate of $300,000 per year ("Base Salary"), less normal withholdings, payable in equal monthly or more frequent installments as are customary under the Employer's payroll procedures from time to time. In accordance with the policies and procedures of the Compensation Committee (the "Committee") of the Bancorp Board, the Employer shall review Executive's total compensation at least annually and in its sole discretion may adjust Executive's total compensation from year to year, but during the Employment Period the Employer may not decrease Executive's Base Salary below $300,000; provided, however, that periodic increases in Base Salary, once granted, shall not be subject to revocation. The annual review of

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(a) Base Salary. During the Employment Period, the Employer will pay to Executive a base salary at the rate of $642,735 per year ("Base Salary"), less normal withholdings, payable in equal monthly or more frequent installments as are customary under the Employer's payroll procedures from time to time. In accordance with the policies and procedures of the Compensation Committee (the "Committee") of the Bancorp Board, the Employer shall review Executive's total compensation at least annually and in its sole discretion may adjust Executive's total compensation from year to year, but during the Employment Period the Employer may not decrease Executive's Base Salary below $600,000; provided, however, that periodic increases in Base Salary, once granted, shall not be subject to revocation. The annual review of Executive's total compensation will consider, among other things, changes in the cost of living, Executive's own performance and the Bancorp's consolidated performance.

(b) Incentive Plans. During the Employment Period, Executive shall be entitled to participate, as determined by the Committee, in all incentive plans of the Employer applicable to senior executives of the Employer generally, including, without limitation, short-term and long-term incentive plans and equity compensation plans that shall be competitive with industry norms taking into consideration the complexity of the Company's strategies, operating performance, geography and other elements deemed appropriate, subject to eligibility requirements and terms and conditions of each such plan; provided, however, that nothing herein shall limit the ability of Employer to amend, modify or terminate any such plans, policies or programs at any time and from time to time.

(c) Benefit Plans. During the Employment Period, Executive or Executive's dependents, as the case may be, shall be eligible for participation in all employee benefit plans, practices, policies and programs provided by the Employer applicable to senior executives of the Employer generally (the "Benefit Plans"), subject to eligibility requirements and terms and conditions of each such plan; provided, however, that nothing herein shall limit the ability of Employer to amend, modify or terminate any such benefit plans, policies or programs at any time and from time to time.

(d) Expenses. During the Employment Period, Executive shall be entitled to receive prompt reimbursement, in accordance with the policies, practices and procedures of the Employer applicable to senior executives of the Employer generally, for all reasonable and necessary out-of-pocket expenses incurred by Executive in the performance of Executive's duties under this Agreement, including dues for country club memberships and civic organizations in which Executive is or shall become a member, not to exceed $50,000 in the aggregate per calendar year.

(e) Vacation, Sick and Other Leave. During the Employment Period, Executive shall be entitled annually to a minimum of thirty (30) business days of paid vacation and shall be entitled to those number of business days of paid disability, sick and other leave specified in the employment policies of the Employer.

(f) Automobile. During the Employment Period, Employer shall provide Executive with an appropriate automobile for Executive's use and will maintain and insure it at Employer's expense. At least annually, Executive, in accordance with the Bank's procedure, shall report business and personal usage of the automobile.

(g) Life Insurance. During the Employment Period, Employer shall obtain and provide life insurance insuring the life of Executive in an amount not less than $5,000,000, with fifty percent (50%) of the proceeds thereof directed to the Bancorp as the beneficiary and fifty percent (50%) of the proceeds thereof directed to such beneficiary or beneficiaries as Executive may from time to time appoint.

Executive's total compensation will consider, among other things, changes in the cost of living, Executive's own performance and the Bancorp's consolidated performance.

6. Termination of Employment.

(a) Cause. The Employer may terminate Executive's employment with the Employer for Cause by providing written Notice of Termination. For purposes of this Agreement, "Cause" shall mean:

(i) the material failure of Executive to perform Executive's duties with the Employer, other than any such failure resulting from Disability (as defined below), or to follow the lawful directives of the Bancorp Board, which failure is not cured within ten (10) days following Executive's receipt of written notice from the Bancorp Board specifying such failure;

b. Incentive Plans. During the Employment Period, Executive shall be entitled to participate, as determined by the Committee, in all incentive plans of the Employer applicable to senior executives of the Employer generally, including, without limitation, short-term and long-term incentive plans and equity compensation plans that shall be competitive with industry norms taking into consideration the complexity of the Company's strategies, operating performance, geography and other elements deemed appropriate, subject to eligibility requirements and terms and conditions of each such plan; provided, however, that nothing herein shall limit the ability of Employer to amend, modify or terminate any such plans, policies or programs at any time and from time to time.

c. Benefit Plans. During the Employment Period, Executive or Executive's dependents, as the case may be, shall be eligible for participation in all employee benefit plans, practices, policies and programs provided by the Employer applicable to senior executives of the Employer generally (the "Benefit Plans"), subject to eligibility requirements and terms and conditions of each such plan; provided, however, that nothing herein shall limit the ability of Employer to amend, modify or terminate any such benefit plans, policies or programs at any time and from time to time.

d. Expenses. During the Employment Period, Executive shall be entitled to receive prompt reimbursement, in accordance with the policies, practices and procedures of the Employer applicable to senior executives of the Employer generally, for all reasonable and necessary out-of-pocket expenses incurred by Executive in the performance of Executive's duties under this Agreement. Also including dues for country club memberships and civic organizations in which Executive is or shall become a member, not to exceed $20,000 in the aggregate per calendar year.

e. Vacation, Sick and Other Leave. During the Employment Period, Executive shall be entitled annually to a minimum of thirty (30) business days of paid vacation and shall be entitled to those number of business days of paid disability, sick and other leave specified in the employment policies of the Employer.

6. Termination of Employment.

a. Cause. The Employer may terminate Executive's employment with the Employer for Cause by providing written Notice of Termination. For purposes of this Agreement, "Cause" shall mean:

i. the material failure of Executive to perform Executive's duties with the Employer, other than any such failure resulting from Disability (as defined below), or to follow the lawful directives of the Bancorp Board, which failure is not cured within ten (10) days following Executive's receipt of written notice from the Bancorp Board specifying such failure;

ii. Executive's engaging in any illegal conduct, gross misconduct, or gross negligence in connection with the Employer's business or relating to Executive's duties hereunder;

iii. Executive's illegal use of controlled substances;

iv. Executive's commission, charge with, indictment for, conviction of, or entry of a plea of *nolo contendere* or no contest with respect to: (A) any felony, or any misdemeanor involving fraud, dishonesty, moral turpitude, or a breach of trust (including pleading guilty or *nolo contendere* to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Employer, or (B) any crime connected with the business of the Employer;

v. Executive's commission of or engagement in any act of fraud, misappropriation, theft, embezzlement or an act of comparable dishonesty, whether or not such act was committed in connection with the business of the Employer;

vi. Executive's breach of fiduciary duty or breach of any of the covenants set forth in Section 11 of this Agreement;

vii. Executive's breach of any material term or provision of this Agreement other than the covenants set forth in Section 11 of this Agreement, which breach (if curable) has not been cured within thirty (30) days of receipt of written notice of such breach from the Bancorp Board;

viii. Executive's violation of the Employer's policy against harassment, its equal employment opportunity policy, or the Employer's code of business conduct, or a material violation of any other policy or procedure of the Employer; or

ix. conduct by Executive that results in the permanent removal of Executive from Executive's position as an officer or employee of the Bancorp or the Bank pursuant to a written order by

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(ii) Executive’s engaging in any illegal conduct, gross misconduct, or gross negligence in connection with the Employer’s business or relating to Executive’s duties hereunder;

(iii) Executive’s illegal use of controlled substances;

(iv) Executive’s commission, charge with, indictment for, conviction of, or entry of a plea of *nolo contendere* or no contest with respect to: (A) any felony, or any misdemeanor involving fraud, dishonesty, moral turpitude, or a breach of trust (including pleading guilty or *nolo contendere* to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Employer, or (B) any crime connected with the business of the Employer;

(v) Executive’s commission of or engagement in any act of fraud, misappropriation, theft, embezzlement or an act of comparable dishonesty, whether or not such act was committed in connection with the business of the Employer;

(vi)Executive’s breach of fiduciary duty or breach of any of the covenants set forth in Section 11 of this Agreement;

(vii) Executive’s breach of any material term or provision of this Agreement other than the covenants set forth in Section 11 of this Agreement, which breach (if curable) has not been cured within thirty (30) days of receipt of written notice of such breach from the Bancorp Board;

(viii)Executive’s violation of the Employer’s policy against harassment, its equal employment opportunity policy, or the Employer’s code of business conduct, or a material violation of any other policy or procedure of the Employer; or

(ix) conduct by Executive that results in the permanent removal of Executive from Executive’s position as an officer or employee of the Bancorp or the Bank pursuant to a written order by any banking regulatory agency with authority or jurisdiction over the Bancorp or the Bank, as the case may be.

(b) Good Reason. Executive may terminate Executive’s employment with the Employer for Good Reason. For purposes of this Agreement, “Good Reason” shall mean:

(i) a material diminution in Executive’s authority, duties or responsibilities;

(ii) a material change in the geographic location at which Executive must regularly perform the services to be performed by Executive pursuant to this Agreement (other than a change in such geographic location to an office or other location closer to Executive's home residence); and

(iii) any other action or inaction that constitutes a material breach by the Employer of this Agreement;

provided, however, that Executive must provide notice to the Employer of the condition Executive contends is Good Reason within 90 days after the initial existence of the condition, and the Employer must have a period of 30 days to remedy the condition. If the condition is not remedied within such 30-day period, then Executive must provide a Notice of Termination as set forth in Section 6(f) within 30 days after the end of the Employer's remedy period.

(c) Without Cause. The Employer may terminate Executive's employment without Cause (a "Termination Without Cause").

(d) Voluntary Termination. Executive may voluntarily terminate Executive's employment without Good Reason (a "Voluntary Termination").

(e) Death or Disability. Executive's employment with the Employer shall terminate automatically upon Executive's death during the Employment Period. If Executive is incapacitated by accident, sickness or otherwise so as to render Executive mentally or physically incapable of performing fully the services

any banking regulatory agency with authority or jurisdiction over the Bancorp or the Bank, as the case may be.

b. Good Reason. Executive may terminate Executive's employment with the Employer for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

   i. a material diminution in Executive's authority, duties or responsibilities;
   ii. a material change in the geographic location at which Executive must regularly perform the services to be performed by Executive pursuant to this Agreement (other than a change in such geographic location to an office or other location closer to Executive's home residence); and
   iii. any other action or inaction that constitutes a material breach by the Employer of this Agreement; provided, however, that Executive must provide notice to the Employer of the condition Executive contends is Good Reason within 90 days after the initial existence of the condition, and the Employer must have a period of 30 days to remedy the condition. If the condition is not remedied within such 30-day period, then Executive must provide a Notice of Termination as set forth in Section 6(f) within 30 days after the end of the Employer's remedy period.

c. Without Cause. The Employer may terminate Executive's employment without Cause (a "Termination Without Cause").

d. Voluntary Termination. Executive may voluntarily, terminate Executive's employment without Good Reason (a "Voluntary Termination").

e. Death or Disability. Executive's employment with the Employer shall terminate automatically upon Executive's death during the Employment Period. If Executive is incapacitated by accident, sickness or otherwise so as to render Executive mentally or physically incapable of performing fully the services required of Executive under this Agreement (referred to herein as a "Disability") for a period of ninety (90) consecutive days or for an aggregate of one hundred twenty (120) business days during any twelve (12) month period, the Employer may terminate Executive's employment and this Agreement effective immediately after the expiration of either of such periods, upon giving Executive Notice of Termination. Notwithstanding the foregoing provision, if it is determined by the Employer that Executive has a "disability" as defined under the Americans with Disabilities Act, Executive's employment shall not be terminated on the basis of such disability unless it is first determined by the Employer after consultation with Executive that there is no reasonable accommodation which would permit Executive to perform the essential functions of Executive's position without imposing an undue hardship on the Employer.

f. Notice of Termination. Any termination (other than for death) shall be communicated by a Notice of Termination given in accordance with Section 14(i) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) if the Termination Date (as defined below) is other than the date of receipt of such notice, specifies the Termination Date (which date shall be not more than 30 days after the giving of such notice, except as otherwise provided in Section 6(e)). The failure to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Disability, Cause or Good Reason shall not waive any right of Executive or the Employer hereunder or preclude Executive or the Employer from asserting such fact or circumstance in enforcing Executive's or the Employer's rights hereunder.

g. Termination Date. "Termination Date" means (i) if Executive's employment is terminated by the Employer for Cause or without Cause, the date of Executive's receipt of the Notice of Termination or a later date specified therein, as the case may be, (ii) if Executive's employment is terminated by Executive for Good Reason, the date of the Employer's receipt of the Notice of Termination, (iii) if Executive's employment is terminated by Executive as a Voluntary Termination, the date of the Employer's receipt of the Notice of Termination or a later date specified therein, as the case may be, and (iv) if Executive's employment is terminated by reason of death or Disability, the Termination Date shall be the date of death of Executive or the Disability Effective Date, as the case may be.

7. Obligations of the Employer Upon Termination.

a. Cause: Voluntary Termination. If, during the Employment Period, the Employer shall terminate Executive's employment for Cause or Executive shall terminate Executive's employment by a Voluntary

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required of Executive under this Agreement (referred to herein as a "Disability") for a period of ninety (90) consecutive days or for an aggregate of one hundred twenty (120) business days during any twelve (12) month period, the Employer may terminate Executive's employment and this Agreement effective immediately after the expiration of either of such periods, upon giving Executive Notice of Termination. Notwithstanding the foregoing provision, if it is determined by the Employer that Executive has a "disability" as defined under the Americans with Disabilities Act, Executive's employment shall not be terminated on the basis of such disability unless it is first determined by the Employer after consultation with Executive that there is no reasonable accommodation which would permit Executive to perform the essential functions of Executive's position without imposing an undue hardship on the Employer.

(f) Notice of Termination. Any termination (other than for death) shall be communicated by a Notice of Termination given in accordance with Section 14(i) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) if the Termination Date (as defined below) is other than the date of receipt of such notice, specifies the Termination Date (which date shall be not more than 30 days after the giving of such notice, except as otherwise provided in Section 6(e)). The failure to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Disability, Cause or Good Reason shall not waive any right of Executive or the Employer hereunder or preclude Executive or the Employer from asserting such fact or circumstance in enforcing Executive's or the Employer's rights hereunder.

(g) Termination Date. "Termination Date" means (i) if Executive's employment is terminated by the Employer for Cause or without Cause, the date of Executive's receipt of the Notice of Termination or a later date specified therein, as the case may be, (ii) if Executive's employment is terminated by Executive for Good Reason, the date of the Employer's receipt of the Notice of Termination, (iii) if Executive's employment is terminated by Executive as a Voluntary Termination, the date of the Employer's receipt of the Notice of Termination or a later date specified therein, as the case may be, and (iv) if Executive's employment is terminated by reason of death or Disability, the Termination Date shall be the date of death of Executive or the Disability Effective Date, as the case may be.

7. Obligations of the Employer Upon Termination.

(a) Cause; Voluntary Termination. If, during the Employment Period, the Employer shall terminate Executive's employment for Cause or Executive shall terminate Executive's employment by a Voluntary Termination, then Executive shall be entitled to receive the following (collectively, the "Accrued Amounts"):

(i) any accrued but unpaid Base Salary and accrued but unused vacation, sick or other leave pay, which shall be paid on the pay date immediately following the Termination Date in accordance with the Employer's customary payroll procedures;

(ii) any earned but unpaid cash bonus with respect to any completed fiscal year immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date; provided, however, that if Executive's employment is terminated by the Employer for Cause, then any such accrued but unpaid cash bonus shall be forfeited;

(iii) reimbursement for unreimbursed business expenses properly incurred by Executive, which shall be subject to and paid in accordance with the Employer's expense reimbursement policies, practices and procedures; and

(iv) such employee benefits, if any, as to which Executive may be entitled under the Benefit Plans as of the Termination Date.

(b) Termination Without Cause or for Good Reason. If, during the Employment Period, the Employer shall terminate Executive's employment without Cause or Executive shall terminate Executive's employment for Good Reason, then Executive shall be entitled to receive the Accrued Amounts and, subject to Executive's execution of a release of claims in favor of the Employer, its subsidiaries and affiliates and their respective officers and directors substantially in the form attached as Exhibit B hereto (the "Release") and such Release becoming

Termination, then Executive shall be entitled to receive the following (collectively, the "Accrued Amounts"):

i. any accrued but unpaid Base Salary and accrued but unused vacation, sick or other leave pay, which shall be paid on the pay date immediately following the Termination Date in accordance with the Employer's customary payroll procedures;
ii. any earned but unpaid cash bonus with respect to any completed fiscal year immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date; provided, however, that if Executive's employment is terminated by the Employer for Cause, then any such accrued but unpaid cash bonus shall be forfeited;
iii. reimbursement for unreimbursed business expenses properly incurred by Executive, which shall be subject to and paid in accordance with the Employer's expense reimbursement policies, practices and procedures; and

iv. such employee benefits, if any, as to which Executive may be entitled under the Benefit Plans as of the Termination Date.

b. Termination Without Cause or for Good Reason. If, during the Employment Period, the Employer shall terminate Executive's employment without Cause or Executive shall terminate Executive's employment for Good Reason, then Executive shall be entitled to receive the Accrued Amounts and, subject to Executive's execution of a release of claims in favor of the Employer, its subsidiaries and affiliates and their respective officers and directors substantially in the form attached as Exhibit B hereto (the "Release") and such Release becoming effective within 45 days following the Termination Date (such 45-day period, for purposes of this Section 7(b), the "Release Execution Period"), Executive shall also be entitled to receive the following:

i. a lump sum amount equal to two times the sum of (A) Executive's Base Salary and (B) Executive's highest cash bonus earned with respect to any fiscal year within the two most recently completed fiscal years immediately preceding the Termination Date (or if Termination occurs within the first year of the Employment Period, 50% of Base Salary), which amount shall be paid in cash on or before the 60th day after the Termination Date; provided, however, that if the Release Execution Period begins in one taxable year and ends in another taxable year, then payment shall not be made until the beginning of the second taxable year;

ii. a lump sum amount equal to the product of (A) the cash bonus, if any, that Executive would have earned for the fiscal year in which the Termination Date occurs based on the achievement of applicable performance goals for such year and (B) a fraction, the numerator of which is the number of days Executive was employed by the Employer during the year of termination and the denominator of which is the number of days in such year (the "Pro-Rata Bonus"), which amount shall be paid in cash on the date that annual bonuses are paid to senior executives of the Employer generally, but in no event later than two-and-one-half months following the end of the fiscal year in which the Termination Date occurs;

iii. if Executive timely and properly elects continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), then the Employer shall reimburse Executive for the monthly COBRA premium paid by Executive for Executive and Executive's dependents until the earliest of: (A) the 18-month anniversary of the Termination Date; (B) the date Executive is no longer eligible to receive COBRA continuation coverage; and (C) the date on which Executive becomes eligible to receive substantially similar coverage from another employer. Such reimbursement shall be paid to Executive on the 15th day of the month immediately following the month in which Executive timely remits the premium payment; and

iv. any issued but unvested restricted stock, stock options, phantom stock or other long-term incentive shall be deemed to be fully vested as of the date of termination.

c. Death or Disability. If Executive's employment is terminated during the Employment Period on account of Executive's death or Disability, Executive (or Executive's estate or beneficiaries, as the case may be) shall be entitled to receive the following: (i) the Accrued Amounts; and (ii) a lump sum amount equal to the Pro-Rata Bonus, if any, that Executive would have earned for the fiscal year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which amount shall be paid in cash on the date that annual bonuses are paid to senior executives of the Employer generally, but in no event later than two-and one-half months following the end of the fiscal year in which the Termination Date occurs. Notwithstanding any other provision contained herein, all payments made in

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effective within 45 days following the Termination Date (such 45-day period, for purposes of this Section 7(b), the “Release Execution Period”), Executive shall also be entitled to receive the following:

(i) a lump sum amount equal to threetimes the sum of (A) Executive’s Base Salary and (B) Executive’s highest cash bonus earned with respect to any fiscal year within the three most recently completed fiscal years immediately preceding the Termination Date (or if Termination occurs within the first year of the Employment Period, 50% of Base Salary), which amount shall be paid in cash on or before the 60th day after the Termination Date; provided, however, that if the Release Execution Period begins in one taxable year and ends in another taxable year, then payment shall not be made until the beginning of the second taxable year;

(ii) a lump sum amount equal to the product of (A) the cash bonus, if any, that Executive would have earned for the fiscal year in which the Termination Date occurs based on the achievement of applicable performance goals for such year and (B) a fraction, the numerator of which is the number of days Executive was employed by the Employer during the year of termination and the denominator of which is the number of days in such year (the “Pro-Rata Bonus”), which amount shall be paid in cash on the date that annual bonuses are paid to senior executives of the Employer generally, but in no event later than two-and-one-half months following the end of the fiscal year in which the Termination Date occurs;

(iii) if Executive timely and properly elects continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”), then the Employer shall reimburse Executive for the monthly COBRA premium paid by Executive for Executive and Executive’s dependents until the earliest of: (A) the 18-month anniversary of the Termination Date; (B) the date Executive is no longer eligible to receive COBRA continuation coverage; and (C) the date on which Executive becomes eligible to receive substantially similar coverage from another employer. Such reimbursement shall be paid to Executive on the 15th day of the month immediately following the month in which Executive timely remits the premium payment;

(iv) any outstanding but unvested time-based restricted stock, stock options, phantom stock or other time-based long-term incentive shall be deemed to be fully vested as of the date of termination; and

(v)if Executive's employment is terminated during the Employment Period under this Section 7(b), and such termination of employment follows a Change in Control (as defined in the Primis Financial Corp. 2017 Equity Compensation Plan), then, notwithstanding anything to the contrary in any governing award agreement, the payout opportunities attainable under all of Executive's outstanding performance-based stock awards shall be deemed to have been fully earned as of the Termination Date based upon the actual level of achievement of all relevant performance goals measured as of the date of the Change in Control.

