UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from __________ to __________

Commission file number: 001-36706

CB FINANCIAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**51-0534721**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 N. Market Street , Carmichaels , PA	**15320**
(Address of principal executive offices)	(Zip Code)

(724) 966-5041

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Common stock, par value $0.4167 per share	**CBFV**	**The Nasdaq Stock Market, LLC**
(Title of each class)	(Trading symbol)	(Name of each exchange on which registered)

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, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of May 9, 2024, the number of shares outstanding of the Registrant's Common Stock was 5,142,251 .

cb Financial Services, Inc.

FORM 10-Q

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited) March 31, 2024	December 31, 2023
(Dollars in thousands, except per share and share data)		
ASSETS		
Cash and Due From Banks:		
Interest-Earning	$ 67,006	$ 62,442
Noninterest-Earning	6,685	5,781
Total Cash and Due From Banks	73,691	68,223
Securities:		
Available-for-Sale Debt Securities, at Fair Value	229,854	204,507
Equity Securities, at Fair Value	2,422	2,588
Total Securities	232,276	207,095
Loans Held for Sale	200	—
Loans, Net of Allowance for Credit Losses of $ 9,582 and $ 9,707 at March 31, 2024 and December 31, 2023, Respectively	1,086,761	1,100,689
Premises and Equipment, Net	19,548	19,704
Bank-Owned Life Insurance	23,763	25,378
Goodwill	9,732	9,732
Intangible Assets, Net	617	958
Accrued Interest Receivable and Other Assets	26,501	24,312
TOTAL ASSETS	$ 1,473,089	$ 1,456,091
LIABILITIES		
Deposits:		
Noninterest-Bearing Demand Accounts	$ 275,182	$ 277,747
Interest-Bearing Demand Accounts	323,134	362,994
Money Market Accounts	208,375	201,074
Savings Accounts	190,206	194,703
Time Deposits	265,597	230,641
Total Deposits	1,262,494	1,267,159
Other Borrowings	34,688	34,678
Accrued Interest Payable and Other Liabilities	34,317	14,420
TOTAL LIABILITIES	1,331,499	1,316,257
STOCKHOLDERS' EQUITY		
Preferred Stock, No Par Value; 5,000,000 Shares Authorized	—	—
Common Stock, $ 0.4167 Par Value; 35,000,000 Shares Authorized, 5,783,788 Shares Issued and 5,142,901 Shares Outstanding at March 31, 2024, with 5,759,378 and 5,118,713 Shares Issued and Outstanding at December 31, 2023.	2,411	2,400
Capital Surplus	85,501	85,334
Retained Earnings	86,308	83,392
Treasury Stock, at Cost (640,887 and 640,665 Shares at March 31, 2024 and December 31, 2023, Respectively)	(14,550)	(14,545)
Accumulated Other Comprehensive Loss	(18,080)	(16,747)
TOTAL STOCKHOLDERS' EQUITY	141,590	139,834
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,473,089	$ 1,456,091

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
(Dollars in thousands, except share and per share data)		
INTEREST AND DIVIDEND INCOME		
Loans, Including Fees	$ 14,838	$ 12,371
Investment Securities:		
Taxable	2,303	964
Tax-Exempt	—	41
Dividends	27	24
Other Interest and Dividend Income	818	844
TOTAL INTEREST AND DIVIDEND INCOME	17,986	14,244
INTEREST EXPENSE		
Deposits	5,991	2,504
Short-Term Borrowings	—	2
Other Borrowings	404	155
TOTAL INTEREST EXPENSE	6,395	2,661
NET INTEREST AND DIVIDEND INCOME	11,591	11,583
(Recovery) Provision For Credit Losses - Loans	(143)	80
Provision For Credit Losses - Unfunded Commitments	106	—
NET INTEREST AND DIVIDEND INCOME AFTER NET (RECOVERY) PROVISION FOR CREDIT LOSSES	11,628	11,503
NONINTEREST INCOME		
Service Fees	415	445
Insurance Commissions	2	1,922
Other Commissions	62	144
Net Gain on Sales of Loans	22	2
Net Loss on Securities	(166)	(232)
Net Gain on Purchased Tax Credits	12	7
Net Gain on Disposal of Premises and Equipment	274	11
Income from Bank-Owned Life Insurance	148	140
Net Gain on Bank-Owned Life Insurance Claims	915	302
Other Income	232	69
TOTAL NONINTEREST INCOME	1,916	2,810
NONINTEREST EXPENSE		
Salaries and Employee Benefits	4,576	5,079
Occupancy	749	701
Equipment	264	218
Data Processing	692	857
Federal Deposit Insurance Corporation Assessment	129	152
Pennsylvania Shares Tax	297	260
Contracted Services	281	147
Legal and Professional Fees	212	182
Advertising	129	79
Other Real Estate Owned (Income)	(23)	(37)
Amortization of Intangible Assets	341	445
Other Expense	781	945
TOTAL NONINTEREST EXPENSE	8,428	9,028
Income Before Income Tax Expense	5,116	5,285
Income Tax Expense	920	1,129
NET INCOME	$ 4,196	$ 4,156
EARNINGS PER SHARE		
Basic	$ 0.82	$ 0.81
Diluted	0.82	0.81
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	5,129,903	5,109,597
Diluted	5,142,286	5,115,705