(c) Death or Disability. If Executive's employment is terminated during the Employment Period on account of Executive's death or Disability, Executive (or Executive's estate or beneficiaries, as the case may be) shall be entitled to receive the following: (i) the Accrued Amounts; and (ii) a lump sum amount equal to the Pro-Rata Bonus, if any, that Executive would have earned for the fiscal year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which amount shall be paid in cash on the date that annual bonuses are paid to senior executives of the Employer generally, but in no event later than two-and-one-half months following the end of the fiscal year in which the Termination Date occurs. Notwithstanding any other provision contained herein, all payments made in connection with Executive's Disability shall be provided in a manner that is consistent with federal and state law.

8. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any plan, program, policy or practice provided by the Employer and for which Executive may qualify, nor shall anything herein limit or otherwise affect such rights as Executive may have under any contract or agreement with the Employer, except as expressly provided otherwise in this Agreement. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice or program of or any

connection with Executive's Disability shall be provided in a manner that is consistent with federal and state law.

8. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any plan, program, policy or practice provided by the Employer and for which Executive may qualify, nor shall anything herein limit or otherwise affect such rights as Executive may have under any contract or agreement with the Employer, except as expressly provided otherwise in this Agreement. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Employer at or subsequent to the Termination Date shall be payable in accordance with such plan, policy, practice or program or such contract or agreement, except as expressly modified by this Agreement.

9. No Mitigation. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under Section 7 of this Agreement.

10. Code Section 280G.

a. Certain Reductions in Agreement Payments. Anything in this Agreement to the contrary notwithstanding, in the event a nationally recognized independent accounting firm designated by the Employer and reasonably acceptable to Executive (the "Accounting Firm") shall determine that receipt of all payments or distributions by the Employer and its affiliates in the nature of compensation to or for Executive's benefit, whether paid or payable pursuant to this Agreement or otherwise (a "Payment"), would subject Executive to the excise tax under Section 4999 of the Code, the Accounting Firm shall determine as required below in this Section 10(a) whether to reduce any of the Payments paid or payable pursuant to this Agreement (the "Agreement Payments") to the Reduced Amount (as defined below). The Agreement Payments shall be reduced to the Reduced Amount only if the Accounting Firm determines that Executive would have a greater Net After-Tax Receipt (as defined below) of aggregate Payments if Executive's Agreement Payments were so reduced. If the Accounting Firm determines that Executive would not have a greater Net After-Tax Receipt of aggregate Payments if Executive's Agreement Payments were so reduced, then Executive shall receive all Agreement Payments to which Executive is entitled.

b. Accounting Firm Determinations. If the Accounting Firm determines that aggregate Agreement Payments should be reduced to the Reduced Amount, then the Employer shall promptly give Executive notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section 10 shall be binding upon the Employer and Executive and shall be made as soon as reasonably practicable and in no event later than 20 days following the Termination Date. For purposes of reducing the Agreement Payments to the Reduced Amount, only amounts payable under this Agreement (and no other Payments) shall be reduced. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments and benefits under the following sections in the following order: first from Section 7(b)(iii), then from Section 7(b)(ii) and lastly from Section 7(b)(i). All fees and expenses of the Accounting Firm shall be borne solely by the Employer.

c. Overpayments; Underpayments. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Employer to or for the benefit of Executive pursuant to this Agreement which should not have been so paid or distributed (an "Overpayment") or that additional amounts which will have not been paid or distributed by the Employer to or for the benefit of Executive pursuant to this Agreement which should have been so paid or distributed (an "Underpayment"), in each case consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Employer or Executive which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, Executive shall pay any such Overpayment to the Employer together with interest at the applicable federal rate provided for in Section 7872(t)(2) of the Code; provided, however, that no amount shall be payable by Executive to the Employer if and to the extent such payment would not either reduce the amount on which Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be paid promptly (and in no event later than 60 days following the date on which the Underpayment is determined) by the Employer to or for the benefit of Executive together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

d. Definitions. The following terms shall have the following meanings for purposes of this Section 10:

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contract or agreement with the Employer at or subsequent to the Termination Date shall be payable in accordance with such plan, policy, practice or program or such contract or agreement, except as expressly modified by this Agreement.

9. No Mitigation. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under Section 7 of this Agreement.

10. Code Section 280G.

(a) Certain Reductions in Agreement Payments. Anything in this Agreement to the contrary notwithstanding, in the event a nationally recognized independent accounting firm designated by the Employer and reasonably acceptable to Executive (the "Accounting Firm") shall determine that receipt of all payments or distributions by the Employer and its affiliates in the nature of compensation to or for Executive's benefit, whether paid or payable pursuant to this Agreement or otherwise (a "Payment"), would subject Executive to the excise tax under Section 4999 of the Code, the Accounting Firm shall determine as required below in this Section 10(a) whether to reduce any of the Payments paid or payable pursuant to this Agreement (the "Agreement Payments") to the Reduced Amount (as defined below). The Agreement Payments shall be reduced to the Reduced Amount only if the Accounting Firm determines that Executive would have a greater Net After-Tax Receipt (as defined below) of aggregate Payments if Executive's Agreement Payments were so reduced. If the Accounting Firm determines that Executive would not have a greater Net After-Tax Receipt of aggregate Payments if Executive's Agreement Payments were so reduced, then Executive shall receive all Agreement Payments to which Executive is entitled.

(b) Accounting Firm Determinations. If the Accounting Firm determines that aggregate Agreement Payments should be reduced to the Reduced Amount, then the Employer shall promptly give Executive notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section 10 shall be binding upon the Employer and Executive and shall be made as soon as reasonably practicable and in no event later than 20 days following the Termination Date. For purposes of reducing the Agreement Payments to the Reduced Amount, only amounts payable under this Agreement (and no other Payments) shall be reduced. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments and benefits under the following sections in the following order: first from Section 7(b)(iii), then from Section 7(b)(ii) and lastly from Section 7(b)(i). All fees and expenses of the Accounting Firm shall be borne solely by the Employer.

(c) Overpayments; Underpayments. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Employer to or for the benefit of Executive pursuant to this Agreement which should not have been so paid or distributed (an "Overpayment") or that additional amounts which will have not been paid or distributed by the Employer to or for the benefit of Executive pursuant to this Agreement which should have been so paid or distributed (an "Underpayment"), in each case consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Employer or Executive which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, Executive shall pay any such Overpayment to the Employer together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no amount shall be payable by Executive to the Employer if and to the extent such payment would not either reduce the amount on which Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be paid promptly (and in no event later than 60 days following the date on which the Underpayment is determined) by the Employer to or for the benefit of Executive together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

(d) Definitions. The following terms shall have the following meanings for purposes of this Section 10:

(i) "Reduced Amount" shall mean the greatest amount of Agreement Payments that can be paid that would not result in the imposition of the excise tax under Section 4999 of the Code if the Accounting Firm determines to reduce Agreement Payments pursuant to Section 10(a).

i. "Reduced Amount" shall mean the greatest amount of Agreement Payments that can be paid that would not result in the imposition of the excise tax under Section 4999 of the Code if the Accounting Firm determines to reduce Agreement Payments pursuant to Section 10(a).

ii. "Net After-Tax Receipt" shall mean the present value (as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code) of a Payment net of all taxes imposed on Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Accounting Firm determined to be likely to apply to Executive in the relevant taxable year(s).

11. Restrictive Covenants.

a. Executive Acknowledgements. Executive acknowledges that (i) Executive has received good and valuable consideration in exchange for Executive's agreement to be bound by the restrictive covenants in this Section 11 and (ii) the Employer will provide certain benefits to Executive hereunder in reliance on such covenants in view of the unique and essential nature of the services Executive will perform on behalf of the Employer and the irreparable injury that would befall the Employer should Executive breach such covenants. Executive further acknowledges that Executive's services are of a special, unique and extraordinary character and that Executive's position with the Employer will place Executive in a position of confidence and trust with customers and employees of the Employer and its subsidiaries and affiliates and with the Employer's other constituencies and will allow Executive access to Trade Secrets and Confidential Information (each as defined below) concerning the Employer and its subsidiaries and affiliates. Executive further acknowledges that the types and periods of restrictions imposed by the covenants in this Section 11 are fair and reasonable, and that such restrictions will not prevent Executive from earning a livelihood.

b. Covenants. Having acknowledged the foregoing, Executive covenants and agrees with the Employer as follows:

i. While Executive is employed by the Employer and continuing thereafter, Executive shall not disclose or use any Confidential Information for any purpose other than as may be necessary and appropriate in the ordinary course of performing Executive's duties to the Employer during the Employment Period. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Executive further agrees that Executive shall fully cooperate with the Employer in maintaining the secrecy of the Confidential Information, to the extent permitted by law. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Employer's rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Executive shall not be restricted from: (A) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; provided, however, that in the event such disclosure is required by law, Executive shall provide the Employer with prompt notice of such requirement so that the Employer may seek an appropriate protective order prior to any such required disclosure by Executive; or (B) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Executive shall not need the prior authorization of the Employer to make any such reports or disclosures and shall not be required to notify the Employer that Executive has made such reports or disclosures. In addition, and anything herein to the contrary notwithstanding, Executive is hereby given notice that Executive shall not be criminally or civilly liable under any federal or state trade secret law for: (C) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (C) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

ii. While Executive is employed by the Employer and for a period of 18 months thereafter, Executive shall not (except on behalf of or with the prior written consent of the Employer), on Executive's own behalf or in the service or on behalf of others, solicit or attempt to solicit any

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(ii) "Net After-Tax Receipt" shall mean the present value (as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code) of a Payment net of all taxes imposed on Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Accounting Firm determined to be likely to apply to Executive in the relevant taxable year(s).

11. Restrictive Covenants.

(a) Executive Acknowledgements. Executive acknowledges that (i) Executive has received good and valuable consideration in exchange for Executive's agreement to be bound by the restrictive covenants in this Section 11 and (ii) the Employer will provide certain benefits to Executive hereunder in reliance on such covenants in view of the unique and essential nature of the services Executive will perform on behalf of the Employer and the irreparable injury that would befall the Employer should Executive breach such covenants. Executive further acknowledges that Executive's services are of a special, unique and extraordinary character and that Executive'sposition with the Employer will place Executive in a position of confidence and trust with customers and employees of the Employer and its subsidiaries and affiliates and with the Employer's other constituencies and will allow Executive access to Trade Secrets and Confidential Information (each as defined below) concerning the Employer and its subsidiaries and affiliates. Executive further acknowledges that the types and periods of restrictions imposed by the covenants in this Section 11 are fair and reasonable, and that such restrictions will not prevent Executive from earning a livelihood.

(b) Covenants. Having acknowledged the foregoing, Executive covenants and agrees with the Employer as follows:

(i) While Executive is employed by the Employer and continuing thereafter, Executive shall not disclose or use any Confidential Information for any purpose other than as may be necessary and appropriate in the ordinary course of performing Executive's duties to the Employer during the Employment Period. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Executive further agrees that Executive shall fully cooperate with the Employer in maintaining the secrecy of the Confidential Information, to the extent permitted by law. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Employer's rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Executive shall not be restricted from: (A) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; provided, however, that in the event such disclosure is required by law, Executive shall provide the Employer with prompt notice of such requirement so that the Employer may seek an appropriate protective order prior to any such required disclosure by Executive; or (B) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Executive shall not need the prior authorization of the Employer to make any such reports or disclosures and shall not be required to notify the Employer that Executive has made such reports or disclosures. In addition, and anything herein to the contrary notwithstanding, Executive is hereby given notice that Executive shall not be criminally or civilly liable under any federal or state trade secret law for: (C) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (C) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(ii) While Executive is employed by the Employer and for a period of 18 months thereafter, Executive shall not (except on behalf of or with the prior written consent of the Employer), on Executive's own behalf or in the service or on behalf of others, solicit or attempt to solicit any customer of the Employer or its subsidiaries or affiliates, including, without limitation, actively sought prospective

customer of the Employer or its subsidiaries or affiliates, including, without limitation, actively sought prospective customers, with whom Executive had Material Contact (as defined below) during Executive's employment, for the purpose of engaging in, providing or selling Competitive Services (as defined below).

iii. While Executive is employed by the Employer and for a period of 18 months thereafter, Executive shall not (except on behalf of or with the prior written consent of the Employer), either directly or indirectly, on Executive's own behalf or in the service or on behalf of others, carry on or engage in Competitive Services for a financial institution headquartered within the Restricted Territory.

iv. While Executive is employed by the Employer and for a period of 18 months thereafter, Executive shall not (except on behalf of or with the prior written consent of the Employer), on Executive's own behalf or in the service or on behalf of others, solicit or recruit or attempt to solicit or recruit, directly or by assisting others, any employee of the Employer or its subsidiaries or affiliates, whether or not such employee is a full-time employee or a temporary employee of the Employer or its subsidiaries or affiliates, whether or not such employment is pursuant to a written agreement and whether or not such employment is for a determined period or is at will, to cease working for the Employer in order to go to work for a competitor of the Employer.

v. Executive agrees that Executive will not retain or destroy (except as set forth below), and will immediately return to the Employer on or prior to the date Executive's employment with the Employer ends, or at any other time the Employer requests such return, any and all property of the Employer that is in Executive's possession or subject to Executive's control, including, but not limited to, donor or customer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, equipment, computers, mobile devices, other electronic media, all other files and documents relating to the Employer and its business (regardless of form, but specifically including all electronic files and data of the Employer), together with all Confidential Information belonging to the Employer or that Executive received from or through Executive's employment with the Employer. Executive will not make, distribute, or retain copies of any such information or property. To the extent that Executive has electronic files or information in Executive's possession or control that belong to the Employer or contain Confidential Information (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the date Executive's employment with the Employer ends, or at any other time the Employer requests, Executive shall (A) provide the Employer with an electronic copy of all of such files or information (in an electronic format that readily accessible by the Employer); (B) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Employer-owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable; and (C) provide a written certification to the Employer that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

c. Definitions. For purposes of this Section 11, the following terms shall be defined as set forth below:

i. "Competitive Services" shall mean the business of providing deposits, money market accounts, certificates of deposit or other typical retail banking deposit-type services or loans on a retail level, to individuals, businesses or non-profit entities in any State in the United States in which Employer has a retail bank branch at the time Executive's employment ceases.

ii. "Confidential Information" shall mean data and information: (A) relating to the business of the Employer and its subsidiaries and affiliates, regardless of whether the data or information constitutes a trade secret; (B) disclosed to Executive or of which Executive becomes aware as a consequence of Executive's relationship with the Employer; (C) having value to the Employer; and (D) not generally known to competitors of the Employer. Confidential Information shall include, without limitation, trade secrets (as defined by applicable Jaw), methods of operation, names of customers, price lists, financial information and projections, personnel data and similar information; provided, however, that such term shall not mean data or information that (x) has been voluntarily disclosed to the public by the Employer, except where such public

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customers, with whom Executive had Material Contact (as defined below) during Executive's employment, for the purpose of engaging in, providing or selling Competitive Services (as defined below).

(iii) While Executive is employed by the Employer and for a period of 18 months thereafter, Executive shall not (except on behalf of or with the prior written consent of the Employer), either directly or indirectly, on Executive's own behalf or in the service or on behalf of others, carry on or engage in Competitive Services for a financial institution headquartered within the Restricted Territory.

(iv) While Executive is employed by the Employer and for a period of 18 months thereafter, Executive shall not (except on behalf of or with the prior written consent of the Employer), on Executive's own behalf or in the service or on behalf of others, solicit or recruit or attempt to solicit or recruit, directly or by assisting others, any employee of the Employer or its subsidiaries or affiliates, whether or not such employee is a full-time employee or a temporary employee of the Employer or its subsidiaries or affiliates, whether or not such employment is pursuant to a written agreement and whether or not such employment is for a determined period or is at will, to cease working for the Employer in order to go to work for a competitor of the Employer.

(v) Executive agrees that Executive will not retain or destroy (except as set forth below), and will immediately return to the Employer on or prior to the date Executive's employment with the Employer ends, or at any other time the Employer requests such return, any and all property of the Employer that is in Executive's possession or subject to Executive's control, including, but not limited to, donor or customer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, equipment, computers, mobile devices, other electronic media, all other files and documents relating to the Employer and its business (regardless of form, but specifically including all electronic files and data of the Employer), together with all Confidential Information belonging to the Employer or that Executive received from or through Executive's employment with the Employer. Executive will not make, distribute, or retain copies of any such information or property. To the extent that Executive has electronic files or information in Executive's possession or control that belong to the Employer or contain Confidential Information (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the date Executive's employment with the Employer ends, or at any other time the Employer requests, Executive shall (A) provide the Employer with an electronic copy of all of such files or information (in an electronic format that readily accessible by the Employer); (B) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Employer-owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable; and (C) provide a written certification to the Employer that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

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(ii) "Confidential Information" shall mean data and information: (A) relating to the business of the Employer and its subsidiaries and affiliates, regardless of whether the data or information constitutes a trade secret; (B) disclosed to Executive or of which Executive becomes aware as a consequence of Executive's relationship with the Employer; (C) having value to the Employer; and (D) not generally known to competitors of the Employer. Confidential Information shall include, without limitation, trade secrets (as defined by applicable law), methods of operation, names of customers, price lists, financial information and projections, personnel data and similar information; provided, however, that such term shall not mean data or information that (x) has been voluntarily disclosed to the public by the Employer, except disclosure has been made by Executive without authorization from the Employer, (y) has been independently developed and disclosed by others or (z) has otherwise entered the public domain through lawful means. In addition to data and information relating to the Employer and its subsidiaries and affiliates, "Confidential Information" also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to the Employer or its subsidiaries or affiliates by such third party, and that the Employer and/or its subsidiaries and affiliates have a duty or obligation to keep confidential. This definition shall not limit any definition of "confidential information" or any equivalent term under state or federal law.

iii. "Material Contact" as to a customer or prospective customer shall mean (A) having dealings with a customer or prospective customer on behalf of the Employer or its subsidiaries or affiliates; (B) directly coordinating or supervising dealings with a customer or prospective customer on behalf of the Employer or its subsidiaries or affiliates; or (C) obtaining Confidential Information about a customer or prospective customer in the ordinary course of business as a result of Executive's employment with the Employer.

iv. "Restricted Territory" shall mean the geographic territory within a 50-mile radius of each of the Employer's corporate office located at 1676 International Drive, Suite 900, McLean, VA 22102 and 10900 Nuckols Road, Suite 325, Glen Allen, VA 23060; provided, however, that if the physical location of such office shall change during the Term, then the Restricted Territory shall mean the geographic territory within a 50-mile radius of the physical location of such office at such time and, in the event of the termination of Executive's employment, the Restricted Territory shall mean the geographic territory within a 50-mile radius of the physical location of such office on the Termination Date.

d. Equitable Remedies. The parties specifically acknowledge and agree that the remedy at law for any breach of the covenants contained in this Section 11 (the "Protective Covenants") will be inadequate, and that in the event Executive breaches, or threatens to breach, any of the Protective Covenants, the Employer shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Protective Covenants and to have the Protective Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Protective Covenants would cause irreparable injury to the Employer and that money damages would not provide an adequate remedy to the Employer. Executive understands and agrees that if Executive violates any of the obligations set forth in the Protective Covenants, the period of restriction applicable to each obligation violated shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated during the period of restriction. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Employer at law or in equity. The parties agree that, if the parties become involved in legal action regarding the enforcement of the Protective Covenants, the prevailing party in such action will be entitled, in addition to any other remedy, to recover from the non-prevailing party its or his reasonable costs and attorneys' fees incurred in such action. The Employer's ability to enforce its rights under the Protective Covenants or applicable law against Executive shall not be impaired in any way by the existence of a claim or cause of action on the part of Executive based on, or arising out of, this Agreement or any other event or transaction.

e. Severability and Modification of Covenants. Executive acknowledges and agrees that each of the Protective Covenants is reasonable and valid in time and scope and in all other respects. The parties agree that it is their intention that the Protective Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Protective Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Protective Covenants be held invalid, void, or unenforceable, such invalidity, void-ness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement or such Protective Covenant. If any of the provisions of the Protective Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of the Employer's legitimate business interests and may be enforced by the Employer to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

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where such public disclosure has been made by Executive without authorization from the Employer, (y) has been independently developed and disclosed by others or (z) has otherwise entered the public domain through lawful means. In addition to data and information relating to the Employer and its subsidiaries and affiliates, “Confidential Information” also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to the Employer or its subsidiaries or affiliates by such third party, and that the Employer and/or its subsidiaries and affiliates have a duty or obligation to keep confidential. This definition shall not limit any definition of “confidential information” or any equivalent term under state or federal law.

(iii) “Material Contact” as to a customer or prospective customer shall mean (A) having dealings with a customer or prospective customer on behalf of the Employer or its subsidiaries or affiliates; (B) directly coordinating or supervising dealings with a customer or prospective customer on behalf of the Employer or its subsidiaries or affiliates; or (C) obtaining Confidential Information about a customer or prospective customer in the ordinary course of business as a result of Executive’s employment with the Employer.

(iv) “Restricted Territory” shall mean the geographic territory within a 50-mile radius of each of the Employer’s corporate office located at 6830 Old Dominion Drive, McLean, VA 22101 and 10900 Nuckols Road, Suite 325, Glen Allen, VA 23060; provided, however, that if the physical location of such office shall change during the Term, then the Restricted Territory shall mean the geographic territory within a 50-mile radius of the physical location of such office at such time and, in the event of the termination of Executive’s employment, the Restricted Territory shall mean the geographic territory within a 50-mile radius of the physical location of such office on the Termination Date.

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12. Executive's Representations. Executive hereby represents to the Employer that the execution and delivery of this Agreement by Executive and the Employer and the performance by Executive of Executive's duties

12. Executive's Representations. Executive hereby represents to the Employer that the execution and delivery of this Agreement by Executive and the Employer and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound. Executive represents and warrants that Executive is not subject to any employment agreement, nondisclosure agreement, common law nondisclosure obligation, fiduciary duty, noncompetition agreement, restrictive covenant or any other obligation to any former employer or to any other person or entity that conflicts in any way with Executive's ability to be employed by or perform services for the Employer. Executive will not disclose to the Employer or use on its behalf any proprietary or confidential information of any other party required to be kept confidential by Executive.

13. Assignment and Successors.

a. Executive. This Agreement is personal to Executive and without the prior written consent of the Employer shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

b. The Employer. This Agreement shall inure to the benefit of and be binding upon the Employer and its successors and assigns. The Bancorp and the Bank will each require any successor to it (whether direct or indirect, by stock or asset purchase, merger, consolidation or otherwise) or to all or substantially all of its business or assets to assume expressly and agree to perform this Agreement in the same manner and to the same extent it would be required to perform it if no such succession had taken place.

14. Miscellaneous.

a. Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

b. Severability. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

c. Entire Agreement. Except as provided herein, this Agreement contains the entire agreement between the Employer and Executive with respect to the subject matter hereof and from and after the Effective Date supersedes and invalidates all previous employment agreements with Executive. No representations, inducements, promises or agreements, oral or otherwise, which are not embodied herein shall be of any force or effect.

d. Withholdings. Notwithstanding any other provision of this Agreement, the Employer shall withhold from any amounts payable or benefits provided under this Agreement any federal, state and local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

e. Compliance with Section 409A.

i. It is intended that this Agreement shall conform with all applicable Section 409A requirements to the extent Section 409A applies to any provisions of the Agreement. Accordingly, in interpreting, construing or applying any provisions of the Agreement, the same shall be construed in such manner as shall meet and comply with Section 409A, and in the event of any inconsistency with Section 409A, the same shall be reformed so as to meet the requirements of Section 409A. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. In no event shall Executive, directly or indirectly, designate the calendar year of payment. Executive acknowledges that the Employer has not made, and does not make, any representation or warranty regarding the treatment of this Agreement or the benefits payable under this Agreement under federal, state or local income tax laws, including, but not limited to, Section 409A or compliance with the requirements thereof Neither Employer nor its directors, officers, employees, or advisers shall be held liable for any taxes, interest, penalties, or other monetary amounts owed by Executive as a result of the application of Section 409A.

ii. Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code ("Non-Exempt Deferred Compensation") would otherwise be payable or

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hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound. Executive represents and warrants that Executive is not subject to any employment agreement, nondisclosure agreement, common law nondisclosure obligation, fiduciary duty, noncompetition agreement, restrictive covenant or any other obligation to any former employer or to any other person or entity that conflicts in any way with Executive's ability to be employed by or perform services for the Employer. Executive will not disclose to the Employer or use on its behalf any proprietary or confidential information of any other party required to be kept confidential by Executive.

13. Assignment and Successors.

(a) Executive. This Agreement is personal to Executive and without the prior written consent of the Employer shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) The Employer. This Agreement shall inure to the benefit of and be binding upon the Employer and its successors and assigns. The Bancorp and the Bank will each require any successor to it (whether direct or indirect, by stock or asset purchase, merger, consolidation or otherwise) or to all or substantially all of its business or assets to assume expressly and agree to perform this Agreement in the same manner and to the same extent it would be required to perform it if no such succession had taken place.

14. Miscellaneous.

(a) Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

(b) Severability. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

(c) Entire Agreement. Except as provided herein, this Agreement contains the entire agreement between the Employer and Executive with respect to the subject matter hereof and from and after the Effective Date supersedes and invalidates all previous employment agreements with Executive, including but not limited to the Prior Agreement. No representations, inducements, promises or agreements, oral or otherwise, which are not embodied herein shall be of any force or effect.

(d) Withholdings. Notwithstanding any other provision of this Agreement, the Employer shall withhold from any amounts payable or benefits provided under this Agreement any federal, state and local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) Compliance with Section 409A.

(i) It is intended that this Agreement shall conform with all applicable Section 409A requirements to the extent Section 409A applies to any provisions of the Agreement. Accordingly, in interpreting, construing or applying any provisions of the Agreement, the same shall be construed in such manner as shall meet and comply with Section 409A, and in the event of any inconsistency with Section 409A, the same shall be reformed so as to meet the requirements of Section 409A. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. In no event shall Executive, directly or indirectly, designate the calendar year of payment. Executive acknowledges that the Employer has not made, and does not make, any representation or warranty regarding the treatment of this Agreement or the benefits payable under this Agreement under federal, state or local income tax laws, including, but not limited to, Section 409A or compliance with the requirements thereof.

Neither Employer nor its directors, officers, employees, or advisers shall be held liable for any taxes, interest, penalties, or other monetary amounts owed by Executive as a result of the application of Section 409A.

(ii) Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code ("Non-Exempt Deferred Compensation") would otherwise be payable or distributable hereunder, such Non-Exempt Deferred Compensation will not be payable or distributable to Executive by reason of such circumstance unless the circumstances giving rise to such payment event meet any description or definition of "separation from service" in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition).

distributable hereunder, such Non-Exempt Deferred Compensation will not be payable or distributable to Executive by reason of such circumstance unless the circumstances giving rise to such payment event meet any description or definition of "separation from service" in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition).

iii. To the extent Executive is a "specified employee" as defined in Section 409A, notwithstanding the timing of payment provided in any other Section of this Agreement, no payment, distribution or benefit under this Agreement that constitutes a distribution of deferred compensation (within the meaning of Section 409A) upon separation from service (within the meaning of Section 409A), after taking into account all available exemptions, that would otherwise be payable, distributable or settled during the six-month period after separation from service, will be made during such six-month period, and any such payment, distribution or benefit will instead be paid, distributed or settled on the first business day after such six-month period; provided, however, that if Executive dies following the Termination Date and prior to the payment, distribution, settlement or provision of any payments, distributions or benefits delayed on account of Section 409A, then such payments, distributions or benefits shall be paid or provided to the personal representative of Executive's estate within 30 days after the date of Executive's death.

f. If Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement, and such payments or reimbursements are includible in Executive's federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. No right of Executive to reimbursement of expenses under this Agreement shall be subject to liquidation or exchange for another benefit.

g. Clawback Provisions. Notwithstanding any other provisions in this Agreement to the contrary, any bonus, incentive-based, equity-based or other similar compensation paid to Executive pursuant to this Agreement or any other agreement or arrangement with the Employer which is subject to recovery under any Jaw, government regulation or stock exchange listing requirement will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Employer pursuant to any such law, government regulation or stock exchange listing requirement).

h. Governing Law. Except to the extent preempted by federal law, the laws of the State of Virginia shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

i. Arbitration. Except for any claim for injunctive relief hereunder or as provided in Section 11 hereof, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration in accordance with the rules and procedures of the American Arbitration Association. The place of arbitration shall be selected by the Employer. The decision of the arbitration panel shall be final and binding upon the parties, and judgment upon the award rendered by the arbitration panel may be entered by any court having jurisdiction. The parties agree that Executive and the Employer shall each bear one-half of the administrative expenses (filing and arbitrator costs) associated with the arbitration, and the prevailing party shall be entitled to reimbursement for the additional costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by such party in connection with any such dispute.

j. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, by nationally recognized overnight courier service or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, when delivered by nationally recognized overnight courier service or, if mailed, five days after the date of deposit in the United States mail, as follows:

(iii) To the extent Executive is a “specified employee” as defined in Section 409A, notwithstanding the timing of payment provided in any other Section of this Agreement, no payment, distribution or benefit under this Agreement that constitutes a distribution of deferred compensation (within the meaning of Section 409A) upon separation from service (within the meaning of Section 409A), after taking into account all available exemptions, that would otherwise be payable, distributable or settled during the six-month period after separation from service, will be made during such six-month period, and any such payment, distribution or benefit will instead be paid, distributed or settled on the first business day after such six-month period; provided, however, that if Executive dies following the Termination Date and prior to the payment, distribution, settlement or provision of any payments, distributions or benefits delayed on account of Section 409A, then such payments, distributions or benefits shall be paid or provided to the personal representative of Executive’s estate within 30 days after the date of Executive’s death.

(f)If Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement, and such payments or reimbursements are includible in Executive’s federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. No right of Executive to reimbursement of expenses under this Agreement shall be subject to liquidation or exchange for another benefit.

(f) Clawback Provisions. Notwithstanding any other provisions in this Agreement to the contrary, any bonus, incentive-based, equity-based or other similar compensation paid to Executive pursuant to this Agreement or any other agreement or arrangement with the Employer which is subject to recovery under any law, government regulation or stock exchange listing requirement will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Employer pursuant to any such law, government regulation or stock exchange listing requirement).

(g) Governing Law. Except to the extent preempted by federal law, the laws of the State of Virginia shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

(h) Arbitration. Except for any claim for injunctive relief hereunder or as provided in Section 11 hereof, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration in accordance with the rules and procedures of the American Arbitration Association. The place of arbitration shall be selected by the Employer. The decision of the arbitration panel shall be final and binding upon the parties, and judgment upon the award rendered by the arbitration panel may be entered by any court having jurisdiction. The parties agree that Executive and the Employer shall each bear one-half of the administrative expenses (filing and arbitrator costs) associated with the arbitration, and the prevailing party shall be entitled to reimbursement for the additional costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by such party in connection with any such dispute.

(i) Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, by nationally recognized overnight courier service or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally,

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when delivered by nationally recognized overnight courier service or, if mailed, five days after the date of deposit in the United States mail, as follows:

To the Employer:

PRIMIS BANK

10900 Nuckols Road,1676 International Drive, Suite 325 900

Glen Allen, VA 23060McLean, Virginia 22101

Attention: Board of Directors

To Executive:

At the most recent address on file for Executive with the Employer.

(j) Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

(k) Survival. Notwithstanding anything in this Agreement to the contrary, the provisions of Sections 7, 10, 11 and 14(e)-(j), the definitions of defined terms used therein and the remaining provisions of this Section 14 (to the extent necessary to effectuate the survival of the foregoing provisions) shall survive the termination of this Agreement and any termination of Executive's employment hereunder. Employer

k. Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

l. Survival. Notwithstanding anything in this Agreement to the contrary, the provisions of Sections 7, 10, 11 and 14(e)-G), the definitions of defined terms used therein and the remaining provisions of this Section 14 (to the extent necessary to effectuate the survival of the foregoing provisions) shall survive the termination of this Agreement and any termination of Executive's employment hereunder.

m. Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by all parties hereto that makes specific reference to this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Executive Employment Agreement as of the date first above written.

BANCORP

By: /s/ Dennis J. Zember, Jr.____________________________
Name: John F. Biagas
Title: Chairman of the Compensation Committee of the Board of Directors

BANK

By: ____________________________

By:
_ Name: /s/ Dennis J. Zember, Jr.____________________________
Name: John F. Biagas
Title:
Chairman
of
Compensation
Committee
of the
Board of
Directors

EXECUTIVE

/s/ Dennis J. Zember, Jr.____________________________
Dennis J. Zember, Jr. Rickey Allen Fulk

Exhibit 21.0

Subsidiaries of Primis Financial Corp.

Subsidiary	**State of Incorporation**
Primis Bank	Virginia

Eastern Virginia Statutory Trust I	Connecticut
Primis Mortgage Company	North Carolina
Panacea Financial Holdings, Inc.	Arkansas

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Forms S-3 and Form S-8 (Nos. 333-166511, 333-255045, 333-218976, and 333-189730) of Primis Financial Corp. (formerly Southern National Bancorp of Virginia, Inc.) of our reports dated March 15, 2023 October 15, 2024, with respect to the consolidated financial statements of Primis Financial Corp. and the effectiveness of internal control over financial reporting, which included an adverse opinion as to the effectiveness of internal control, included in this Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

/s/ FORVIS, Forvis Mazars, LLP (Formerly, Dixon Hughes Goodman LLP)

Greenville, North Carolina

March Tysons, Virginia

October 15, 2023 2024

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our report dated March 12, 2021, with respect to the financial statements of Southern Trust Mortgage, LLC included in this Annual Report (Form 10-K) for the years ended December 31, 2020 and 2019.

/s/ Richey, May and Co., LLP

Englewood, Colorado

March 15, 2023

Exhibit 31.1

<u>CERTIFICATIONS</u>

I, Dennis J. Zember, Jr., certify that:

1. I have reviewed this report on Form 10-K of Primis Financial Corp.;

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(s) 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(s) 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: March 15, 2023 October 15, 2024

/s/ Dennis J. Zember, Jr.
Dennis J. Zember, Jr.,
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Matthew Switzer, certify that:

1. I have reviewed this report on Form 10-K of Primis Financial Corp.;

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(s) 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(s) 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: March 15, 2023 October 15, 2024 **/s/ Matthew Switzer**

Matthew Switzer,

Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of Primis Financial Corp. ("Primis") on Form 10-K for the period ending December 31, 2022 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of Primis hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on their knowledge and belief: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained

in the Report fairly presents, in all material respects, the financial condition and results of operations of Primis as of and for the periods covered in the Report.

/s/ Dennis J. Zember, Jr.

Dennis J. Zember, Jr.

President and Chief Executive Officer

/s/ Matthew Switzer

Matthew Switzer

Executive Vice President and Chief Financial Officer

March October 15, 2023 2024

Exhibit Index -->

Exhibit 99.1 97

UNAUDITED PRIMIS FINANCIAL CORP.

FINANCIAL STATEMENT FOR INCENTIVE COMPENSATION RECOVERY POLICY

SOUTHERN TRUST MORTGAGE, LLC
FOR THE YEAR ENDED DECEMBER 31, 2021

Graphic

1.0 General

1.1 Primis Financial Corp. (the "Company") has adopted this Incentive Compensation Recovery Policy (the "Policy") in accordance with the applicable listing standards of The Nasdaq Stock Market ("Nasdaq") and Rule 10D-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). To the extent this Policy is in any manner deemed inconsistent with such listing standards, this Policy shall be treated as retroactively amended to be compliant with such listing standards.

1.2 Each Executive Officer (as defined herein) shall be required to sign and return to the Company the Acknowledgement Form attached hereto as Appendix B.

1.3 The effective date of this Policy is October 2, 2023 (the "Effective Date").

2.0 Definitions

The following words and phrases shall have the following meanings for purposes of this Policy:

2.1 Accounting Restatement. An "Accounting Restatement" means any accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).

2.2 Board. The "Board" means the Board of Directors of the Company.

2.3 Compensation Committee. The "Compensation Committee" means the Compensation Committee of the Board.

2.4 Erroneously Awarded Compensation. "Erroneously Awarded Compensation" is the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total stockholder return (TSR), where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement: (i) the amount shall be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was Received; and (ii) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.