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2024	2023
(Dollars in thousands)		
Net Income	$ 4,196	$ 4,156
Other Comprehensive (Loss) Income:		
Change in Unrealized (Loss) Gain on Investment Securities Available-for-Sale	(1,628)	2,580
Income Tax Effect	295	(557)
Other Comprehensive (Loss) Income, Net of Income Tax Effect	(1,333)	2,023
Total Comprehensive Income	$ 2,863	$ 6,179

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

Three Months Ended March 31, 2024	Shares Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
(Dollars in thousands, except share and per share data)							
December 31, 2023	5,759,378	$ 2,400	$ 85,334	$ 83,392	$ (14,545)	$ (16,747)	$ 139,834
Comprehensive Income:							
Net Income	—	—	—	4,196	—	—	4,196
Other Comprehensive Loss	—	—	—	—	—	(1,333)	(1,333)
Restricted Stock Awards Granted	25,410	11	(11)	—	—	—	—
Restricted Stock Awards Forfeited	(1,000)	—	—	—	—	—	—
Stock-Based Compensation Expense	—	—	178	—	—	—	178
Treasury stock purchased, at cost (222 shares)	—	—	—	—	(5)	—	(5)
Dividends Paid ($ 0.25 Per Share)	—	—	—	(1,280)	—	—	(1,280)
March 31, 2024	5,783,788	$ 2,411	$ 85,501	$ 86,308	$ (14,550)	$ (18,080)	$ 141,590

Three Months Ended March 31, 2023	Shares Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
(Dollars in thousands, except share and per share data)							
December 31, 2022	5,708,433	$ 2,379	$ 83,953	$ 63,861	$ (13,797)	$ (26,241)	$ 110,155
Adoption of Accounting Standard ASU 2016-13	—	—	—	2,092	—	—	2,092
Balance as of January 1, 2023, adjusted	5,708,433	$ 2,379	$ 83,953	$ 65,953	$ (13,797)	$ (26,241)	$ 112,247
Comprehensive Income:							
Net Income	—	—	—	4,156	—	—	4,156
Other Comprehensive Income	—	—	—	—	—	2,023	2,023
Restricted Stock Awards Granted	22,475	9	(9)	—	—	—	—
Stock-Based Compensation Expense	—	—	174	—	—	—	174
Treasury Stock Purchased, at cost (5,834 shares)	—	—	—	—	(130)	—	(130)
Dividends Paid ($ 0.25 Per Share)	—	—	—	(1,275)	—	—	(1,275)
March 31, 2023	5,730,908	$ 2,388	$ 84,118	$ 68,834	$ (13,927)	$ (24,218)	$ 117,195

The accompanying notes are an integral part of these consolidated financial statements

cb Financial Services, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31,	2024	2023
(Dollars in thousands)		
OPERATING ACTIVITIES		
Net Income	$ 4,196	$ 4,156
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities		
Net (Accretion) Amortization on Securities	(212)	22
Depreciation and Amortization	718	710
Recovery (Provision) for Credit Losses - Loans	(143)	80
Provision for Credit Losses - Unfunded Commitments	106	—
Loss on Securities	166	232
Gain on Purchased Tax Credits	(12)	(7)
Income from Bank-Owned Life Insurance	(148)	(140)
Gain on Bank-Owned Life Insurance Death Benefit Claims	(915)	—
Proceeds From Mortgage Loans Sold	994	140
Originations of Mortgage Loans for Sale	(972)	(138)
Gain on Sale of Loans	(22)	(2)
Gain on Sale of Other Real Estate Owned and Repossessed Assets	(7)	—
Noncash Expense for Stock-Based Compensation	178	174
Increase in Accrued Interest Receivable	(162)	(33)
Gain on Disposal of Premises and Equipment	(274)	(11)
Decrease in Deferred Income Tax	(300)	—
Increase in Taxes Payable	925	1,129
Increase in Accrued Interest Payable	399	109
Other, Net	(1,255)	810
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,260	7,231
INVESTING ACTIVITIES		
Investment Securities Available for Sale:		
Proceeds From Principal Repayments and Maturities	3,082	3,359
Purchases of Securities	(19,770)	—
Net Decrease (Increase) in Loans	24,482	(15,865)
Purchase of Premises and Equipment	(970)	(204)
Proceeds from Disposal of Premises and Equipment	988	36
Proceeds From a Claim on Bank-Owned Life Insurance	—	1,392
Proceeds From Sale of Other Real Estate Owned	169	—
Decrease in Restricted Equity Securities	177	223
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	8,158	(11,059)
FINANCING ACTIVITIES		
Net (Decrease) Increase in Deposits	(4,665)	13,017
Net Decrease in Short-Term Borrowings	—	(7,939)
Cash Dividends Paid	(1,280)	(1,275)
Treasury Stock, Purchases at Cost	(5)	(130)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(5,950)	3,673
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,468	(155)
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	68,223	103,700
CASH AND DUE FROM BANKS AT END OF PERIOD	$ 73,691	$ 103,545