SOUTHERN TRUST MORTGAGE, LLC

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SOUTHERN TRUST MORTGAGE, LLC

BALANCE SHEET (UNAUDITED)

DECEMBER 31, 2021

CURRENT ASSETS		
Cash and cash equivalents	**$**	**21,871,805**

Restricted cash		243,081
Escrow cash		493,210
Mortgage loans held for sale, at fair value		85,968,910
Accounts receivable and advances		1,655,391
Derivative assets		2,481,966
Prepaid expenses and other current assets		635,094
Total current assets		113,349,457
OTHER ASSETS		
Property and equipment, net		1,330,891
Mortgage servicing rights, net		31,502
Mortgage loans held for investment, net		3,683,187
Real estate owned		32,900
Due from related parties		353,786
Deposits		141,564
Total other assets		5,573,830
TOTAL ASSETS	$	118,923,287
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	$	6,421,168
Customer deposits and loan escrows		2,426,059
Warehouse lines of credit		80,671,561
Derivative liabilities		48,773
Related party note payable, current portion		422,530
Capital lease obligation, current portion		320,528
Loan indemnification reserve		566,171
Total current liabilities		90,876,790
Related party note payable, net of current portion		8,077,470
Capital lease obligation, net of current portion		135,321
Total liabilities	$	99,089,581
COMMITMENTS AND CONTINGENCIES (Note N)		

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SOUTHERN TRUST MORTGAGE, LLC
BALANCE SHEET (UNAUDITED)
DECEMBER 31, 2021

MEMBERS' EQUITY		
Preferred interests, $1 par value; 3,004,656 shares authorized, issued and outstanding	$	3,004,656
Common interests, $0.057 par value; 4,981,838 shares authorized, issued and outstanding		283,600
Retained earnings		16,545,450
Total members' equity		19,833,706
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	118,923,287

SOUTHERN TRUST MORTGAGE, LLC
STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

REVENUE	
Gain on sale of mortgage loans held for sale, net of direct costs of $8,611,420	$ 80,438,886
Loan origination fees	9,124,144
Interest income	3,967,771
Interest expense	(4,777,612)
Loan servicing fees, net of direct costs of $282,994	470,364
Gain on sale of mortgage servicing rights	3,069,467
Gain on extinguishment of debt	3,698,388
Recovery of loan loss provision	485,847
Other income	101,250
Total revenue	96,578,505
EXPENSES	
Salaries, commissions and benefits	71,730,001
Occupancy, equipment and communication	3,903,012
General and administrative	6,228,824
Provision for loan losses	65,799
Depreciation and amortization	346,056
Loss on disposal of property and equipment	39,236
Amortization and deletions of mortgage servicing rights	254,087
Total expenses	82,567,015
NET INCOME	$ 14,011,490

SOUTHERN TRUST MORTGAGE, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

	Preferred Interests		Common Interests		Additional Paid-In	Retained	
	Shares	Amount	Shares	Amount	Capital	Earnings	Totals
Balance, December 31, 2020	3,304,656	$ 3,304,656	8,783,212	$ 500,000	$ 344,575	$ 22,268,993	$ 26,418,224
Repurchase of common and preferred stock	(300,000)	(300,000)	(3,801,374)	(216,400)	(344,575)	(9,189,025)	(10,050,000)
Preferred dividends	—	—	—	—	—	(248,119)	(248,119)
Member distributions	—	—	—	—	—	(10,297,889)	(10,297,889)
Net income	—	—	—	—	—	14,011,490	14,011,490
Balance, December 31, 2021	3,304,656	$ 3,304,656	4,981,838	$ 283,600	$ —	$ 16,545,450	$ 19,833,706

SOUTHERN TRUST MORTGAGE, LLC
STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$	14,011,490
Non-cash items-		
Recovery for loan losses, net of provision		(420,048)
Depreciation and amortization		346,056
Amortization and deletions of mortgage servicing rights		254,087
Gain on sale of mortgage loans held for sale, net of direct costs		(80,438,886)
Gain on sale of mortgage servicing rights		(3,069,467)
Gain on extinguishment of debt		(3,698,388)
Loss on disposal of property and equipment		39,236
(Increase) decrease in-		
Escrow cash		175,934
Proceeds from sale and principal payments on mortgage loans held for sale		2,543,285,136
Originations and purchases of mortgage loans held for sale		(2,405,848,127)
Mortgage loans held for investment, net		(2,905,163)
Accounts receivable and advances		(218,549)
Derivative assets		7,717,279
Prepaid expenses and other current assets		(136,080)
Deposits		18,422
Due from related parties		(179,386)
Increase (decrease) in-		
Accounts payable and accrued expenses		(1,036,555)
Customer deposits and loan escrows		1,278,025
Derivative liabilities		(2,447,829)
Loan indemnification reserve		(273,050)
Net cash provided by operating activities		66,454,137
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(463,155)
Proceeds from disposal of property and equipment		311,603
Proceeds from sale of mortgage servicing rights		4,530,499
Proceeds from sale of mortgage loans held for investment		1,237,177
Net cash provided by investing activities	$	5,616,124

SOUTHERN TRUST MORTGAGE, LLC

STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM FINANCING ACTIVITIES	
Net repayments under warehouse lines of credit	$ (55,415,616)
Repayments under capital lease obligations	(187,130)
Preferred dividends	(186,157)
Member distributions	(10,297,889)
Repurchase of common and preferred stock	(1,550,000)
Net cash used in financing activities	(67,636,792)
INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	$ 4,433,469
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	17,681,417
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 22,114,886
SUPPLEMENTAL INFORMATION	
Cash paid for interest	$ 4,940,438
Preferred dividends payable	$ 61,962
NON-CASH OPERATING, INVESTING AND FINANCING ACTIVITIES	
The Company increased retained mortgage servicing rights in connection with loan sales.	$ 467,651
The Company increased accounts receivable for holdback revenue on the sale of mortgage servicing rights.	$ 416,000
The Company acquired property and equipment with capital lease financing.	$ 642,979

The Company had a repurchase of common and preferred stock totaling $10,050,000 during the year ended December 31, 2021, of which, $8,500,000 was applied as a non-cash related party note payable.

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SOUTHERN TRUST MORTGAGE, LLC

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5 Executive Officer. "Executive Officer" means the current or former officers identified as executive officers by the Company in the Company's filings with the SEC pursuant to Item 401(b) of Regulation S-K and the officers required to file reports under Section 16 of the Exchange Act.

Organization

Southern Trust Mortgage, LLC (the Company) was incorporated in the Commonwealth of Virginia. The Company is primarily engaged in the business of originating, selling and servicing residential mortgage loans through its retail origination channel. The Company maintains its corporate office in Virginia Beach, Virginia, with branch offices in multiple states. The Company is approved as a Title II, non-supervised direct endorsement mortgagee with the United States Department of Housing and Urban Development (HUD). In addition, the Company is an approved issuer with the

Government National Mortgage Association (GNMA), as well as an approved seller and servicer with the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC).

Basis of Accounting

The financial statements of the Company are prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as codified in the Financial Accounting Standards Board's (FASB) *Accounting Standards Codification* (ASC).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Consolidation, Variable Interest Entities

The Company sells mortgage loans to FNMA and FHLMC, which are government-sponsored enterprises. The Company may also issue GNMA securities by pooling eligible mortgage loans through a custodian and assigning rights to the mortgage loans to GNMA. FNMA, FHLMC and GNMA (the Agencies) provide credit enhancements for mortgage loans through certain guarantee provisions. These securitizations involve variable interest entities (VIEs) as the trusts or similar vehicles, by design, that either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entities.

2.6 Financial Reporting Measure. A "Financial Reporting Measure" is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure. Stock price and TSR (and any measures that are derived wholly or in part from stock price or TSR) are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the SEC.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Incentive-Based Compensation. The term "Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Please refer to Appendix A to this Policy for a list of examples of Incentive-Based Compensation.

Consolidation, Variable Interest Entities (Continued)

The primary beneficiary of a VIE (i.e., the party that has a controlling financial interest) is required to consolidate the assets and liabilities of the VIE. The primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company may retain the right to service mortgage loans sold or securitized by the Agencies. Due to the significant influence of the Agencies over the VIEs that hold the assets from mortgage loan securitizations, principally through their rights and responsibilities as master servicer, the Company is not the primary beneficiary of the VIEs and therefore the VIEs are not consolidated.

The Company performs on-going reassessments of (1) whether entities previously evaluated under the majority voting-interest framework have become VIEs, based on certain events, and therefore become subject to the VIE consolidation framework; and (2) whether changes in the facts and circumstances regarding the Company's involvement with a VIE cause the Company's consolidation determination to change.

Cash and Cash Equivalents

For cash flow purposes, the Company considers cash and temporary investments with original maturities of three months or less, to be cash and cash equivalents. The Company has diversified its credit risk for cash by maintaining deposits in several financial institutions, which may at times exceed amounts covered by insurance from the Federal Deposit Insurance Corporation. The Company evaluates the creditworthiness of these financial institutions in determining the risk associated with these balances. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Restricted Cash

The Company maintains certain cash balances that are restricted under warehouse agreements.

Mortgage Loans Held for Sale and Revenue Recognition

Mortgage loans held for sale are carried at fair value under the fair value option with changes in fair value recorded in gain on sale of mortgage loans held for sale on the statement of operations. The fair value of mortgage loans held for sale committed to investors is calculated using observable market information such as the investor purchase commitment, assignment of trade or other mandatory delivery commitment prices. The Company bases loans committed to Agency investors based on the Agency's quoted mortgage backed security (MBS) prices. The fair value of mortgage loans held for sale not committed to investors is based on quoted best execution secondary market prices. If no such quoted price exists, the fair value is determined using quoted prices for a similar asset or assets, such as MBS prices, adjusted for the specific attributes of that loan, which would be used by other market participants.

2.8 Received. Incentive-Based Compensation is deemed "Received" in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 SEC. "SEC" means the United States Securities and Exchange Commission.

Mortgage Loans Held for Sale and Revenue Recognition (Continued)

Gains and losses from the sale of mortgage loans held for sale are recognized based upon the difference between the sales proceeds and carrying value of the related loans upon sale and are recorded in gain on sale of mortgage loans held for sale on the statement of operations. Sales proceeds reflect the cash received from investors through the sale of the loan and servicing release premium. If the related mortgage servicing right (MSR) is sold servicing retained, the MSR addition is recorded in gain on sale of mortgage loans held for sale on the statement of operations. Gain on sale of mortgage loans held for sale also includes the unrealized gains and losses associated with the changes in the fair value of mortgage loans held for sale and the realized and unrealized gains and losses from derivative instruments.

Mortgage loans held for sale are considered sold when the Company surrenders control over the financial assets. Control is considered to have been surrendered when the transferred assets have been isolated from the Company, beyond the reach of the Company and its creditors; the purchaser obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and the Company does not maintain effective

control over the transferred assets through either an agreement that both entitles and obligates the Company to repurchase or redeem the transferred assets before their maturity or the ability to unilaterally cause the holder to return specific financial assets. The Company typically considers the above criteria to have been met upon acceptance and receipt of sales proceeds from the purchaser.

Mortgage Loans Held for Investment, Net

Mortgage loans held for investment for which management has the intent and ability to hold for the foreseeable future or to maturity are carried at amortized cost reduced by a valuation allowance for estimated credit losses. Mortgage loans transferred from the held for sale category are transferred at the lower of cost or fair value, which becomes the new cost basis in the loans.

Real Estate Owned

Real estate owned is initially recorded at the estimated fair value at the date of foreclosure on the delinquent mortgage loans, which becomes the new cost basis in the real estate owned. The fair value of real estate owned is determined, when possible, using observable market data, including recent real estate appraisals and broker price opinions. Costs incurred in managing and maintaining foreclosed real estate and subsequent declines in fair value are charged to operations as incurred and are included in general and administrative on the statement of operations. The Company periodically assesses real estate owned for impairment whenever events or circumstances indicate the carrying amount of the asset may exceed its fair value. If real estate owned is considered impaired, the impairment losses will be recorded on the statement of operations.

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3.0 Statement of Policy

A. 3.1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Origination Fees

Loan origination fees represent revenue earned from originating mortgage loans. Loan origination fees generally represent a flat per-loan fee In the event that the Company is required to prepare an Accounting Restatement, the Company will recover reasonably promptly the amount based on a percentage of the original principal loan balance and are recognized as revenue at the time the mortgage loans are funded. Loan origination expenses are charged to operations as incurred.

Interest Income

Interest income on mortgage loans held for sale is recognized for the period from loan funding to sale based upon the principal balance outstanding and contractual interest rates. Revenue recognition is discontinued when loans become 90 days delinquent, or when, in management's opinion, the recovery of principal and interest becomes doubtful and the mortgage loans held for sale are put on nonaccrual status.

Revenue Recognition

FASB ASC 606, *Revenue from Contracts with Customers* (ASC 606), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. The majority of the Company's revenue generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as the Company's mortgage loans and derivatives, as well as revenue related to the Company's mortgage servicing activities.

Loan Servicing Fees and Expenses

Loan servicing fees represent revenue earned for servicing loans for various investors. Loan servicing fees are based on a contractual percentage of the outstanding unpaid principal balance and are recognized into revenue as the related mortgage payments are received. Loan servicing expenses are charged to operations as incurred.

Servicing Advances

Servicing advances represent escrows advanced by the Company on behalf of borrowers and investors to cover delinquent balances for property taxes, insurance premiums and other out-of-pocket costs. Servicing advances are made in accordance with the Company's servicing agreements and are recoverable upon collection of future borrower payments, sale of loan collateral, reimbursement by investor, or mortgage insurance claims. The Company periodically reviews servicing advances for collectability and establishes a valuation allowance for estimated uncollectible amounts. No allowance has been recorded as of December 31, 2021, as management has determined that all amounts are fully collectible.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment, Net

Property and equipment is recorded at cost and depreciated or amortized using the straight line method over the estimated useful lives of the assets. The following is a summary of property and equipment at December 31, 2021:

	Useful lives (years)	Amounts
Property and equipment, at cost		
Equipment	3-7	$ 1,206,643
Furniture and fixtures	3-7	970,782
Software	3-5	180,187
Leasehold improvements	(a)	455,894
Total property and equipment, at cost		2,813,506
Accumulated depreciation and amortization		
Equipment		(957,256)
Furniture and fixtures		(365,601)
Software		(122,075)
Leasehold improvements		(37,683)
Total accumulated depreciation and amortization		(1,482,615)
Total property and equipment, net		$ 1,330,891

(a) Amortized over the shorter of the related lease term or the estimated useful life of the assets.

The Company periodically assesses property and equipment for impairment whenever events or circumstances indicate the carrying amount of an asset may exceed its fair value. If property and equipment is considered impaired, the impairment losses will be recorded on the statement of operations. The Company did not recognize any impairment losses during the year ended December 31, 2021.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments

The Company holds and issues derivative financial instruments such as interest rate lock commitments (IRLCs) and forward sale commitments. IRLCs are subject to price risk primarily related to fluctuations in market interest rates. To hedge the interest rate risk on mandatory IRLCs, the Company uses forward sale commitments, such as to-be-announced securities or mandatory delivery commitments with investors. Management expects these forward sale commitments to experience changes in fair value opposite to the changes in fair value of the IRLCs, thereby reducing earnings volatility. Forward sale commitments are also used to hedge the interest rate risk on mortgage loans held for sale that are not committed to investors and still subject to price risk. If the mandatory delivery commitments are not fulfilled, the Company pays a pair-off fee. Best effort forward sale commitments are also executed with investors, whereby certain loans are locked with a borrower and simultaneously committed to an investor at a fixed price. If the best effort IRLC does not fund, the Company has no obligation to fulfill the investor commitment.

The Company considers various factors and strategies in determining what portion of the IRLCs and uncommitted mortgage loans held for sale to economically hedge. FASB ASC 815-25, *Derivatives and Hedging*, requires that all derivative instruments be recognized as assets or liabilities on the balance sheet at their fair value. Changes in the fair value of the derivative instruments and gains and losses resulting from pairing-out of forward sale commitments are recognized in gain on sale of mortgage loans held for sale on the statement of operations in the period in which they occur. The Company accounts for all derivative instruments as free-standing derivative instruments and does not designate any for hedge accounting.

Mortgage Servicing Rights and Revenue Recognition

FASB ASC 860-50, *Transfers and Servicing*, requires that MSRs be initially recorded at fair value at the time the underlying loans are sold. To determine the fair value of the MSR created, the Company uses a valuation model, along with currently available market information including rate sheets from aggregators, that calculates the net present value of future cash flows. The valuation model incorporates assumptions that market participants would use in estimating future net servicing revenue, including the estimated discount rate, estimated prepayment speeds, the cost of servicing, estimated delinquencies, contractual service fees, ancillary income and late fees, float value, the inflation rate, and default rates. The credit quality and stated interest rates of the forward loans underlying the MSRs affects the assumptions used in the cash flow models. MSRs are not actively traded in open markets; accordingly, considerable judgment is required to estimate their fair value, and changes in these estimates could materially change the estimated fair value. The Company receives a monthly fixed servicing fee based on the outstanding principal balances of the mortgage loans, which is collected from investors.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Servicing Rights and Revenue Recognition (Continued)

After initially recording the MSRs at fair value, the Company subsequently amortizes the MSRs over the estimated economic life of the related mortgage loans in proportion to the estimated future net servicing revenue. The net capitalized cost of MSRs is periodically evaluated to determine if the amortized cost of MSRs is in excess of their estimated fair value.

For this purpose, the Company stratifies its MSRs based on loan term, interest rate and product type, with estimates of remaining loan lives and prepayment rates being incorporated into the model. When impairment is identified due to the MSR asset's amortized book value exceeding its fair value, management records a valuation allowance. Valuation allowances are recorded as a reduction to the MSRs on the balance sheet.

Any impairment of the amortized cost of MSRs is assessed based on their fair value at each reporting date using estimated prepayment speeds of the underlying mortgage loans serviced and stratification based on risk characteristics of the underlying loans (predominantly interest rates). As interest rates decrease, mortgage refinancing activity may increase, resulting in higher prepayment speeds of the loans underlying MSRs, which may result in a reduction of the MSRs' fair value. Such fair value adjustment may require an additional valuation allowance being charged to earnings, to the extent that the amortized cost of the MSR exceeds the estimated fair value from stratification. Conversely, as mortgage interest rates rise, prepayment speeds are usually slower and the value of the MSR asset generally increases, requiring less valuation allowance. If it is later determined that all or a portion of the temporary impairment no longer exists for a stratification, the valuation allowance is reduced through a recovery to earnings. An other-than-temporary impairment (i.e. recoverability is considered remote when considering interest rates and loan pay-off activity) is recognized as a write-down of the MSR asset and the related valuation allowance. A direct write-down permanently reduces the carrying value of the MSR asset and valuation allowance, precluding subsequent recoveries.

The key unobservable inputs used in determining the fair value of MSRs when they are initially recorded are as follows for the year ended December 31, 2021:

	Inputs
Discount rates	11.00% - 11.42%
Annual prepayment speeds	11.67% - 21.40%
Average cost of servicing	$85

Sale of Mortgage Servicing Rights

A transfer of servicing rights related to loans previously sold qualifies as a sale at the date on which title passes, if substantially all risks and rewards of ownership have irrevocably passed to the transferee and any protection provisions retained by the transferor are minor and can be reasonably estimated. In addition, if a sale is recognized and only minor protection provisions exist, a liability should be accrued for the estimated obligation associated with those provisions.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Indemnification Reserve

Loans sold to investors by the Company and which met investor and Agency underwriting guidelines at the time of sale may be subject to repurchase in the event of specific default by the borrower or subsequent discovery that underwriting standards were not met. The Company may, upon mutual agreement, indemnify the investor against future losses on such loans. The Company has established a reserve for potential losses related to these representations and warranties. In assessing the adequacy of the reserve, management evaluates various factors including actual write-offs during the period, historical loss experience, known delinquent and other problem loans, and economic trends and conditions in the industry. Actual losses incurred are reflected as write-offs against the loan indemnification reserve.

The activity in the loan indemnification reserve for mortgage loans held for sale is as follows for the year ended December 31, 2021:

	Amounts
Balance, beginning of year	$ 1,325,068
Recovery of loan losses	(485,847)
Loans written-off, net of recoveries	(273,050)
Balance, end of year	$ 566,171

Because of the uncertainty in the various estimates underlying the loan indemnification reserve, there is a range of losses in excess of the recorded loan indemnification reserve that is reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss and is based on current available information, significant judgment, and a number of assumptions that are subject to change.

Valuation Allowance on Mortgage Loans Held for Investment, Net

The Company periodically evaluates the carrying value of mortgage loans held for investment in excess of fair value and establishes a valuation allowance for potential losses. In assessing the adequacy of the valuation allowance, management evaluates various factors on a loan level basis, including the probability of not being able to collect payments based on the contractual terms of the mortgage, the estimated fair value of the underlying collateral and probable losses inherent to the loan portfolio. Additions to and recovery of the valuation allowance are reflected in the provision for loan losses on the statement of operations.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation Allowance on Mortgage Loans Held for Investment, Net (Continued)

The activity in the valuation allowance for mortgage loans held for investment, net is as follows for the year ended December 31, 2021:

	Amounts
Balance, beginning of year	$ 89,435
Provision for loan losses	65,799
Loans written-off, net of recoveries	(66,962)
Balance, end of year	$ 88,272

Because of the uncertainty in the various estimates underlying the valuation allowance, there is a range of losses in excess of the recorded valuation allowance that is reasonably possible. The estimate of the range of possible loss does not represent a probable loss and is based on current available information, significant judgment and a number of assumptions that are subject to change.

Escrow and Fiduciary Funds

The Company maintains segregated bank accounts for escrow balances in trust for investors for mortgagors. The balances of these accounts amounted to $6,755 at December 31, 2021, and are excluded from the balance sheet.

Advertising and Marketing

Advertising and marketing is expensed as incurred and amounted to $1,720,731 for the year ended December 31, 2021, and is included in general and administrative on the statement of operations.

Income Taxes

The Company has elected to be taxed as a partnership under the Internal Revenue Code. Accordingly, no federal income tax provision and state income taxes, to the extent possible, have been recorded in the financial statements, as all items of income and expense generated by the Company are reported on the members' income tax returns. The Company has no federal or state tax examinations in process as of December 31, 2021.

Risks and Uncertainties

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include interest rate risk and credit risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, as well as decreases in the value of mortgage loans held for sale not committed to investors and commitments to originate loans, which may negatively impact the Company's operations. Credit risk is the risk of default that may result from the borrowers' inability or unwillingness to make contractually required payments during the period in which loans are being held for sale or serviced by the Company.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties (Continued)

The Company sells loans to investors without recourse. As such, the investors have assumed the risk of loss or default by the borrower. However, the Company is usually required by these investors to make certain standard representations and warranties relating to credit information, loan documentation and collateral. To the extent that the Company does not comply with such representations, or there are early payment defaults, the Company may be required to repurchase the loans or indemnify these investors for any losses from borrower defaults. In addition, if loans pay-off within a specified time frame, the Company may be required to refund a portion of the sales proceeds to the investors.

The Company's business requires substantial cash to support its operating activities. As a result, the Company is dependent on its warehouse lines of credit, and other financing facilities in order to finance its continued operations. If the Company's principal lenders decided to terminate or not to renew any of these financing facilities with the Company, the loss of borrowing capacity could have a material adverse impact on the Company's financial statements unless the Company found a suitable alternative source.

The global outbreak of COVID-19 has disrupted economic markets, and the prolonged economic impact is uncertain. The operational and financial performance of the Company depends on future developments, including the duration and spread of the outbreak, and such uncertainty may have an adverse impact on the Company's financial performance.

B. MORTGAGE LOANS HELD FOR SALE, AT FAIR VALUE

Mortgage loans held for sale are as follows at December 31, 2021:

	Amounts
Mortgage loans held for sale	$ 83,462,951
Fair value adjustment	2,505,959
	$ 85,968,910

C. MORTGAGE LOANS HELD FOR INVESTMENT, NET

The following summarizes mortgage loans held for investment, net at December 31, 2021:

		Amounts
Mortgage loans held for investment	$	3,771,459
Valuation allowance		(88,272)
	$	3,683,187

D. ACCOUNTS RECEIVABLE AND ADVANCES

The following summarizes accounts receivable and advances at December 31, 2021:

		Amounts
Loan sales receivable	$	304,740
Loan funding receivable		125,659
Due from borrower		128,893
Servicing advances		52,635
MSR co-issue receivable		610,706
MSR sale receivable		416,000
Pair-off receivable		16,758
	$	1,655,391

The Company periodically evaluates the carrying value of accounts receivable and advance balances with delinquent balances written-off based on specific credit evaluations and circumstances of the debtor. No allowance for doubtful accounts has been established at December 31, 2021, as management has determined that all amounts are fully collectible.

E. DERIVATIVE INSTRUMENTS

The Company enters into IRLCs to originate residential mortgage loans held for sale, at specified interest rates and within a specified period of time (generally between 30 and 90 days), with borrowers who have applied for a loan and have met certain credit and underwriting criteria. The IRLCs are adjusted for estimated costs to originate the loan as well as the probability that the mortgage loan will fund within the terms of the IRLC (the pullthrough rate). Estimated costs to originate include loan officer commissions and overrides. The pullthrough rate is estimated on changes in market conditions, loan stage, and actual borrower behavior using a historical analysis of IRLC closing rates. The Company obtains an analysis from a third party on a monthly basis to support the reasonableness of the pullthrough estimate.

The key unobservable inputs used in determining the fair value of IRLCs are as follows for the year ended December 31, 2021:

	Inputs
Average pullthrough rates	88.48% - 90.01%
Average cost to originate	1.24%

E. DERIVATIVE INSTRUMENTS (Continued)

The following summarizes derivative instruments at December 31, 2021:

	Amounts		
	Fair Value	Notional Amount	
IRLCs:			
Mandatory	$ 2,318,128	$ 103,858,000	(b)
Best efforts	163,838	$ 38,531,000	(b)
MBSs	(48,773)	$ 121,000,000	
Total	$ 2,433,193		

(b) Pullthrough rate adjusted

The notional amounts of mortgage loans held for sale not committed to investors amounted to approximately $28,172,000 at December 31, 2021.

The Company has exposure to credit loss in the event of contractual non-performance by its trading counterparties in derivative instruments that the Company uses in its rate risk management activities. The Company manages this credit risk by selecting only counterparties that the Company believes to be financially strong, spreading the risk among multiple counterparties, by placing contractual limits on the amount of unsecured credit extended to any single counterparty and by entering into netting agreements with counterparties, as appropriate.

F. MORTGAGE SERVICING RIGHTS

The following summarizes the activity of MSRs for the year ended December 31, 2021:

	Amounts
Balance, beginning of year	$ 1,694,970
Additions due to loans sold, servicing retained	467,651
Deletions due to sale of MSRs	(1,877,032)
Deletions due to loan payoffs	(121,869)
Amortization expense	(132,218)
Balance, end of year	$ 31,502

F. MORTGAGE SERVICING RIGHTS (Continued)

At December 31, 2021, the unpaid principal balance of mortgage loans serviced approximated $1,852,000. Conforming conventional loans serviced by the Company are sold to FNMA and FHLMC on a non-recourse basis, whereby foreclosure losses are generally the responsibility of FNMA and FHLMC, and not the Company. The government loans serviced by the

Company are secured through GNMA, whereby the Company is insured against loss by the Federal Housing Administration or partially guaranteed against loss by the Veterans Administration.

The key unobservable inputs used in determining the fair value of the Company's MSRs are as follows at December 31, 2021:

	Inputs
Discount rates	11.42%
Annual prepayment speeds	11.67%
Average cost of servicing	$85

The hypothetical effect of an adverse change in these key unobservable inputs would result in a decrease in fair value as follows at December 31, 2021:

		Amounts
Discount rates:		
Effect on value - 1% adverse change	$	(1,153)
Effect on value - 2% adverse change	$	(2,224)
Prepayment speeds:		
Effect on value - 5% adverse change	$	(585)
Effect on value - 10% adverse change	$	(1,147)
Cost of servicing:		
Effect on value - 5% adverse change	$	(136)
Effect on value - 10% adverse change	$	(271)

These sensitivities are hypothetical and should be used with caution. As the table demonstrates, the Company's methodology for estimating the fair value of MSRs is highly sensitive to changes in key unobservable inputs. For example, actual prepayment experience may differ and any difference may have a material effect on MSR fair value. Changes in fair value resulting from changes in inputs generally cannot be extrapolated because the relationship of the change in input to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular input on the fair value of the MSRs is calculated without changing any other input; in reality, changes in one factor may be associated with changes in another (for example, decreases in market interest rates may indicate higher prepayments; however, this may be partially offset by lower prepayments due to other factors such as a borrower's diminished opportunity to refinance), which may magnify or counteract the sensitivities. Thus, any measurement of MSR fair value is limited by the conditions existing and inputs made as of a particular point in time. Those inputs may not be appropriate if they are applied to a different point in time.

F. MORTGAGE SERVICING RIGHTS (Continued)

The following table summarizes the Company's estimated future MSR amortization expense. These estimates are based on existing asset balances, the current interest rate environment, and prepayment speeds as of December 31, 2021. The actual amortization expense the Company recognizes in any given period may be significantly different depending upon acquisition or sale activities, changes in interest rates, prepayment speeds, market conditions, or circumstances that indicate the carrying amount of an asset may not be recoverable.

Year Ending December 31,		Amounts
2022	$	7,825

2023		6,163
2024		4,521
2025		3,436
2026		2,571
Thereafter		6,986
	$	31,502

Sale of Mortgage Servicing Rights

During the year ended December 31, 2021, the Company sold the majority of its MSR portfolio with an unpaid principal balance of approximately $565,502,000 for a net sales price of $4,946,499, which includes the gross sales prices of $5,315,715 less $369,216 for transactional expenses. The Company recognized a gain on sale of $3,069,467 which is recorded in gain on sale of mortgage servicing rights on the statement of operations. In addition, the Company recorded a receivable totaling $416,000, at December 31, 2021, related to the sale, which is due when all of the complete mortgage files have been received by the purchaser. The Company performed temporary sub-servicing activities with respect to the underlying loans through the established transfer date, for which the Company earned a fee and is also entitled to certain other ancillary income amounts.

G. CAPITAL LEASE OBLIGATIONS

The Company leases equipment with a capitalized cost of $642,979 and a book value of $620,749 under the capital lease agreement expiring August 2023. The capital lease agreement calls for aggregate monthly payments of $27,168 with interest imputed of 1.75% per annum.

The following is a schedule of the future minimum lease payments as of December 31, 2021:

Year Ending December 31,		Amounts
2022	$	320,528
2023		135,321
	$	455,849

H. WAREHOUSE LINES OF CREDIT AGREEMENTS

The Company has the following warehouse lines of credit (WHLOC) agreements with various financial institutions at December 31, 2021:

Facility Type	Maturity	Line Amount	Interest Rate	Restricted Cash	Outstanding Balance
WHLOC*	January 2023	$ 40,000,000	LIBOR plus 2.25%, with a floor rate of 3.25%	$ —	$ 28,967,766
WHLOC	N/A	$ 75,000,000	LIBOR plus 2.90%, with a floor rate of 3.25%	243,081	24,175,791

WHLOC	August 2022	$ 30,000,000	LIBOR plus 2.75% - 3.25%, with a LIBOR floor rate of .50%	—	6,267,449
WHLOC	June 2022	$ 75,000,000	LIBOR plus 2.65%, with a floor rate of 3.15%	—	21,260,555
				$ 243,081	$ 80,671,561

*The WHLOC is with a related party.

As of December 31, 2021, the Company had mortgage loans held for sale pledged as collateral under the above WHLOC agreements, with the lines being personally guaranteed by the members. The above agreements also contain covenants which include certain financial requirements, including maintenance of minimum tangible net worth, minimum liquid assets, maximum debt to net worth ratio, positive net income, and minimum fidelity bond and errors and omissions coverage, as defined in the agreements. The Company was in compliance with all significant debt covenants at December 31, 2021. The Company intends to renew the WHLOCs when they mature.

I. NOTE PAYABLE

In April 2020, the Company was approved by the U.S. Small Business Administration (SBA) under the CARES Act for a Paycheck Protection Program (PPP) loan and received proceeds totaling $3,698,388. Interest was at 1.00% per annum, and the note was due to mature in April 2022. The note had a deferral period of 15 months beginning on the date of the note, during which interest accrued but no payments were due. The outstanding balance under the note payable totaled $3,698,388 at December 31, 2020. The Company applied for forgiveness of the loan in accordance with the terms of the CARES Act. During the year ended December 31, 2021, the loan was forgiven by the SBA and the Company recognized revenue of $3,698,388, which is included in gain on extinguishment of debt on the statement of operations.

During the year ended December 31, 2021, the Company entered into a related party note payable to purchase the common membership shares and preferred membership shares of a member, which matures in December 2031. The related party note payable has an original balance of $8,500,000, payable in 40 quarterly installments of principal and interest of $189,094, with a balloon payment of $3,601,289 due in December 2031. The amount outstanding under the related party note payable totaled $8,500,000 at December 31, 2021.

Future minimum payments under the note payable are as follows at December 31, 2021:

Year Ending December 31,	Amounts
2022	$ 422,530
2023	438,977
2024	456,177
2025	475,836
2026	495,429
Thereafter	6,211,051
	$8,500,000

J. RELATED PARTY TRANSACTIONS

A related party financial institution is a member of the Company with preferred membership shares.

During the year ended December 31, 2021, the Company sold 126 loans servicing released with unpaid principal balances of $85,297,329 to the related party financial institution. Premiums received on the loans amounted to $1,560,749, during the year ended December 31, 2021, and are included in gain on sale of mortgage loans held for sale on the statement of operations. The Company also paid origination expenses to the related party financial institution totaling $14,800 during the year ended December 31, 2021, which is included in gain on sale of mortgage loans held for sale, direct costs on the statement of operations.

J. RELATED PARTY TRANSACTIONS (Continued)

The Company has a warehouse line of credit agreement and a note payable agreement with the same related party financial institution (Notes H and I, respectively). Pursuant to which, the Company paid $760,179 in interest expense and other fees during the year ended December 31, 2021, which are included in interest expense on the statement of operations.

The Company paid $15,907 in marketing expenses to the related party financial institution during the year ended December 31, 2021, which is included in general and administrative on the statement of operations.

The Company issued two notes receivable to an employee totaling $218,000 during the year ended December 31, 2019. The notes receivable bear interest at 5.00% per annum with principal and unpaid interest payable on the fifth anniversary of each note receivable. The Company will forgive 20% of the principal and interest every 12 months after the effective date of each note receivable, provided the employee meets certain conditions related to continued employment and minimum annual loan origination. The notes receivable due from an employee totaled $130,800 at December 31, 2021. The Company has an additional employee receivable due from a member totaling $222,986 at December 31, 2021. Notes receivables due from a member and an employee totaled $353,786 at December 31, 2021, which are included in due from related parties on the balance sheet.

K. COMMON INTERESTS

The Company has common shares issued and outstanding with certain members totaling 4,981,838 at December 31, 2021. Common shares with voting rights are held by a member that is an officer of the Company. On the fifteenth day of January, April, June and September, the members with common shares receive distributions in aggregate amounts equal to no less than 40% of the Company's available cash, as reasonably determined by the Board of Directors, for the fiscal year through the end of the immediately preceding full calendar month less any amounts previously distributed during such fiscal year, in proportion to their respective common shares. The Board of Directors is authorized to make additional distributions from time to time to the members in proportion to their respective common shares. Profits and losses of the Company shall be allocated first to the preferred members and second to the common members.

L. PREFERRED INTERESTS

The Company has preferred shares issued and outstanding totaling 3,004,656 at December 31, 2021. Effective January 1, 2022, members with preferred shares are entitled to receive, if and when declared, cash payments at the rate of $0.050 (formerly $0.075) per share per annum, made in equal quarterly installments on the fifteenth day of January, April, July, and

October. Such preferred dividend payments are cumulative and totaled $248,119 during the year ended December 31, 2021, with $61,962 recorded in accounts payable and accrued expenses on the balance sheet at December 31, 2021. Holders of preferred membership shares are not entitled to voting rights.

M. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) qualified retirement plan covering substantially all employees. Employees may contribute amounts subject to certain Internal Revenue Service and plan limitations. The Company may make discretionary matching and non-elective contributions. The Company made no contributions to the plan for the year ended December 31, 2021.

N. COMMITMENTS AND CONTINGENCIES

Commitments to Extend Credit

The Company enters into IRLCs with customers who have applied for residential mortgage loans and meet certain credit and underwriting criteria. These commitments expose the Company to market risk if interest rates change and the underlying loan is not economically hedged or committed to an investor. The Company is also exposed to credit loss if the loan is originated and not sold to an investor and the mortgagor does not perform. The collateral upon extension of credit typically consists of a first deed of trust in the mortgagor's residential property. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon. Total commitments to originate loans approximated $158,934,000 at December 31, 2021.

Regulatory Contingencies

The Company is subject to periodic audits and examinations, both formal and informal in nature, from various federal and state agencies, including those made as part of regulatory oversight of mortgage origination, servicing and financing activities. Such audits and examinations could result in additional actions, penalties or fines by state or federal governmental bodies, regulators or the courts.

Operating Leases

The Company leases office space and equipment under various operating lease arrangements, which expire through August 2028. Total rent expense under all operating leases amounted to $2,328,066 for the year ended December 31, 2021, and is included in occupancy, equipment and communication on the statement of operations.

Future minimum rental payments under long-term operating leases are as follows at December 31, 2021:

Year Ending December 31,	Amounts
2022	$ 1,672,393
2023	1,143,646
2024	994,083
2025	494,849
2026	414,104
Thereafter	712,104
	$ 5,431,179

N. COMMITMENTS AND CONTINGENCIES (Continued)

Legal

The Company operates in a highly regulated industry and may be involved in various legal and regulatory proceedings, lawsuits and other claims arising in the ordinary course of its business. The amount, if any, of ultimate liability with respect to such matters cannot be determined, but despite the inherent uncertainties of litigation, management currently believes that the ultimate disposition of any such proceedings and exposure will not have, individually or taken together, a material adverse effect on the financial condition, results of operations, or cash flows of the Company. However, actual outcomes may differ from those expected and could have a material effect on the Company's financial position, results of its operations or cash flows in a future period. The Company accrues for losses when they are probable to occur, and such losses are reasonably estimable. Legal costs are expensed as incurred and are included in general and administrative on the statement of operations.

Regulatory Net Worth Requirements

In accordance with the regulatory requirements of HUD, governing non-supervised, direct endorsement mortgagees, the Company is required to maintain a minimum net worth (as defined by HUD) of $2,500,000. At December 31, 2021, the Company exceeded the regulatory net worth requirement.

In accordance with the regulatory requirements of GNMA, governing issuers of GNMA securities, the Company is required to maintain a minimum net worth (as defined by GNMA) of $2,727,272. At December 31, 2021, the Company exceeded the regulatory net worth requirement.

Self-Insurance Plan

The Company has engaged an insurance company to provided administrative services for the Company's self-funded insurance plan. The Company pays the qualifying medical claims expense for all participating individuals. The Company has a stop loss policy with the insurance company whereby they are reimbursed for all qualifying medical expenses incurred by individual employees above $1,879,984 in the aggregate. In addition, the Company is reimbursed for all aggregate medical expenses incurred by all participating individuals above $100,000 per the stop loss agreement. The Company has accrued for expenses related to incurred but not reported claims totaling $127,000 for the year ended December 31, 2021, which is included in accounts payable and accrued expenses on the balance sheet.

O. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not assumptions specific to the entity.

O. FAIR VALUE MEASUREMENTS (Continued)

ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon the market data obtained from independent sources (observable inputs). In accordance with ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs – Inputs other than the quoted market prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

While the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methods or assumptions to estimate the fair value of certain financial statement items could result in a different estimate of fair value at the reporting date. The significant unobservable inputs used in the fair value measurement may result in significantly different fair value measurements if any of those inputs were to change in isolation. Generally, a change in the assumptions used in the fair value measurement would be accompanied by a directionally opposite change in other assumptions. Those estimated values may differ significantly from the values that would have been used had a readily available market for such items existed, or had such items been liquidated, and those differences could be material to the financial statements.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Mortgage loans held for sale (MLHFS) – The fair value of MLHFS based on Level 2 inputs is determined, when possible, using either quoted secondary-market prices or investor commitments. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan, which would be used by other market participants.

O. FAIR VALUE MEASUREMENTS (Continued)

Mortgage loans held for investment – The fair value of mortgage loans held for investment is determined based on observable market information, including pricing from actual market transactions or broker quotations.

Derivative instruments – The fair value of IRLCs is based on valuation models incorporating market pricing for instruments with similar characteristics, commonly referred to as best execution pricing, or investor commitment prices for best effort IRLCs. The valuation models used to value the IRLCs have unobservable inputs, such as an estimate of the fair value of the servicing rights expected to be recorded upon sale of the loans, estimated costs to originate the loans, and the pullthrough rate, and are therefore classified as Level 3 within the fair value hierarchy.