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31,	**2024**	**2023**
(Dollars in thousands)		
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Paid For:		
Interest on Deposits and Borrowings (Including Interest Credited to Deposits of $ 5,736 and $ 2,540 , Respectively)	$ 5,995	$ 2,522
Income Taxes	32	—
SUPPLEMENTAL NONCASH DISCLOSURE:		
Proceeds Receivable from Claims on Bank-Owned Life Insurance	2,679	1,392
Other Real Estate Acquired in Settlement of Loans	—	248
Securities Purchased Not Settled	10,075	—
Syndicated Loans Purchased and Sold Not Settled, net	10,550	8,943
Right of Use Asset Recognized	1,042	77
Lease Liability Recognized	1,042	75

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of CB Financial Services, Inc. ("CB Financial") and its wholly owned subsidiary, Community Bank (the "Bank"), and the Bank's wholly-owned subsidiary, Exchange Underwriters, Inc. ("Exchange Underwriters"). CB Financial, the Bank and Exchange Underwriters are collectively referred to as the "Company". All intercompany transactions and balances have been eliminated in consolidation.

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and in conformity with accounting principles generally accepted in the United States of America ("GAAP") and with general practice within the banking industry. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading in any material respect. In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Statements of Financial Condition and income and expenses for the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to determination of the allowance for credit losses on loans, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, impairment evaluations of securities, goodwill and intangible assets impairment, and the valuation of deferred tax assets.

In the opinion of management, the accompanying unaudited interim financial statements include all adjustments considered necessary for a fair presentation of the Company's financial position and results of operations at the dates and for the periods presented. All these adjustments are of a normal, recurring nature, and they are the only adjustments included in the accompanying unaudited interim financial statements. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Interim results are not necessarily indicative of results for a full year.

Nature of Operations

The Company derives substantially all its income from banking and bank-related services which include interest income on commercial, commercial mortgage, residential real estate and consumer loan financing, as well as interest and dividend income on securities, insurance commissions, and fees generated from deposit services to its customers. The Company provides banking services through its subsidiary, Community Bank, a Pennsylvania-chartered commercial bank headquartered in Carmichaels, Pennsylvania. The Bank is a community-oriented institution offering residential and commercial real estate loans, commercial and industrial loans, and consumer loans as well as a variety of deposit products for individuals and businesses in its market area. The Bank operates 10 offices in Greene, Allegheny, Washington, Fayette and Westmoreland Counties in southwestern Pennsylvania, and three offices in Marshall and Ohio Counties in West Virginia.

On December 1, 2023, the Company announced that the Bank and EU entered into an Asset Purchase Agreement with World Insurance Associates, LLC ("World") pursuant to which EU sold substantially all of its assets to World for a purchase price of $ 30.5 million cash plus possible additional earn-out payments. The sale of assets was completed December 8, 2023, and resulted in a pre-tax gain of $ 24.6 million. This transaction did not meet the criteria for discontinued operations reporting.

Critical Accounting Policies; Use of Critical Accounting Estimates

The disclosures below supplement the accounting policies previously disclosed in Note 1 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC.

Allowance for Credit Losses (ACL)

On January 1, 2023, the Company adopted ASU 2016-13, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology. The Company adopted ASU 2016-13 using a modified retrospective approach. Results for reporting periods beginning after January 1, 2023 are presented under Topic 326, while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption resulted in a decrease of $ 3.4 million to the Company's ACL related to loans receivable (ACL - Loans) and an increase of $ 718,000 in ACL for unfunded commitments (ACL - Unfunded Commitments). The net impact resulted in a $ 2.1 million increase to retained earnings, net of deferred taxes.

The ACL represents the estimated amount considered necessary to cover lifetime expected credit losses inherent in financial assets at the balance sheet date. The measurement of expected credit losses is applicable to loans receivable and securities measured at amortized cost. It also applies to off-balance sheet credit exposures such as loan commitments and unused lines of credit. The allowance is established through a provision for credit losses that is charged against income. The methodology for determining the allowance for credit losses is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the forecasted economic environment that could result in changes to the amount of the recorded ACL. The ACL is reported separately as a contra-asset on the Consolidated Statement of Financial Condition. The expected credit loss for unfunded loan commitments is reported on the Consolidated Statement of Financial Condition in other liabilities while the provision for credit losses related to unfunded commitments is reported in provision for credit losses - unfunded commitments in the Consolidated Statements of Income.

ACL on Loans Receivable

The ACL on loans is deducted from the amortized cost basis of the loan to present the net amount expected to be collected. Expected losses are evaluated and calculated on a collective, or pooled, basis for those loans which share similar risk characteristics. At each reporting period, the Company evaluates whether loans within a pool continue to exhibit similar risk characteristics. If the risk characteristics of a loan change, such that they are no longer similar to other loans in the pool, the Company will evaluate the loan with a different pool of loans that share similar risk characteristics. If the loan does not share risk characteristics with other loans, the Company will evaluate the loan on an individual basis. The Company evaluates the pooling methodology at least annually. Loans are charged off against the ACL when the Company believes the balances to be uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged off or expected to be charged off.

The Company has chosen to segment its portfolio consistent with the manner in which it manages credit risk. Such segments include residential mortgage, commercial real estate mortgages, construction, commercial business, consumer and other. For most segments, the Company calculates estimated credit losses using a probability of default and loss given default methodology, the results of which are applied to the aggregated discounted cash flow of each individual loan within the segment. The point in time probability of default and loss given default are then conditioned by macroeconomic scenarios to incorporate reasonable and supportable forecasts that affect the collectability of the reported amount.

The Company estimates the ACL on loans via a quantitative analysis which considers relevant available information from internal and external sources related to past events and current conditions, as well as the incorporation of reasonable and supportable forecasts. The Company evaluates a variety of factors including third party economic forecasts, industry trends and other available published economic information in arriving at its forecasts. After the reasonable and supportable forecast period, the Company reverts, on a straight-line basis, to average historical losses. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a restructuring will be executed with an individual borrower or the renewal option is included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Also included in the ACL on loans are qualitative reserves to cover losses that are expected but, in the Company's assessment, may not be adequately represented in the quantitative analysis or the forecasts described above. Factors that the Company considers include changes in lending policies and procedures, business conditions, the nature and size of the portfolio, portfolio concentrations, the volume and severity of past due loans and non-accrual loans, and the effect of external factors such as competition, legal and regulatory requirements, among others. Furthermore, the Company considers the inherent uncertainty in quantitative models that are built upon historical data.

Individually Evaluated Loans

On a case-by-case basis, the Company may conclude that a loan should be evaluated on an individual basis based on its disparate risk characteristics. When the Company determines that a loan no longer shares similar risk characteristics with other loans in the portfolio, the allowance will be determined on an individual basis using the present value of expected cash flows or, for collateral-dependent loans, the fair value of the collateral as of the reporting date, less estimated selling costs, as applicable. If the fair value of the collateral is less than the amortized cost basis of the loan, the Company will charge off the difference between the fair value of the collateral, less estimated costs to sell at the reporting date, and the amortized cost basis of the loan.

ACL on Off-Balance Sheet Commitments

The Company is required to include unfunded commitments that are expected to be funded in the future within the allowance calculation, other than those that are unconditionally cancellable. To arrive at that reserve, the reserve percentage for each applicable segment is applied to the unused portion of the expected commitment balance and is multiplied by the expected funding rate. To determine the expected funding rate, the Company uses a historical utilization rate for each segment. As noted above, the ACL on unfunded loan commitments is included in other liabilities on the Consolidated Statement of Financial Condition and the related credit expense is recorded in provision for credit losses - unfunded commitments in the Consolidated Statements of Income.

ACL on Available-for-Sale Securities

For available-for-sale securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities available-for-sale that do not meet the above criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating by a rating agency, and adverse conditions 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 the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income (loss), net of tax. The Company elected the practical expedient of zero loss estimates for securities issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major agencies and have a long history of no credit losses.

Changes in the ACL are recorded as provision for, or reversal of, credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued Interest Receivable

The Company made an accounting policy election to exclude accrued interest receivable from the amortized cost basis of loans and available for sale securities. Accrued interest receivable on loans is reported as a component of accrued interest receivable and other assets on the Consolidated Statement of Financial Condition, totaled $ 4.1 million at March 31, 2024 and $ 4.3 million at December 31, 2023 and is excluded from the estimate of credit losses. Accrued interest receivable on available of sale securities, also a component of accrued interest receivable and other assets on the Consolidated Statement of Financial Condition, totaled $ 1.1 million at March 31, 2024 and $ 947,000 at December 31, 2023 and is excluded from the estimate of credit losses.

Recent Accounting Standards

In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* that extends the period of time preparers can utilize the reference rate reform relief guidance. In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, as amended.* This ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued. The elective guidance in the ASU applies to modifications of contract terms that will directly replace, or have the potential to replace, an affected rate with another interest rate index, as well as certain contemporaneous modifications of other contract terms related to the replacement of an affected rate. The ASU notes that changes in contract terms that are made to effect the reference rate reform transition are considered related to the replacement of a reference rate if they are not the result of a business decision that is separate from or in addition to changes to the terms of a contract to effect that transition. The optional expedient allows companies to account for the modification as if it was not substantial (i.e., do not treat as an extinguishment of debt). To ensure the relief in Topic 848 covers the period of time during which a significant number of modifications may take place, ASU 2022-06 defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. For all entities, the amendments in ASU 2022-06 are effective upon issuance. As of March 31, 2024, the Company does not have any instruments tied to the LIBOR reference rate. The adoption of this guidance is not expected to have a material effect on the Company's consolidated statements of financial condition and results of operations.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* . This ASU requires that public entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. The ASU requires all entities to disclose on an annual basis (1) the amount of income taxes paid, disaggregated by federal, state and foreign taxes and (2) the amount of income taxes paid disaggregated by individual jurisdictions in which income taxes paid is equal or greater than five percent of total income taxes paid. The ASU also requires that all entities disclose (1) income (loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic or foreign and (2) income tax expense (or benefit) from continuing operations disaggregated by federal (national), state and foreign. This ASU is effective for public entities for annual period beginning after December 15, 2024. The Company does not expect the adoption of the ASU to have a material effect on the Company's consolidated statements of financial statements and results of operations.