The fair value of forward sale commitments is based on observable market pricing for similar instruments and are therefore classified as Level 2 within the fair value hierarchy.

Mortgage servicing rights – The fair value of MSRs is difficult to determine because MSRs are not actively traded in observable stand-alone markets. The Company uses a discounted cash flow approach to estimate the fair value of MSRs. This approach consists of projecting net servicing cash flows discounted at a rate that management believes market participants would use in their determinations of fair value. The key unobservable inputs used in the estimation of the fair value of MSRs include prepayment speeds, discount rates, default rates, cost to service, contractual servicing fees, escrow earnings and ancillary income.

Assets and Liabilities Measured at Fair Value

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2021:

Description	Level 1	Level 2	Level 3	Total
MLHFS	$ —	$ 85,968,910	$ —	$ 85,968,910
Derivative instruments	—	(48,773)	2,481,966	2,433,193
Total	$ —	$ 85,920,137	$ 2,481,966	$ 88,402,103

The Company does not have any impaired assets or liabilities that are recorded at fair value on a non-recurring basis as of December 31, 2021.

O. FAIR VALUE MEASUREMENTS (Continued)

Assets and Liabilities Measured at Fair Value (Continued)

The following are the changes in fair value of Level 1 and Level 2 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2021:

Description	Amounts
MLHFS	$ (4,016,702)
Derivative instruments	2,447,829
Total	$ (1,568,873)

Level 3 Purchases, Issuances and Transfers

The following is a summary of the Company's purchases, issuances, and transfers of assets, as applicable, which are measured at fair value on a recurring and non-recurring basis using Level 3 inputs during the year ended December 31, 2021:

	MSRs	IRLCs
Issuances (c)	$ 467,651	$ 46,371,695
Transfers out of Level 3 (d)	$ —	$ 83,297,014

(c) **Issuances of Level 3 MSRs represent current year additions from mortgage loans sold servicing retained. Issuances of Level 3 IRLCs represent the lock-date fair value of IRLCs issued to borrowers during the year, net of the estimated pullthrough rate and costs to originate.**

all Erroneously Awarded Compensation Received by a person:

(d) IRLCs transferred out of Level 3 represent IRLCs that were funded and transferred to mortgage loans held for sale, at fair value.

i. After beginning service as an Executive Officer;

Fair Value of Other Financial Instruments

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, escrow cash, short-term receivables, due from related parties, short-term payables, related party note payable, capital lease obligations, and warehouse lines of credit approximate their fair value at December 31, 2021.

ii. Who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation;

P. **MEMBERSHIP INTEREST PURCHASE AGREEMENT**

iii. While the Company has a listed class of securities listed on Nasdaq; and

During the year ended December 31, 2021, the Company entered into a Membership Interest Purchase Agreement with Primis Bank (the Seller), in which the Company purchased all of the Seller's Common Membership Shares, and 300,000 Preferred Membership Shares. Prior to the sale, the Seller owned 3,801,374 Common Membership Shares, 3,304,666 Preferred Membership Shares, and 4,890 Voting Units of the issued and outstanding membership interests of the Company. The purchase price for the purchased interest was $10,050,000; consisting of $1,550,000 in cash and a $8,500,000 unsecured promissory note, as referenced in Note I, due to mature in December 2031.

Q. **SUBSE**

iv. During the three completed fiscal years immediately preceding the date that the Company is required to prepare the Accounting Restatement and any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years. For purposes of this Policy, a transition period between the last day of the Company's previous fiscal year and the first day of its new fiscal year that comprises a period of nine to twelve months would be deemed a completed fiscal year.

Management has evaluated subsequent events through March 10, 2022, the date on which the financial statements were available to be issued.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND

FINANCIAL STATEMENTS FOR

SOUTHERN TRUST MORTGAGE, LLC

FOR THEYEARS ENDED DECEMBER31, 2020 AND 2019

Graphic

3.2 Notwithstanding the foregoing, this Policy shall only apply to Incentive-Based Compensation Received on or after the Effective Date.

SOUTHERN TRUST MORTGAGE, LLC
TABLE OF CONTENTS

The Company's obligation to recover Erroneously Awarded Compensation pursuant to this Policy is not dependent on when the restated financial statements are filed.

3.4

4.0 Certain Exceptions

4.1

Page

The Company must recover Erroneously Awarded Compensation in compliance with this Policy except to the extent that the conditions of paragraphs (i), (ii) or (iii) in this Section 4.1 are met, and the Compensation Committee, or in the absence of such a committee, a majority of the independent directors serving on the Board, has determined that recovery would be impracticable.

i. The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to Nasdaq.

ii. Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impractical to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company shall obtain an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation, and must provide such opinion to Nasdaq.

FINANCIAL STATEMENTS

26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

5.0 No Indemnification

5.1 The Company shall not indemnify any Executive Officer or former Executive Officer against the loss of Erroneously Awarded Compensation pursuant to this Policy.

6.0 Public Disclosures

6.1 The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the U.S. Federal securities laws, including the disclosure required by the applicable SEC filings.

7.0 Application to Other Persons

7.1 In addition to the Executive Officers and former Executive Officers, this Policy shall apply to any other employee of the Company or its subsidiaries designated by the Compensation Committee or the Board as a person covered by this Policy by notice to the employee ("Other Covered Person").

7.2 Unless otherwise determined by the Compensation Committee or the Board, this Policy shall apply to an Other Covered Person as if such individual was an Executive Officer during the relevant periods described in Section 3.0.

7.3 The Compensation Committee or the Board may, in its discretion, limit recovery of Erroneously Awarded Compensation from an Other Covered Person to situations in which an Accounting Restatement was caused or contributed to by the Other Covered Person's fraud, willful misconduct or gross negligence.

7.4 In addition, the Compensation Committee or the Board shall have discretion as to (i) whether to seek to recover Erroneously Awarded Compensation from an Other Covered Person, (ii) the amount of the Erroneously Awarded Compensation to be recovered from an Other Covered Person, and (iii) the method of recovering any such Erroneously Awarded Compensation from an Other Covered Person. In exercising such discretion, the Compensation Committee or the Board may take into account such considerations as it deems appropriate, including whether the assertion of a claim may violate applicable law or prejudice the interests of the Company in any related proceeding or investigation.

8.0 Interpretation; Enforcement

8.1 The Compensation Committee shall have full authority to interpret and enforce this Policy to the fullest extent permitted by law.

8.2 The Compensation Committee shall determine, in its sole discretion, the appropriate means to seek recovery of any Erroneously Awarded Compensation, which may include, without limitation: (i) requiring cash reimbursement; (ii) seeking recovery or forfeiture of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards; (iii) offsetting the amount to be recouped from any compensation otherwise owed by the Company to the Executive Officer; (iv) canceling outstanding vested or unvested equity awards; or (v) taking any other remedial and recovery action permitted by law, as determined by the Compensation Committee.

The Compensation Committee shall determine the repayment schedule for any Erroneously Awarded Compensation in a manner that complies with the "reasonably promptly" requirement set forth in Section 3.1 hereof. Such determination shall be consistent with any applicable legal guidance, by the SEC, judicial opinion or otherwise. The determination with respect to "reasonably promptly" recovery may vary from case to case and the Compensation Committee is authorized to adopt additional rules to further describe what repayment schedules satisfies this requirement.

8.4

8.5

9.0 Non-Exclusivity

9.1 Nothing in this Policy shall be viewed as limiting the right of the Company or the Compensation Committee to pursue recoupment under or as provided by the Company's plans, awards, policies or agreements or the applicable provisions of any law, rule or regulation (including, without limitation, Section 304 of the Sarbanes-Oxley Act of 2002).

| Tax | Advisory

10.0 Policy Controls

10.1 If the requirement to recover Erroneously Awarded Compensation is triggered under this Policy, then, in the event of any actual or alleged conflict between the provisions of this Policy and a similar clause or provision in any of the Company's plans, awards, policies or agreements, this Policy shall be controlling and determinative; provided that, if such other plan, award, policy or agreement provides that a greater amount of compensation shall be subject to clawback, the provisions of such other plan, award, policy or agreement shall apply to the amount in excess of the amount subject to clawback under this Policy.

Graphic

11.0

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Amendment

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Southern Trust Mortgage, LLC
Virginia Beach, Virginia

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Southern Trust Mortgage, LLC (the Company) as of December31, 2020 and 2019, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes (collectively, referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rulesand regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

11.1 The Compensation Committee may amend this Policy, provided that any such amendment does not cause this Policy to violate applicable listing standards of Nasdaq or Rule 10D-1 under the Exchange Act.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM APPENDIX A

Critical Audit Matters Examples of Incentive-Based Compensation

Critical audit matters Examples of compensation that constitutes Incentive-Based Compensation for purposes of this Policy include, but are matters arising from the current period audit of the financial statements that were communicated or required to be communicated not limited to, the audit committee and that: (1)relate to accounts or disclosures that are material to the financial statements and (2)involved our especially challenging, subjective, or complex judgements. We determined that there are no critical audit matters.

Richey, May& Co.,LLP.

We have served as Southern Trust Mortgage, LLC's auditor since 2014.

Graphic

Englewood, Colorado
March 12, 2021

SOUTHERN TRUST MORTGAGE, LLC
BALANCE SHEETS

	December 31,	
ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 16,100,165	$ 6,867,905
Restricted cash	1,581,252	360,458
Escrow cash	669,144	313,183
Mortgage loans held for sale, at fair value	143,434,684	100,223,953
Accounts receivable and advances	1,020,842	733,905
Derivative assets	10,199,245	1,932,676
Prepaid expenses and other current assets	499,014	589,023
Loans eligible for repurchase from GNMA	2,338,905	—
Total current assets	175,843,251	111,021,103
OTHER ASSETS		
Property and equipment, net	921,652	784,371
Mortgage servicing rights, net	1,694,970	6,750
Mortgage loans held for investment, net	2,081,000	3,308,201
Real estate owned	32,900	122,900
Due from related parties	174,400	393,339
Deposits and other assets	159,986	172,645
Total other assets	5,064,908	4,788,206
TOTAL ASSETS	$ 180,908,159	$ 115,809,309
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	$ 7,395,761	$ 3,527,203
Customer deposits and loan escrows	1,148,034	4,743,419
Warehouse lines of credit	136,087,177	92,052,015
Operating line of credit, related party	—	3,734,308
Derivative liabilities	2,496,602	74,922
Note payable, current portion	2,051,145	—
Liability for loans eligible for repurchase from GNMA	2,338,905	—
Loan indemnification reserve	1,325,068	593,287
Total current liabilities	152,842,692	104,725,154
Note payable, net of current portion	1,647,243	—
Total liabilities	154,489,935	104,725,154
COMMITMENTS AND CONTINGENCIES (Note O)		
MEMBERS' EQUITY		
Preferred interests, $1 par value; 3,304,656 shares authorized, issued and outstanding	3,304,656	3,304,656

Common interests, $0.057 par value; 8,783,212 shares authorized, issued and outstanding	500,000	500,000
Additional paid-in capital	344,575	344,575
Retained earnings	22,268,993	6,934,924
Total members' equity	26,418,224	11,084,155
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 180,908,159	$ 115,809,309

The accompanying notes are an integral part of these financial statements.

SOUTHERN TRUST MORTGAGE, LLC

STATEMENTS OF OPERATIONS

	Years Ended December 31,	
REVENUE	2020	2019
Gain on sale of mortgage loans held for sale, net of direct costs of $6,528,911 and $4,918,604 respectively	$ 107,063,928	$ 45,726,642
Loan origination fees	9,341,728	4,871,817
Interest income	4,184,292	3,989,638
Interest expense	(5,045,267)	(5,215,135)
Loan servicing fees, net of direct costs of $315,922 and $133,809, respectively	382,754	32,235
Gain on sale of mortgage servicing rights	—	337,865
Other income	139,317	53,595
Total revenue	116,066,752	49,796,657
EXPENSES		
Salaries, commissions and benefits	84,080,099	39,032,347
Occupancy, equipment and communication	3,519,608	3,353,159
General and administrative	4,866,432	3,895,578
Provision for loan losses	897,309	551,322
Depreciation and amortization	275,692	224,550
Loss on sale of real estate owned	31,607	3,600
Amortization and deletions of mortgage servicing rights	167,947	51,590
Total expenses	93,838,694	47,112,146
NET INCOME (LOSS)	$ 22,228,058	$ 2,684,511

The accompanying notes are an integral part of these financial statements.

SOUTHERN TRUST MORTGAGE, LLC

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FOR THEYEARS ENDED DECEMBER31, 2020 and 2019

Additional

	Preferred Interests		Common Interests		Paid-In	Retained	
	Shares	Amount	Shares	Amount	Capital	Earnings	Totals
Balance, December 31, 2018	3,304,656	$ 3,304,656	8,783,212	$ 500,000	$ 344,575	$ 4,643,925	$ 8,793,156
Preferred dividends	—	—	—	—	—	(249,312)	(249,312)
Member distributions	—	—	—	—	—	(144,200)	(144,200)
Net income	—	—	—	—	—	2,684,511	2,684,511
Balance, December 31, 2019	3,304,656	3,304,656	8,783,212	500,000	344,575	6,934,924	11,084,155
Preferred dividends	—	—	—	—	—	(247,039)	(247,039)
Member distributions	—	—	—	—	—	(6,646,950)	(6,646,950)
Net income	—	—	—	—	—	22,228,058	22,228,058
Balance, December 31, 2020	3,304,656	$ 3,304,656	8,783,212	$ 500,000	$ 344,575	$ 22,268,993	$ 26,418,224

The accompanying notes are an integral part of these financial statements.

SOUTHERN TRUST MORTGAGE, LLC
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 22,228,058	$ 2,684,511
Non-cash items-		
Provision for loan losses	897,309	551,322
Depreciation and amortization	275,692	224,550
Amortization and deletions of mortgage servicing rights	167,947	51,590
Gain on sale of mortgage loans held for sale, net of direct costs	(107,063,928)	(45,726,642)
Gain on sale of mortgage servicing rights	—	(337,865)
Loss on sale of real estate owned	31,607	3,600
Loss on sale of mortgage loans held for investment	7,809	116,867
(Increase) decrease in-		
Escrow cash	(355,961)	(72,972)
Proceeds from sale and principal payments on mortgage loans held for sale	2,454,696,861	1,419,984,689
Originations and purchases of mortgage loans held for sale	(2,392,699,831)	(1,410,062,230)
Mortgage loans held for investment, net	(698,356)	(1,456,528)
Accounts receivable and advances	(286,937)	(196,024)
Derivative assets	(8,266,569)	(475,733)
Prepaid expenses and other current assets	90,009	(208,221)
Deposits and other assets	12,659	(8,232)
Due from related parties	218,939	46,019
Increase (decrease) in-		
Accounts payable and accrued expenses	3,906,866	1,465,591
Customer deposits and loan escrows	(3,595,385)	1,438,541
Derivative liabilities	2,421,680	(478,516)
Loan indemnification reserve	(183,882)	(465,205)
Net cash provided by (used in) operating activities	(28,195,413)	(32,920,888)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(412,973)	(204,349)

Proceeds from sale of mortgage servicing rights	—	566,157
Proceeds from sale of real estate owned	58,393	—
Proceeds from sale of mortgage loans held for investment	1,836,102	1,765,519
Net cash provided by investing activities	1,481,522	2,127,327
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) under warehouse lines of credit	44,035,162	32,588,987
Net borrowings (repayments) under operating line of credit, related party	(3,734,308)	68,204
Borrowings under note payable	3,698,388	—
Preferred dividends	(185,347)	(187,037)
Member distributions	(6,646,950)	(144,200)
Net cash provided by (used in) financing activities	37,166,945	32,325,954

The accompanying notes are an integral part of these financial statements.

SOUTHERN TRUST MORTGAGE, LLC

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	$ 10,453,054	$ 1,532,393
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	7,228,363	5,695,970
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 17,681,417	$ 7,228,363
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 4,996,763	$ 5,165,733
Preferred dividends payable	$ 61,692	$ 62,275
NON-CASH OPERATING AND INVESTING ACTIVITIES		
The Company increased retained mortgage servicing rights in connection with loan sales.	$ 1,856,167	$ 15,094
The Company recognized loans eligible for repurchase from GNMA and the related liability.	$ 2,338,905	$ —

The Company made a reclassification between loan indemnification reserve and accounts payable and accrued expenses totaling $100,000 during the year ended December 31, 2020.

The Company sold certain mortgage servicing rights for a sales price of $629,063, which was comprised of cash proceeds of $566,157 and a receivable of $62,906 during the year ended December 31, 2019.

The accompanying notes are an integral part of these financial statements.

SOUTHERN TRUST MORTGAGE, LLC

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Southern Trust Mortgage, LLC (the Company) was incorporated in the Commonwealth of Virginia. The Company is primarily engaged in the business of originating, selling and servicing residential mortgage loans through its retail origination channel. The Company maintains its corporate office in Virginia Beach, Virginia, with branch offices in multiple states. The Company is approved as a Title II, non-supervised direct endorsement mortgagee with the United States Department of Housing and Urban Development (HUD). In addition, the Company is an approved issuer with the Government National Mortgage Association (GNMA), as well as an approved seller and servicer with the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC).

Basis of Accounting

The financial statements of the Company are prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as codified in the Financial Accounting Standards Board's (FASB) *Accounting Standards Codification* (ASC).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Consolidation, Variable Interest Entities

The Company sells mortgage loans to FNMA and FHLMC, which are government-sponsored enterprises. The Company may also issue GNMA securities by pooling eligible mortgage loans through a custodian and assigning rights to the mortgage loans to GNMA. FNMA, FHLMC and GNMA (the Agencies) provide credit enhancements for mortgage loans through certain guarantee provisions. These securitizations involve variable interest entities (VIEs) as the trusts or similar vehicles, by design, that either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation, Variable Interest Entities (Continued)

The primary beneficiary of a VIE (i.e., the party that has a controlling financial interest) is required to consolidate the assets and liabilities of the VIE. The primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company may retain the right to service mortgage loans sold or securitized by the Agencies. Due to the significant influence of the Agencies over the VIEs that hold the assets from mortgage loan securitizations, principally through their rights and responsibilities as master servicer, the Company is not the primary beneficiary of the VIEs and therefore the VIEs are not consolidated.

The Company performs on-going reassessments of (1) whether entities previously evaluated under the majority voting-interest framework have become VIEs, based on certain events, and therefore become subject to the VIE consolidation framework; and (2) whether changes in the facts and circumstances regarding the Company's involvement with a VIE cause the Company's consolidation determination to change.

Cash and Cash Equivalents

For cash flow purposes, the Company considers cash and temporary investments with original maturities of three months or less, to be cash and cash equivalents. The Company has diversified its credit risk for cash by maintaining deposits in several financial institutions, which may at times exceed amounts covered by insurance from the Federal Deposit Insurance Corporation. The Company evaluates the creditworthiness of these financial institutions in determining the risk associated with these balances. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Restricted Cash

The Company maintains certain cash balances that are restricted under warehouse agreements and broker margin accounts associated with its derivative instruments.

Mortgage Loans Held for Sale and Revenue Recognition

Mortgage loans held for sale are carried at fair value under the fair value option with changes in fair value recorded in gain on sale of mortgage loans held for sale on the statements of operations. The fair value of mortgage loans held for sale committed to investors is calculated using observable market information such as the investor purchase commitment, assignment of trade or other mandatory delivery commitment prices. The Company bases loans committed to Agency investors based on the Agency's quoted mortgage backed security (MBS) prices. The fair value of mortgage loans held for sale not committed to investors is based on quoted best execution secondary market prices. If no such quoted price exists, the fair value is determined using quoted prices for a similar asset or assets, such as MBS prices, adjusted for the specific attributes of that loan, which would be used by other market participants.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans Held for Sale and Revenue Recognition (Continued)

Gains and losses from the sale of mortgage loans held for sale are recognized based upon the difference between the sales proceeds and carrying value of the related loans upon sale and are recorded in gain on sale of mortgage loans held for sale on the statements of operations. Sales proceeds reflect the cash received from investors through the sale of the loan and servicing release premium. If the related mortgage servicing right (MSR) is sold servicing retained, the MSR addition is recorded in gain on sale of mortgage loans held for sale on the statements of operations. Gain on sale of mortgage loans held for sale also includes the unrealized gains and losses associated with the changes in the fair value of mortgage loans held for sale and the realized and unrealized gains and losses from derivative instruments.