Note 2. Earnings Pe r Share

There are no convertible securities which would affect the numerator in calculating basic and diluted earnings per share; therefore, net income as presented on the Consolidated Statements of Income is used as the numerator.

The following table sets forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation:

	Three Months Ended March 31,	
	2024	2023
(Dollars in thousands, except share and per share data)		
Net Income	$ 4,196	$ 4,156
Weighted-Average Basic Common Shares Outstanding	5,129,903	5,109,597
Dilutive Effect of Common Stock Equivalents (Stock Options and Restricted Stock)	12,383	6,108
Weighted-Average Diluted Common Shares and Common Stock Equivalents Outstanding	5,142,286	5,115,705
Earnings Per Share:		
Basic	$ 0.82	$ 0.81
Diluted	0.82	0.81

The dilutive effect on weighted average diluted common shares outstanding is the result of outstanding stock options and nonvested restricted stock. The following table presents for the periods indicated (a) options to purchase shares of common stock that were outstanding but not included in the computation of earnings per share because the options' exercise price was greater than the average market price of the common shares for the period, and (b) shares of restricted stock awards that were not included in the computation of diluted earnings per share because the hypothetical repurchase of shares under the treasury stock method exceeded the weighted average nonvested restricted awards, therefore the effects would be anti-dilutive.

	Three Months Ended March 31,	
	2024	2023
Stock Options	315,566	224,076
Restricted Stock	30,385	49,527

Note 3. Securities

The following table presents the amortized cost and fair value of securities available-for-sale at the dates indicated:

	March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(Dollars in thousands)				
Available-for-Sale Debt Securities:				
U.S. Government Agencies	$ 4,996	$ —	$ (1,102)	$ 3,894
Obligations of States and Political Subdivisions	3,485	—	(141)	3,344
Mortgage-Backed Securities - Government-Sponsored Enterprises	56,626	12	(3,322)	53,316
Collateralized Mortgage Obligations - Government-Sponsored Enterprises	118,532	—	(16,592)	101,940
Collateralized Loan Obligations	59,708	2	(106)	59,604
Corporate Debt	9,482	—	(1,726)	7,756
Total Available-for-Sale Debt Securities	252,829	14	(22,989)	229,854
Equity Securities:				
Mutual Funds				880
Other				1,542
Total Equity Securities				2,422
Total Securities				$ 232,276

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(Dollars in thousands)				
Available-for-Sale Debt Securities:				
U.S. Government Agencies	$ 4,995	$ —	$ (1,046)	$ 3,949
Obligations of States and Political Subdivisions	3,481	5	(113)	3,373
Mortgage-Backed Securities - Government-Sponsored Enterprises	57,377	141	(2,986)	54,532
Collateralized Mortgage Obligations - Government-Sponsored Enterprises	120,655	227	(15,752)	105,130
Collateralized Loan Obligations	29,862	—	(58)	29,804
Corporate Debt	9,484	—	(1,765)	7,719
Total Available-for-Sale Debt Securities	225,854	373	(21,720)	204,507
Equity Securities:				
Mutual Funds				888
Other				1,700
Total Equity Securities				2,588
Total Securities				$ 207,095

The following tables show the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at the dates indicated:

	March 31, 2024								
	Less than 12 months			12 Months or Greater			Total		
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
(Dollars in thousands)									
U.S. Government Agencies	—	$ —	$ —	1	$ 3,894	$ (1,102)	1	$ 3,894	$ (1,102)
Obligations of States and Political Subdivisions	1	545	(1)	6	2,799	(140)	7	3,344	(141)
Mortgage Backed Securities-Government-Sponsored Enterprises	3	22,180	(163)	8	16,509	(3,159)	11	38,689	(3,322)
Collateralized Mortgage Obligations - Government-Sponsored Enterprises	4	32,507	(364)	21	69,432	(16,228)	25	101,939	(16,592)
Collateralized Loan Obligations	2	8,558	(106)	—	—	—	2	8,558	(106)
Corporate Debt	—	—	—	3	7,756	(1,726)	3	7,756	(1,726)
Total	10	$ 63,790	$ (634)	39	$ 100,390	$ (22,355)	49	$ 164,180	$ (22,989)

	December 31, 2023								
	Less than 12 months			12 Months or Greater			Total		
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
(Dollars in thousands)									
U.S. Government Agencies	—	$ —	$ —	1	$ 3,949	$ (1,046)	1	$ 3,949	$ (1,046)
Obligations of States and Political Subdivisions	—	—	—	6	2,823	(113)	6	2,823	(113)
Mortgage Backed Securities-Government-Sponsored Enterprises	—	—	—	8	17,135	(2,986)	8	17,135	(2,986)
Collateralized Mortgage Obligations - Government-Sponsored Enterprises	1	5,603	(29)	21	71,796	(15,723)	22	77,399	(15,752)
Collateralized Loan Obligations	1	2,910	(58)	—	—	—	1	2,910	(58)
Corporate Debt	—	—	—	3	7,719	(1,765)	3	7,719	(1,765)
Total	2	$ 8,513	$ (87)	39	$ 103,422	$ (21,633)	41	$ 111,935	$ (21,720)

For debt securities, the Company does not believe that any individual unrealized loss as of March 31, 2024 or December 31, 2023, represents a credit related impairment. The Company performs a review of the entire securities portfolio on a quarterly basis to identify securities that may indicate a credit related impairment. The unrealized losses on securities at March 31, 2024 and December 31, 2023 relate principally to changes in market interest rates subsequent to the acquisition of the specific securities. The Company does not intend to sell, and it is more likely than not that it will be required to sell any of the securities in an unrealized loss position before recovery of its amortized cost or maturity of the security.

Total securities available to be pledged have a fair value of $ 212.0 million at March 31, 2024 and $ 196.8 million at December 31, 2023 of which securities with a fair value of $ 165.8 million and $ 157.3 million at March 31, 2024 and December 31, 2023, respectively, were pledged to secure uninsured public deposits, borrowings or for other purposes as required or permitted by law.

The scheduled maturities of securities available-for-sale are summarized as follows. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay debt obligations with or without prepayment penalties. Mortgage-backed securities, collateralized mortgage obligations and collateralized loan obligations are classified in the table below based on their contractual maturity date; however, regular principal payments and prepayments of principal are received on a monthly basis.

	March 31, 2024	
	Amortized Cost	**Fair Value**
(Dollars in thousands)		
Due in One Year or Less	$ —	$ —
Due after One Year through Five Years	842	816
Due after Five Years through Ten Years	48,074	45,956
Due after Ten Years	203,913	183,082
Total	$ 252,829	$ 229,854

The following table presents the gain and loss on equity securities from both realized sales and unrealized market adjustments for the periods indicated. There was no realized gain or loss on sales of debt securities for the periods indicated. All gains and losses presented in the table below are reported in Net Loss on Securities on the Consolidated Statements of Income.

	Three Months Ended March 31,	
	2024	**2023**
(Dollars in thousands)		
Equity Securities		
Net Unrealized Loss Recognized on Securities Held	$ (166)	$ (232)
Net Realized Gain Recognized on Securities Sold	—	—
Net Loss on Equity Securities	$ (166)	$ (232)
Net Loss on Securities	$ (166)	$ (232)

Note 4. Loans and Allowance for Credit Losses

The Company's loan portfolio is segmented to enable management to monitor risk and performance. Real estate loans are further segregated into three classes. Residential mortgages include those secured by residential properties and include home equity loans, while commercial mortgages consist of loans to commercial borrowers secured by commercial real estate. Construction loans typically consist of loans to build commercial buildings and acquire and develop residential real estate. The commercial and industrial segment consists of loans to finance the activities of commercial customers. The consumer segment consists primarily of indirect auto loans as well as personal installment loans and personal or overdraft lines of credit.

Residential mortgage loans are typically longer-term loans and, therefore, generally present greater interest rate risk than the consumer and commercial loans. Under certain economic conditions, housing values may decline, which may increase the risk that the collateral values are not sufficient.

Commercial real estate loans generally present a higher level of credit risk than loans secured by residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income-producing properties, and the increased difficulty in evaluating and monitoring these types of loans. Furthermore, the repayment of commercial real estate loans is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed, a bankruptcy court modifies a lease term, or a major tenant is unable to fulfill its lease obligations), the borrower's ability to repay the loan may be impaired.

Construction loans are originated to individuals to finance the construction of residential dwellings and are also originated for the construction of commercial properties, including hotels, apartment buildings, housing developments, and owner-occupied properties used for businesses. Construction loans generally provide for the payment of interest only during the construction phase, which is usually 12 to 18 months. At the end of the construction phase, the loan generally converts to a permanent residential or commercial mortgage loan. Construction loan risks include overfunding in comparison to the plans, untimely completion of work, and leasing and stabilization after project completion.

Commercial and industrial loans are generally secured by inventories, accounts receivable, and other business assets, which present collateral risk.

Consumer loans generally have higher interest rates and shorter terms than residential mortgage loans; however, they have additional credit risk due to the type of collateral securing the loan.

The following table presents the classifications of loans as of the dates indicated:

(Dollars in thousands)	March 31, 2024	December 31, 2023
Real Estate:		
Residential	$ 346,938	$ 347,808
Commercial	470,430	467,154
Construction	44,323	43,116
Commercial and Industrial	103,313	111,278
Consumer	100,576	111,643
Other	30,763	29,397
Total Loans	1,096,343	1,110,396
Allowance for Credit Losses	(9,582)	(9,707)
Loans, Net	$ 1,086,761	$ 1,100,689

Total unamortized net deferred loan fees were $ 897,000 and $ 1.0 million at March 31, 2024 and December 31, 2023, respectively.

The Company uses an eight-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first four categories are not considered criticized and are aggregated as “pass” rated. The criticized rating categories used by management generally follow bank regulatory definitions. The special mention category includes assets that are currently protected but are below average quality, resulting in an undue credit risk, but not to the point of justifying a substandard classification. Loans in the substandard category have well-defined weaknesses that jeopardize the liquidation of the debt and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. Loans classified as doubtful have all the weaknesses inherent in loans classified as substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as loss are considered uncollectible and of such little value that continuance as an asset is not warranted.