Mortgage loans held for sale are considered sold when the Company surrenders control over the financial assets. Control is considered to have been surrendered when the transferred assets have been isolated from the Company, beyond the reach of the Company and its creditors; the purchaser obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and the Company does not maintain effective control over the transferred assets through either an agreement that both entitles and obligates the Company to repurchase or redeem the transferred assets before their maturity or the ability to unilaterally cause the holder to return specific assets. The Company typically considers the above criteria to have been met upon acceptance and receipt of sales proceeds from the purchaser.

Mortgage Loans Held for Investment, Net

Mortgage loans held for investment for which management has the intent and ability to hold for the foreseeable future or to maturity are carried at amortized cost reduced by a valuation allowance for estimated credit losses. Mortgage loans transferred from the held for sale category are transferred at the lower of cost or fair value, which becomes the new cost basis in the loans.

Loan Origination Fees

Loan origination fees represent revenue earned from originating mortgage loans. Loan origination fees generally represent a flat per-loan fee amount based on a percentage of the original principal loan balance and are recognized as revenue at the time the mortgage loans are funded. Loan origination expenses are charged to operations as incurred.

Interest Income

Interest income on mortgage loans held for sale is recognized for the period from loan funding to sale based upon the principal balance outstanding and contractual interest rates. Revenue recognition is discontinued when loans become 90 days delinquent, or when, in management's opinion, the recovery of principal and interest becomes doubtful and the mortgage loans held for sale are put on nonaccrual status.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

FASB ASC 606, ***Revenue from Contracts with Customers*** (ASC 606), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. The majority of the Company's revenue generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as the Company's mortgage loans and derivatives, as well as revenue related to the Company's mortgage servicing activities.

Loan Servicing Fees and Expenses

Loan servicing fees represent revenue earned for servicing loans for various investors. Loan servicing fees are based on a contractual percentage of the outstanding unpaid principal balance and are recognized into revenue as the related mortgage payments are received. Loan servicing expenses are charged to operations as incurred.

Servicing Advances

Servicing advances represent escrows advanced by the Company on behalf of borrowers and investors to cover delinquent balances for property taxes, insurance premiums and other out-of-pocket costs. Servicing advances are made in accordance with the servicing agreements and are recoverable upon collection of future borrower payments, sale of loan collateral, reimbursement by investor, or mortgage insurance claims. The Company periodically reviews servicing advances for collectability and establishes a valuation allowance for estimated uncollectible amounts. No allowance has been recorded as of December 31, 2020 and 2019, as management has determined that all amounts are fully collectible.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment, Net

Property and equipment is recorded at cost and depreciated or amortized using the straight line method over the estimated useful lives of the assets. The following is a summary of property and equipment at December 31:

	Useful lives (years)	2020	2019
Property and equipment, at cost			
Equipment	3-7	$ 1,234,632	$ 1,010,207
Furniture and fixtures	3-7	878,603	715,241
Software	3-5	180,187	180,187
Leasehold improvements	(a)	105,065	79,879
Total property and equipment, at cost		2,398,487	1,985,514
Accumulated depreciation and amortization			
Equipment		(801,417)	(608,190)
Furniture and fixtures		(507,803)	(430,232)
Software		(122,075)	(121,747)
Leasehold improvements		(45,540)	(40,974)
Total accumulated depreciation and amortization		(1,476,835)	(1,201,143)
Total property and equipment, net		$ 921,652	$ 784,371

(a) Amortized over the shorter of the related lease term or the estimated useful life of the assets.

The Company periodically assesses property and equipment for impairment whenever events or circumstances indicate the carrying amount of an asset may exceed its fair value. If property and equipment is considered impaired, the impairment losses will be recorded on the statements of operations. The Company did not recognize any impairment losses during the years ended December 31, 2020 and 2019.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments

The Company holds and issues derivative financial instruments such as interest rate lock commitments (IRLCs) and forward sale commitments. IRLCs are subject to price risk primarily related to fluctuations in market interest rates. To hedge the interest rate risk on mandatory IRLCs, the Company uses forward sale commitments, such as to-be-announced securities or mandatory delivery commitments with investors. Management expects these forward sale commitments to experience changes in fair value opposite to the changes in fair value of the IRLCs, thereby reducing earnings volatility. Forward sale commitments are also used to hedge the interest rate risk on mortgage loans held for sale that are not committed to investors and still subject to price risk. If the mandatory delivery commitments are not fulfilled, the Company pays a pair-off fee. Best effort forward sale commitments are also executed with investors, whereby certain loans are locked with a borrower and simultaneously committed to an investor at a fixed price. If the best effort IRLC does not fund, the Company has no obligation to fulfill the investor commitment.

The Company considers various factors and strategies in determining what portion of the IRLCs and uncommitted mortgage loans held for sale to economically hedge. FASB ASC 815-25, *Derivatives and Hedging*, requires that all derivative instruments be recognized as assets or liabilities on the balance sheets at their fair value. Changes in the fair value of the derivative instruments and gains and losses resulting from pairing-out of forward sale commitments are recognized in gain on sale of mortgage loans held for sale on the statements of operations in the period in which they occur. The Company accounts for all derivative instruments as free-standing derivative instruments and does not designate any for hedge accounting.

Mortgage Servicing Rights and Revenue Recognition

FASB ASC 860-50, *Transfers and Servicing*, requires that MSRs be initially recorded at fair value at the time the underlying loans are sold. To determine the fair value of the MSR created, the Company uses a valuation model, along with currently available market information including rate sheets from aggregators, that calculates the net present value of future cash flows. The valuation model incorporates assumptions that market participants would use in estimating future net servicing revenue, including the estimated discount rate, estimated prepayment speeds, the cost of servicing, estimated delinquencies, contractual service fees, ancillary income and late fees, float value, the inflation rate, and default rates. The credit quality and stated interest rates of the forward loans underlying the MSRs affects the assumptions used in the cash flow models. MSRs are not actively traded in open markets; accordingly, considerable judgment is required to estimate their fair value, and changes in these estimates could materially change the estimated fair value. The Company receives a monthly fixed servicing fee based on the outstanding principal balances of the mortgage loans, which is collected from investors.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Servicing Rights and Revenue Recognition (Continued)

After initially recording the MSRs at fair value, the Company subsequently amortizes the MSRs over the estimated economic life of the related mortgage loans in proportion to the estimated future net servicing revenue. The net capitalized cost of MSRs is periodically evaluated to determine if the amortized cost of MSRs is in excess of their estimated fair value. For this purpose, the Company stratifies its MSRs based on loan term, interest rate and product type, with estimates of remaining loan lives and prepayment rates being incorporated into the model. When impairment is identified due to the MSR asset’s amortized book value exceeding its fair value, management records a valuation allowance. Valuation allowances are recorded as a reduction to the MSRs on the balance sheets.

Any impairment of the amortized cost of MSRs is assessed based on their fair value at each reporting date using estimated prepayment speeds of the underlying mortgage loans serviced and stratification based on risk characteristics of the underlying loans (predominantly interest rates). As interest rates decrease, mortgage refinancing activity may increase, resulting in higher prepayment speeds of the loans underlying MSRs, which may result in a reduction of the MSRs’ fair value. Such fair value adjustment may require an additional valuation allowance being charged to earnings, to the extent that the amortized cost of the MSR exceeds the estimated fair value from stratification. Conversely, as mortgage interest rates rise, prepayment speeds are usually slower and the value of the MSR asset generally increases, requiring less valuation allowance. If it is later determined that all or a portion of the temporary impairment no longer exists for a stratification, the valuation allowance is reduced through a recovery to earnings. An other-than-temporary impairment (i.e.

recoverability is considered remote when considering interest rates and loan pay-off activity) is recognized as a write-down of the MSR asset and the related valuation allowance. A direct write-down permanently reduces the carrying value of the MSR asset and valuation allowance, precluding subsequent recoveries.

The key unobservable inputs used in determining the fair value of MSRs when they are initially recorded were as follows for the year ended December 31, 2020:

	Inputs
Discount rates	11.00% - 11.26%
Annual prepayment speeds	15.39% - 21.40%
Average cost of servicing	$85

The Company's MSR portfolio was de minimus at December 31, 2019, therefore, certain disclosures pertaining to 2019 were omitted from the notes to the financial statements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sale of Mortgage Servicing Rights

A transfer of servicing rights related to loans previously sold qualifies as a sale at the date on which title passes, if substantially all risks and rewards of ownership have irrevocably passed to the transferee and any protection provisions retained by the transferor are minor and can be reasonably estimated. In addition, if a sale is recognized and only minor protection provisions exist, a liability should be accrued for the estimated obligation associated with those provisions.

Loans in Forbearance and Eligible for Repurchase from GNMA

When the Company has the unilateral right to repurchase GNMA pool loans it has previously sold (generally loans that are more than 90 days past due) and the Company has determined there is more than a trivial benefit to repurchase the loans, the Company records its right to the loan on its balance sheets as an asset and corresponding liability. The recognition of previously sold mortgage loans does not impact the accounting for the previously recognized MSRs. At December 31, 2020, delinquent or defaulted mortgage loans currently in GNMA pools that the Company has recognized on its balance sheets totaled $2,338,905. The Company had no delinquent or defaulted mortgage loans in GNMA pools at December 31, 2019. Loans with borrowers that have entered into a forbearance plan under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) have an unpaid principal balance of approximately $7,041,000 or 1.36% of the MSR portfolio at December 31, 2020, of which approximately $2,339,000 and 0.45% of the MSR portfolio is greater than 90 days delinquent. There were no actual repurchases of GNMA delinquent or defaulted mortgage loans during the year ended December 31, 2020. The Company repurchased $503,131 of GNMA delinquent or defaulted mortgage loans during the year ended December 31, 2019 with the intention to modify their terms and include the loans in new GNMA pools.

Real Estate Owned

Real estate owned is initially recorded at the estimated fair value at the date of foreclosure of the underlying delinquent mortgage loan, which becomes the new cost basis in the real estate owned. The fair value of real estate owned is determined, when possible, using observable market data, including recent real estate appraisals and broker price opinions. Costs incurred in managing and maintaining foreclosed real estate and subsequent declines in fair value are charged to operations as incurred and are included in general and administrative on the statements of operations. The Company periodically assesses real estate owned for impairment whenever events or circumstances indicate the carrying amount of the assets may exceed their fair value. If real estate owned is considered impaired, the impairment losses will be recorded on the statements of operations.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Indemnification Reserve

Loans sold to investors by the Company and which met investor and Agency underwriting guidelines at the time of sale may be subject to repurchase in the event of specific default by the borrower or subsequent discovery that underwriting standards were not met. The Company may, upon mutual agreement, indemnify the investor against future losses on such loans. The Company has established a reserve for potential losses related to these representations and warranties. In assessing the adequacy of the reserve, management evaluates various factors including actual write-offs during the period, historical loss experience, known delinquent and other problem loans, and economic trends and conditions in the industry. Actual losses incurred are reflected as write-offs against the loan indemnification reserve.

The activity in the loan indemnification reserve for mortgage loans held for sale is as follows for the years ended December 31:

	2020	2019
Balance, beginning of year	$ 593,287	$ 532,071
Recovery of loan losses	815,663	526,421
Reclassification of provision	100,000	—
Loans written-off, net of recoveries	(183,882)	(465,205)
Balance, end of year	$ 1,325,068	$ 593,287

Because of the uncertainty in the various estimates underlying the loan indemnification reserve, there is a range of losses in excess of the recorded loan indemnification reserve that is reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss and is based on current available information, significant judgment, and a number of assumptions that are subject to change.

Valuation Allowance on Mortgage Loans Held for Investment, Net

The Company periodically evaluates the carrying value of mortgage loans held for investment in excess of fair value and establishes a valuation allowance for potential losses. In assessing the adequacy of the valuation allowance, management evaluates various factors on a loan level basis, including the probability of not being able to collect payments based on the contractual terms of the mortgage, the estimated fair value of the underlying collateral and probable losses inherent to the loan portfolio. Additions to and recovery of the valuation allowance are reflected in the provision for loan losses on the statements of operations.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation Allowance on Mortgage Loans Held for Investment, Net (Continued)

The activity in the valuation allowance for mortgage loans held for investment is as follows for the years ended December 31:

	2020	2019
Balance, beginning of year	$ 59,184	$ 44,900
Provision for loan losses	81,646	24,901
Loans written-off, net of recoveries	(51,395)	(10,617)
Balance, end of year	$ 89,435	$ 59,184

Because of the uncertainty in the various estimates underlying the valuation allowance, there is a range of losses in excess of the recorded valuation allowance that is reasonably possible. The estimate of the range of possible loss does not represent a probable loss and is based on current available information, significant judgment and a number of assumptions that are subject to change.

Escrow and Fiduciary Funds

The Company maintains segregated bank accounts for escrow balances in trust for investors for mortgagors. The balances of these accounts amounted to $2,178,678 and $19,845 at December 31, 2020 and 2019, respectively, and are excluded from the balance sheets.

Advertising and Marketing

Advertising and marketing is expensed as incurred and amounted to $1,220,661 and $1,221,637 for the years ended December 31, 2020 and 2019, respectively, and are included in general and administrative on the statements of operations.

Income Taxes

The Company has elected to be taxed as a partnership under the Internal Revenue Code. Accordingly, no federal income tax provision and state income taxes, to the extent possible, have been recorded in the financial statements, as all items of income and expense generated by the Company are reported on the members' income tax returns. The Company has no federal or state tax examinations in process as of December 31, 2020.

Risks and Uncertainties

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include interest rate risk and credit risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, as well as decreases in the value of mortgage loans held for sale not committed to investors and commitments to originate loans, which may negatively impact the Company's operations. Credit risk is the risk of default that may result from the borrowers' inability or unwillingness to make contractually required payments during the period in which loans are being held for sale or serviced by the Company.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties (Continued)

The Company sells loans to investors without recourse. As such, the investors have assumed the risk of loss or default by the borrower. However, the Company is usually required by these investors to make certain standard representations and warranties relating to credit information, loan documentation and collateral. To the extent that the Company does not comply with such representations, or there are early payment defaults, the Company may be required to repurchase the loans or indemnify these investors for any losses from borrower defaults. In addition, if loans pay-off within a specified time frame, the Company may be required to refund a portion of the sales proceeds to the investors.

The Company's business requires substantial cash to support its operating activities. As a result, the Company is dependent on its warehouse lines of credit, and other financing facilities in order to finance its continued operations. If the Company's principal lenders decided to terminate or not to renew any of these financing facilities with the Company, the loss of borrowing capacity could have a material adverse impact on the Company's financial statements unless the Company found a suitable alternative source.

The recent global outbreak of COVID-19 has disrupted economic markets, and the prolonged economic impact is uncertain. The operational and financial performance of the Company depends on future developments, including the duration and spread of the outbreak, and such uncertainty may have an adverse impact on the Company's financial performance.

Recently Issued Accounting Pronouncements

Future Adoption of New Accounting Pronouncements

In February 2016, FASB issued *Accounting Standards Update (ASU)* No. 2016-02, *Leases* (ASU 2016-02), which requires recognition of right-of-use assets and lease liabilities by lessees for all leases with a term greater than 12 months and to provide enhanced disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted.

Adoption of Recent Accounting Pronouncements

In August 2018, the FASB issued an ASU that further removes, modifies or adds certain disclosure requirements for fair value measurements. The Company adopted the guidance beginning January 1, 2020. The adoption did not have a significant impact on the Company's financial statements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

Adoption of Recent Accounting Pronouncements (Continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which amends the guidance for recognizing credit losses on financial instruments measured at amortized cost including receivables. The ASU requires measurement and recognition of expected versus incurred credit losses using a lifetime credit loss measurement approach. Significantly all of the Company's financial assets are measured at fair value and are therefore not subject to the guidance; however, the Company determined that receivables and GNMA early buyout loans are within the scope of the ASU. GNMA early buyout loans are insured by the FHA or guaranteed by the Department of Veterans Affairs (VA) which limits the Company's exposure to potential credit-related losses to an immaterial amount. Further, the estimated credit-related losses of the Company's receivables are also immaterial due to the short-term nature of the assets. Servicing advances are generally expected to be fully reimbursed under the terms of the servicing agreements. The Company adopted the guidance beginning January 1, 2020. The adoption did not have a significant impact on the Company's financial statements.

B. MORTGAGE LOANS HELD FOR SALE, AT FAIR VALUE

Mortgage loans held for sale are as follows at December 31:

	2020	2019
Mortgage loans held for sale	$ 136,912,023	$ 96,137,616
Mortgage loans held for sale (greater than 90 days outstanding)	—	669,026
Fair value adjustment	6,522,661	3,417,311
	$ 143,434,684	$ 100,223,953

C. MORTGAGE LOANS HELD FOR INVESTMENT, NET

The following summarizes mortgage loans held for investment, net at December 31:

	2020	2019
Mortgage loans held for investment	$ 2,170,435	$ 3,367,385
Valuation allowance	(89,435)	(59,184)
	$ 2,081,000	$ 3,308,201

D. ACCOUNTS RECEIVABLE AND ADVANCES

The following summarizes accounts receivable and advances at December 31:

	2020	2019
Loan sales receivable	$ 149,347	$ 364,407
Due from borrower	43,885	118,483
Servicing advances	99,570	54,888
MSR co-issue receivable	728,040	196,127
	$ 1,020,842	$ 733,905

The Company periodically evaluates the carrying value of accounts receivable and advance balances with delinquent balances written-off based on specific credit evaluations and circumstances of the debtor. No allowance for doubtful accounts has been established at December 31, 2020 and 2019, as management has determined that all amounts are fully collectible.

The Company issued two notes receivable to an employee totaling $218,000 during the year ended December 31, 2019. The notes receivable bear interest at 5.00% per annum with principal and unpaid interest payable on the fifth anniversary of each note receivable. The Company will forgive 20% of the principal and interest every 12 months after the effective date of each note receivable, provided the employee meets certain conditions related to continued employment and minimum annual loan origination. The notes receivable totaled $174,400 and $218,000 at December 31, 2020 and 2019, respectively, which are included in due from related parties on the balance sheets.

E. DERIVATIVE INSTRUMENTS

The Company enters into IRLCs to originate residential mortgage loans held for sale, at specified interest rates and within a specified period of time (generally between 30 and 90 days), with borrowers who have applied for a loan and have met certain credit and underwriting criteria. The IRLCs are adjusted for estimated costs to originate the loan as well as the probability that the mortgage loan will fund within the terms of the IRLC (the pullthrough rate). Estimated costs to originate include loan officer commissions and overrides. The pullthrough rate is estimated on changes in market conditions, loan stage, and actual borrower behavior using a historical analysis of IRLC closing rates. The Company obtains an analysis from an independent third party on a monthly basis to support the reasonableness of the pullthrough estimate.

E. DERIVATIVE INSTRUMENTS (Continued)

The key unobservable inputs used in determining the fair value of IRLCs are as follows for the years ended December 31:

	2020	2019
Pullthrough rates	81.92% - 88.35%	86.60% - 88.98%
Average cost to originate	1.20%	1.20%

The following summarizes derivative instruments at December 31:

	2020		2019	
	Fair Value	Notional Amount	Fair Value	Notional Amount
IRLCs:				
Mandatory	$ 9,945,416	$ 254,186,000 (b)	$ 1,702,564	$ 60,814,000 (b)
Best efforts	253,829	$ 27,329,000 (b)	230,112	$ 25,413,000 (b)
MBSs	(2,496,602)	$ 326,000,000	(74,922)	$ 71,000,000
Total	$ 7,702,643		$ 1,857,754	

(b) Pullthrough rate adjusted

The notional amounts of mortgage loans held for sale not committed to investors amounted to approximately $105,819,000 and $17,514,000 at December 31, 2020 and 2019, respectively.

The Company has exposure to credit loss in the event of contractual non-performance by its trading counterparties in derivative instruments that the Company uses in its rate risk management activities. The Company manages this credit risk by selecting only counterparties that the Company believes to be financially strong, spreading the risk among multiple counterparties, by placing contractual limits on the amount of unsecured credit extended to any single counterparty and by entering into netting agreements with counterparties, as appropriate.

F. MORTGAGE SERVICING RIGHTS

The following summarizes the activity of MSRs for the years ended December 31:

	2020	2019
Balance, beginning of year	$ 6,750	$ 303,194
Additions due to loans sold, servicing retained	1,856,167	15,094
Deletions due to sale of MSRs	—	(259,948)
Deletions due to loan payoffs	(17,151)	(19,787)
Amortization expense	(150,796)	(31,803)
Balance, end of year	$ 1,694,970	$ 6,750

At December 31, 2020 and 2019, the unpaid principal balance of mortgage loans serviced approximated $517,842,000 and $4,476,000, respectively. Conforming conventional loans serviced by the Company are sold to FNMA and FHLMC on a non-recourse basis, whereby foreclosure losses are generally the responsibility of FNMA and FHLMC, and not the Company. The government loans serviced by the Company are secured through GNMA, whereby the Company is insured against loss by the Federal Housing Administration or partially guaranteed against loss by the VA.

The key unobservable inputs used in determining the fair value of the Company's MSRs are as follows at December 31, 2020:

	Inputs
Discount rates	11.00% - 11.24%
Annual prepayment speeds	15.52% - 21.40%
Average cost of servicing	$85

The hypothetical effect of an adverse change in these key unobservable inputs would result in a decrease in fair value as follows at December 31, 2020:

	Amounts
Discount rates:	
Effect on value - 1% adverse change	$ (139,594)
Effect on value - 2% adverse change	$ (270,488)
Prepayment speeds:	
Effect on value - 5% adverse change	$ (153,468)
Effect on value - 10% adverse change	$ (299,990)
Cost of servicing:	
Effect on value - 5% adverse change	$ (28,738)
Effect on value - 10% adverse change	$ (57,477)

F. MORTGAGE SERVICING RIGHTS (Continued)

These sensitivities are hypothetical and should be used with caution. As the table demonstrates, the Company's methodology for estimating the fair value of MSRs is highly sensitive to changes in key unobservable inputs. For example, actual prepayment experience may differ and any difference may have a material effect on MSR fair value. Changes in fair value resulting from changes in inputs generally cannot be extrapolated because the relationship of the change in input to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular input on the fair value of the MSRs is calculated without changing any other input; in reality, changes in one factor may be associated with changes in another (for example, decreases in market interest rates may indicate higher prepayments; however, this may be partially offset by lower prepayments due to other factors such as a borrower's diminished opportunity to refinance), which may magnify or counteract the sensitivities. Thus, any measurement of MSR fair value is limited by the conditions existing and inputs made as of a particular point in time. Those inputs may not be appropriate if they are applied to a different point in time.

Sale of Mortgage Servicing Rights

During the year ended December 31, 2019, the Company sold the majority of its MSR portfolio with an unpaid principal balance of approximately $75,280,000 for a net sales price of $597,813, which includes the gross sales prices of $629,063 less $31,250 for transactional expenses. The Company recognized a gain on sale of $337,865 which is recorded in gain on sale of mortgage servicing rights on the statements of operations. In addition, the Company recorded a receivable totaling $62,906, at December 31, 2019, related to the sale, which is due when all of the complete mortgage files have been received by the purchaser. The Company performed temporary sub-servicing activities with respect to the underlying loans through the established transfer date, for which the Company earned a fee and is also entitled to certain other ancillary income amounts.

G. WAREHOUSE LINES OF CREDIT AGREEMENTS

The Company has the following warehouse lines of credit (WHLOC) agreements with various financial institutions at December 31:

Facility Type	Maturity	Line Amount	Interest Rate	Restricted Cash	Outstanding Balance 2020	2019
WHLOC	N/A	$ 10,000,000	LIBOR plus 2.75%, with a floor rate of 3.25 %	$ 100,000	$ —	$ —
WHLOC*	January 2022	$ 40,000,000	LIBOR plus 2.25%, with a floor rate of 3.25 %	—	30,757,899	23,007,825
WHLOC	N/A	$ 90,000,000	LIBOR plus 2.90%, with a floor rate of 3.25 %	586,643	58,664,259	25,123,038
WHLOC	August 2021	$ 50,000,000	LIBOR plus 2.75% - 3.25%, with a LIBOR floor rate of 1.00 %	—	25,009,964	14,776,973

WHLOC	June 2021	$ 75,000,000	LIBOR plus 2.65%, with a LIBOR floor rate of 0.50	%	—	21,655,055	29,144,179
					$ 686,643	$ 136,087,177	$ 92,052,015

*The WHLOC is with a related party.

As of December 31, 2020 and 2019, the Company had mortgage loans held for sale pledged as collateral under the above WHLOC agreements, with the lines being personally guaranteed by the members. The above agreements also contain covenants which include certain financial requirements, including maintenance of minimum tangible net worth, minimum liquid assets, maximum debt to net worth ratio, positive net income, and minimum fidelity bond and errors and omissions coverage, as defined in the agreements. The Company was in compliance with all significant debt covenants at December 31, 2020. The Company intends to renew the WHLOCs when they mature.

H. OPERATING LINE OF CREDIT AGREEMENT, RELATED PARTY

The Company had a $7 million revolving line of credit agreement with a related party, which matured and was fully repaid in May 2020. The line of credit was payable on demand, bore interest at the Prime rate plus 0.50%, with a floor rate of 3.75%, and was personally guaranteed by a member of the Company. The outstanding balance under the operating line of credit totaled $3,734,308 at December 31, 2019.

I. NOTE PAYABLE

In April 2020, the Company was approved by the U.S. Small Business Administration (SBA) under the CARES Act for a Paycheck Protection Program (PPP) loan and received proceeds totaling $3,698,388. Interest is at 1.00% per annum and matures in April 2022. The note has a deferral period of 15 months beginning on the date of the note, during which interest accrues but no payments are due. The outstanding balance under the note payable totaled $3,698,388 at December 31, 2020. The Company intends to use the entire PPP loan amount for qualifying expenses and to apply for forgiveness of the loan in accordance with the terms of the CARES Act.

Future minimum payments under the note payable are as follows at December 31, 2020:

Year Ending December 31,	Amounts
2021	$ 2,051,145
2022	1,647,243
	$ 3,698,388

J. RELATED PARTY TRANSACTIONS

A related party financial institution is a member of the Company with common membership shares and preferred membership shares.

During the years ended December 31, 2020 and 2019, the Company sold 225 and 287 loans, respectively, servicing released with unpaid principal balances of $58,916,783 and $158,200,197, respectively, to the related party financial institution. Premiums received on the loans amounted to $1,096,796 and $2,633,141, during the years ended December 31, 2020 and 2019, respectively, and are included in gain on sale of mortgage loans held for sale on the statements of operations. The Company also paid origination expenses to the related party financial institution totaling $3,100 and $9,603 during the years ended December 31, 2020 and 2019, respectively, which is included in gain on sale of mortgage loans held for sale, direct costs on the statements of operations.

The Company has a warehouse line of credit agreement and an operating line of credit agreement with the same related party financial institution (Notes G and H, respectively). Pursuant to which, the Company paid $996,728 and $1,332,480 in interest expense and other fees during the years ended December 31, 2020 and 2019, respectively, which are included in interest expense on the statements of operations.

The Company paid $16,371 and $27,154 in marketing expenses to the related party financial institution during the years ended December 31, 2020 and 2019, respectively, which is included in general and administrative on the statements of operations.

J. RELATED PARTY TRANSACTIONS (Continued)

The Company has receivables due from various employees totaling $174,400 and $393,339 at December 31, 2020 and 2019, respectively, which are included in due from related parties on the balance sheets.

K. COMMON INTERESTS

At December 31, 2020 and 2019, the Company has 8,783,212 common shares issued and outstanding with certain members. Common shares with voting rights are held by a member that is an officer of the Company and a financial institution member. On the fifteenth day of January, April, June and September, the members with common shares receive distributions in aggregate amounts equal to no less than 40% of the Company's available cash, as reasonably determined by the Board of Directors, for the fiscal year through the end of the immediately preceding full calendar month less any amounts previously distributed during such fiscal year, in proportion to their respective common shares. The Board of Directors is authorized to make additional distributions from time to time to the members in proportion to their respective common shares. Profits and losses of the Company shall be allocated first to the preferred members and second to the common members.

L. PREFERRED INTERESTS

At December 31, 2020 and 2019, the Company has 3,304,656 preferred shares issued and outstanding. Members with preferred shares are entitled to receive, if and when declared, cash payments at the rate of $0.075 per share per annum, made in equal quarterly installments on the fifteenth day of January, April, July and October. Such preferred dividend payments are cumulative and totaled $247,039 and $249,312 during the years ended December 31, 2020 and 2019, respectively, with $61,692 and $62,275 recorded in accounts payable and accrued expenses on the balance sheets at December 31, 2020 and 2019, respectively. Holders of preferred membership shares are not entitled to voting rights.

M. PROFIT INTEREST UNITS

During the year ended December 31, 2020, members transferred 518,210 units to an officer of the Company as common profits interest membership shares (profit interest units). The transfer was based on loan production volume from the preceding year. The profit interest units entitle the officer to participate in future profits, losses, distributions and appreciation of the Company. The profit interest units do not require initial investment and do not have voting rights. During the year ended December 31, 2020, profit interest unit distributions totaled $308,615.

N. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) qualified retirement plan covering substantially all employees. Employees may contribute amounts subject to certain Internal Revenue Service and plan limitations. The Company may make discretionary matching and non-elective contributions. The Company made no contributions to the plan for the years ended December 31, 2020 and 2019.

O. COMMITMENTS AND CONTINGENCIES

Commitments to Extend Credit

The Company enters into IRLCs with customers who have applied for residential mortgage loans and meet certain credit and underwriting criteria. These commitments expose the Company to market risk if interest rates change and the underlying loan is not economically hedged or committed to an investor. The Company is also exposed to credit loss if the loan is originated and not sold to an investor and the mortgagor does not perform. The collateral upon extension of credit typically consists of a first deed of trust in the mortgagor's residential property. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon. Total commitments to originate loans approximated $321,058,000 and $97,692,000 at December 31, 2020 and 2019, respectively.

Regulatory Contingencies

The Company is subject to periodic audits and examinations, both formal and informal in nature, from various federal and state agencies, including those made as part of regulatory oversight of mortgage origination, servicing and financing activities. Such audits and examinations could result in additional actions, penalties or fines by state or federal governmental bodies, regulators or the courts.

Operating Leases

The Company leases office space and equipment under various operating lease arrangements, which expire through May 2025. Total rent expense under all operating leases amounted to $2,477,219 and $2,419,495 for the years ended December 31, 2020 and 2019, respectively, and are included in occupancy, equipment and communication on the statements of operations.

Future minimum rental payments under long-term operating leases are as follows at December 31, 2020:

Year Ending December 31,	Amounts
2021	$ 1,634,130
2022	941,993
2023	583,258
2024	408,689
2025	90,844
	$ 3,658,914

O. COMMITMENTS AND CONTINGENCIES (Continued)

Legal

The Company operates in a highly regulated industry and may be involved in various legal and regulatory proceedings, lawsuits and other claims arising in the ordinary course of its business. The amount, if any, of ultimate liability with respect to such matters cannot be determined, but despite the inherent uncertainties of litigation, management currently believes that the ultimate disposition of any such proceedings and exposure will not have, individually or taken together, a material adverse effect on the financial condition, results of operations, or cash flows of the Company. However, actual outcomes may differ from those expected and could have a material effect on the Company's financial position, results of its operations or cash flows in a future period. The Company accrues for losses when they are probable to occur, and such losses are reasonably estimable. Legal costs are expensed as incurred and are included in general and administrative on the statements of operations.

Regulatory Net Worth Requirements

In accordance with the regulatory requirements of HUD, governing non-supervised, direct endorsement mortgagees, the Company is required to maintain a minimum net worth (as defined by HUD) of $2,500,000. At December 31, 2020, the Company exceeded the regulatory net worth requirement.

In accordance with the regulatory requirements of GNMA, governing issuers of GNMA securities, the Company is required to maintain a minimum net worth (as defined by GNMA) of $4,808,820. At December 31, 2020, the Company exceeded the regulatory net worth requirement.

Self-Insurance Plan

The Company has engaged an insurance company to provided administrative services for the Company's self-funded insurance plan. The Company pays the qualifying medical claims expense for all participating individuals. The Company has a stop loss policy with the insurance company whereby they are reimbursed for all qualifying medical expenses incurred by individual employees above $1,665,736 in the aggregate. In addition, the Company is reimbursed for all aggregate medical expenses incurred by all participating individuals above $100,000 per the stop loss agreement. The Company has accrued for expenses related to incurred but not reported claims totaling $187,000 and $197,000 for the years ended December 31, 2020 and 2019.

P. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not assumptions specific to the entity.

P. FAIR VALUE MEASUREMENTS (Continued)

ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon the market data obtained from independent sources (observable inputs). In accordance with ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs – Inputs other than the quoted market prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

While the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methods or assumptions to estimate the fair value of certain financial statement items could result in a different estimate of fair value at the reporting date. The significant unobservable inputs used in the fair value measurement may result in significantly different fair value measurements if any of those inputs were to change in isolation. Generally, a change in the assumptions used in the fair value measurement would be accompanied by a directionally opposite change in other assumptions. Those estimated values may differ significantly from the values that would have been used had a readily available market for such items existed, or had such items been liquidated, and those differences could be material to the financial statements.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Mortgage loans held for sale (MLHFS) – The fair value of mortgage loans held for sale based on Level 2 inputs is determined, when possible, using either quoted secondary-market prices or investor commitments. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan, which would be used by other market participants.

Mortgage loans held for investment –The fair value of mortgage loans held for investment is determined based on observable market information, including pricing from actual market transactions or broker quotations.

P. FAIR VALUE MEASUREMENTS (Continued)

Derivative instruments– The fair value of IRLCs is based on valuation models incorporating market pricing for instruments with similar characteristics, commonly referred to as best execution pricing, or investor commitment prices for best effort IRLCs. The valuation models used to value the IRLCs have unobservable inputs, such as an estimate of the fair value of the servicing rights expected to be recorded upon sale of the loans, estimated costs to originate the loans, and pullthrough, and are therefore classified as Level 3 within the fair value hierarchy.

The fair value of forward sale commitments is based on observable market pricing for similar instruments and are therefore classified as Level 2 within the fair value hierarchy.

Mortgage servicing rights– The fair value of MSRs is difficult to determine because MSRs are not actively traded in observable stand-alone markets. The Company uses a discounted cash flow approach to estimate the fair value of MSRs. This approach consists of projecting net servicing cash flows discounted at a rate that management believes market participants would use in their determinations of fair value. The key unobservable inputs used in the estimation of the fair value of MSRs include prepayment speeds, discount rates, default rates, cost to service, contractual servicing fees, escrow earnings and ancillary income.

Real estate owned –Real estate owned is initially recorded at the estimated fair value at the date of foreclosure on the delinquent mortgage loans, which becomes the new cost basis in the real estate owned. The fair value of real estate owned is determined, when possible, using observable market data, including recent real estate appraisals and broker price opinions. Subsequent declines in fair value are credited to a valuation allowance.

Assets and Liabilities Measured at Fair Value

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

Description	Level 1	Level 2	Level 3	Total
MLHFS	$ —	$ 143,434,684	$ —	$ 143,434,684
Derivative instruments	—	(2,496,602)	10,199,245	7,702,643
Total	$ —	$ 140,938,082	$ 10,199,245	$ 151,137,327

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

Description	Level 1	Level 2	Level 3	Total
MLHFS	$ —	$ 100,223,953	$ —	$ 100,223,953
Derivative instruments	—	(74,922)	1,932,676	1,857,754
Total	$ —	$ 100,149,031	$ 1,932,676	$ 102,081,707

The Company does not have any impaired assets or liabilities that are recorded at fair value on a non-recurring basis as of December 31, 2020 and 2019.

P. FAIR VALUE MEASUREMENTS (Continued)

Assets and Liabilities Measured at Fair Value (Continued)

The following are the changes in fair value of Level 1 and Level 2 assets and liabilities measured at fair value on a recurring basis for the years ended December 31:

Financial Instrument	2020	2019
Mortgage loans held for sale	$ 3,105,350	$ 1,087,360
Derivative liabilities	(2,421,680)	478,516
Total	$ 683,670	$ 1,565,876

Level 3 Purchases, Issuances and Transfers

The following is a summary of the Company's purchases, issuances, and transfers of assets, as applicable, which are measured at fair value on a recurring and non-recurring basis using Level 3 inputs during the year ended December 31, 2020:

	MSRs	IRLCs
Issuances (c)	**$ 1,856,167**	**$ 68,946,475**
Transfers out of Level 3 (d)	**$ —**	**$ 112,297,249**

(c) Issuances of Level 3 MSRs represent current year additions from mortgage loans sold servicing retained. Issuances of

● Level 3 IRLCs represent the lock-date fair value of IRLCs issued to borrowers during the year, net of the estimated pullthrough rate and costs to originate.
Non-equity incentive plan awards earned based wholly or in part on satisfying a Financial Reporting Measure performance goal.

(d) IRLCs transferred out Bonuses paid from a "bonus pool," the size of Level 3 represent IRLCs which is determined based

● wholly or in part on satisfying a Financial Reporting Measure performance goal.

● Other cash awards based wholly or in part on satisfying a Financial Reporting Measure performance goal.

● Restricted stock, restricted stock units, performance share units, stock options, and stock appreciation rights that are granted or become vested based wholly or in part on satisfying a Financial Reporting Measure performance goal.

● Proceeds received upon the sale of shares acquired through an incentive plan that were funded granted or vested based wholly or in part on satisfying a Financial Reporting Measure performance goal.

Examples of compensation that does not constitute Incentive-Based Compensation for purposes of this Policy include the following:

● Salary or salary increases for which the increase is not contingent upon achieving any Financial Reporting Measure performance goal.

● Bonuses paid solely at the discretion of the Compensation Committee or Board that are not paid from a bonus pool, the size of which is determined based wholly or in part on satisfying a Financial Reporting Measure performance goal.

● Bonuses paid solely upon satisfying one or more subjective standards (e.g., demonstrated leadership) and/or completion of a specified employment period.

● Non-equity incentive plan awards earned solely upon satisfying one or more strategic measures (e.g., consummating a merger or divestiture) or operational measures (e.g., opening a specified number of stores, completion of a project, or increase in market share).

● Equity awards for which the grant is not contingent upon achieving any Financial Reporting Measure performance goal and transferred vesting is contingent solely upon completion of a specified employment period and/or attaining one or more non-Financial Reporting Measures.

APPENDIX B

PRIMIS FINANCIAL CORP.

ACKNOWLEDGEMENT OF INCENTIVE COMPENSATION RECOVERY POLICY

By my signature below, I acknowledge and agree that:

- I have received and reviewed Primis Financial Corp. Incentive Compensation Recovery Policy (the "Policy") and am fully bound by and subject to mortgage loans held for sale, at fair value. the terms of the Policy; and

- I will abide by all of the terms of the Policy during and after my employment with the Company, including, without limitation, by promptly repaying or returning to the Company any Erroneously Awarded Compensation (as defined in the Policy) to the extent required by, and in a manner consistent with, the Policy.

Fair Value of Other Financial InstrumentsSignature:______________________________________

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, escrow cash, short-term receivables, short-term payables, note payable, and warehouse and operating lines of credit approximate their fair value at December 31, 2020. Name (printed):______________________________________

Date:______________________________________

Q. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 12, 2021, the date on which the financial statements were available to be issued.

31 If you have specific questions regarding this Policy please contact [●]

DISCLAIMER