The following tables present the Company's loans by year of origination, loan segmentation and risk indicator summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard and Doubtful within the internal risk rating system as of the dates indicated. There were no loans in the criticized category of Loss.

(dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
	Classified Loans by Origination Year (as of March 31, 2024)							
Real Estate:								
Residential								
Pass	$ 5,648	$ 33,704	$ 49,806	$ 43,592	$ 57,999	$ 138,224	$ 14,420	$ 343,393
Special Mention	—	—	1,026	500	—	99	—	1,625
Substandard	—	—	—	97	—	1,823	—	1,920
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	5,648	33,704	50,832	44,189	57,999	140,146	14,420	346,938
Commercial								
Pass	11,925	56,222	69,494	88,743	47,613	158,728	2,073	434,798
Special Mention	—	1,193	5,443	5,670	2,416	12,776	—	27,498
Substandard	—	—	—	—	—	8,134	—	8,134
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	11,925	57,415	74,937	94,413	50,029	179,638	2,073	470,430
Construction								
Pass	146	15,895	13,047	731	—	—	—	29,819
Special Mention	—	4,988	2,283	663	6,570	—	—	14,504
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	146	20,883	15,330	1,394	6,570	—	—	44,323
Commercial and Industrial								
Pass	14,359	25,647	15,406	8,359	5,260	5,573	18,141	92,745
Special Mention	—	—	—	—	9	3,435	3,250	6,694
Substandard	—	—	—	—	—	3,874	—	3,874
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	14,359	25,647	15,406	8,359	5,269	12,882	21,391	103,313
Consumer								
Pass	232	11,857	44,691	22,508	8,777	6,836	5,557	100,458
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	24	—	23	71	—	118
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	232	11,857	44,715	22,508	8,800	6,907	5,557	100,576
Other								
Pass	—	4,045	18,752	37	633	4,884	851	29,202
Special Mention	—	—	1,561	—	—	—	—	1,561
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	—	4,045	20,313	37	633	4,884	851	30,763
Total Loans	$ 32,310	$ 153,551	$ 221,533	$ 170,900	$ 129,300	$ 344,457	$ 44,292	$ 1,096,343
Gross Charge Offs	$ —	$ —	$ 26	$ 1	$ 6	$ 13	$ 17	$ 63

(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
	Classified Loans by Origination Year (as of December 31, 2023)							
Real Estate:								
Residential								
Pass	$ 33,579	$ 49,903	$ 44,749	$ 58,344	$ 38,008	$ 104,931	$ 14,932	$ 344,446
Special Mention	—	1,034	507	—	—	345	—	1,886
Substandard	—	—	—	—	—	1,476	—	1,476
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	33,579	50,937	45,256	58,344	38,008	106,752	14,932	347,808
Commercial								
Pass	56,466	72,006	85,285	49,356	49,442	112,749	2,017	427,321
Special Mention	1,206	5,485	9,030	2,445	2,730	10,281	—	31,177
Substandard	—	—	—	—	2,717	5,939	—	8,656
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	57,672	77,491	94,315	51,801	54,889	128,969	2,017	467,154
Construction								
Pass	13,322	12,469	2,932	540	—	—	—	29,263
Special Mention	4,489	2,153	663	6,548	—	—	—	13,853
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	17,811	14,622	3,595	7,088	—	—	—	43,116
Commercial and Industrial								
Pass	31,609	16,334	8,652	5,556	3,366	2,875	32,172	100,564
Special Mention	—	—	—	12	—	3,215	3,250	6,477
Substandard	—	—	—	—	—	4,237	—	4,237
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	31,609	16,334	8,652	5,568	3,366	10,327	35,422	111,278
Consumer								
Pass	12,726	49,027	25,528	10,365	3,786	4,715	5,408	111,555
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	24	—	64	—	88
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	12,726	49,027	25,528	10,389	3,786	4,779	5,408	111,643
Other								
Pass	4,047	17,248	41	646	1,278	3,701	851	27,812
Special Mention	—	1,585	—	—	—	—	—	1,585
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	4,047	18,833	41	646	1,278	3,701	851	29,397
Total Loans	$ 157,444	$ 227,244	$ 177,387	$ 133,836	$ 101,327	$ 254,528	$ 58,630	$ 1,110,396
Gross Charge Offs	$ —	$ 163	$ 44	$ 18	$ 2	$ 314	$ 48	$ 589

The following tables present the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of the dates indicated:

	March 31, 2024						
	Loans Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due	Non-Accrual	Total Loans
(Dollars in Thousands)							
Real Estate:							
Residential	$ 342,521	$ 2,347	$ 343	$ —	$ 2,690	$ 1,727	$ 346,938
Commercial	468,920	863	303	—	1,166	344	470,430
Construction	44,323	—	—	—	—	—	44,323
Commercial and Industrial	103,313	—	—	—	—	—	103,313
Consumer	99,578	810	70	—	880	118	100,576
Other	30,763	—	—	—	—	—	30,763
Total Loans	$ 1,089,418	$ 4,020	$ 716	$ —	$ 4,736	$ 2,189	$ 1,096,343

	December 31, 2023						
	Loans Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due	Non-Accrual	Total Loans
(Dollars in Thousands)							
Real Estate:							
Residential	$ 342,852	$ 3,339	$ 141	$ —	$ 3,480	$ 1,476	$ 347,808
Commercial	466,794	—	—	—	—	360	467,154
Construction	43,116	—	—	—	—	—	43,116
Commercial and Industrial	110,905	57	—	—	57	316	111,278
Consumer	110,459	1,010	86	—	1,096	88	111,643
Other	29,397	—	—	—	—	—	29,397
Total Loans	$ 1,103,523	$ 4,406	$ 227	$ —	$ 4,633	$ 2,240	$ 1,110,396

Additional interest income that would have been recorded if the loans that were nonaccrual at March 31, 2024 were current was $ 20,000 for the three months ended March 31, 2024, and $ 33,000 for the three months ended March 31, 2023.

The following table sets forth the amounts for amortized cost basis of loans on nonaccrual status, loans past due 90 days still accruing, and categories of nonperforming assets at the date indicated.

	March 31, 2024			
	Nonaccrual With No ACL	Nonaccrual With ACL	Loans Past Due 90 Days Still Accruing	Total Nonperforming Assets
(Dollars in Thousands)				
Nonaccrual Loans:				
Real Estate:				
Residential	$ 1,727	$ —	$ —	$ 1,727
Commercial	344	—	—	344
Construction	—	—	—	—
Commercial and Industrial	—	—	—	—
Consumer	118	—	—	118
Total Nonaccrual Loans	$ 2,189	$ —	$ —	2,189
Other Real Estate Owned:				
Residential				—
Commercial				—
Total Other Real Estate Owned				—
Total Nonperforming Assets				$ 2,189

	December 31, 2023			
	Nonaccrual With No ACL	Nonaccrual With ACL	Loans Past Due 90 Days Still Accruing	Total Nonperforming Assets
(Dollars in Thousands)				
Nonaccrual Loans:				
Real Estate:				
Residential	$ 1,476	$ —	$ —	$ 1,476
Commercial	360	—	—	360
Commercial and Industrial	316	—	—	316
Consumer	88	—	—	88
Total Nonaccrual Loans	$ 2,240	$ —	$ —	2,240
Other Real Estate Owned:				
Residential				162
Commercial				—
Total Other Real Estate Owned				162
Total Nonperforming Assets				$ 2,402

No interest income on nonaccrual loans was recognized during the three months ended March 31, 2024 and March 31, 2023.

All modifications and refinancing, including those with borrowers that are experiencing financial difficulty are subject to the modification guidance in ASC 310-20. Loan modifications could meet the definition of a new loan if certain terms of the loan are modified to the benefit of the lender and the modification to the terms of the loan are more than minor. Both of these criteria have to be met to define the modification as a new loan. If a loan modification meets the criteria of new loan, then the new loan should include the remaining net investment in the original loan, additional funds advanced, fees received, and direct loan origination costs with the refinancing or restructuring. Additionally, the effective interest rate should be recalculated based on the amortized cost basis of the new loan and a reassessment of contractual cash flow. For the three months ended March 31, 2024 and March 31, 2023, there were no new loan modifications to borrowers experiencing financial difficulty.

The recorded investment of residential real estate loans for which formal foreclosure proceedings were in process according to applicable requirements of the local jurisdiction was $ 1.4 million and $ 907,000 at March 31, 2024 and December 31, 2023, respectively.

The activity in the ACL - Loans is summarized below by primary segments for the periods indicated:

(Dollars in thousands)	Real Estate Residential	Real Estate Commercial	Real Estate Construction	Commercial and Industrial	Consumer	Other	Total
December 31, 2023	$ 3,129	$ 2,630	$ 639	$ 1,693	$ 1,367	$ 249	$ 9,707
Charge-offs	(1)	—	—	(12)	(50)	—	(63)
Recoveries	11	—	—	43	27	—	81
Provision (Recovery) for Credit Losses - Loans	(307)	318	231	(137)	(260)	12	(143)
March 31, 2024	$ 2,832	$ 2,948	$ 870	$ 1,587	$ 1,084	$ 261	$ 9,582

(Dollars in thousands)	Real Estate Residential	Real Estate Commercial	Real Estate Construction	Commercial and Industrial	Consumer	Other	Unallocated	Total
December 31, 2022	$ 2,074	$ 5,810	$ 502	$ 2,313	$ 1,517	$ —	$ 603	$ 12,819
Impact of ASC 326	137	(3,244)	488	(1,057)	774	120	(603)	(3,385)
Charge-offs	—	—	—	—	(53)	—	—	(53)
Recoveries	13	—	—	758	38	—	—	809
Provision (Recovery) for Credit Losses - Loans	(68)	490	(185)	(17)	(178)	38	—	80
March 31, 2023	$ 2,156	$ 3,056	$ 805	$ 1,997	$ 2,098	$ 158	$ —	$ 10,270

The Company’s allowance for credit losses on unfunded commitments is recognized as a liability (accrued interest payable and other liabilities on the Consolidated Statement of Financial Condition), with adjustments to the reserve recognized in provision for credit losses - unfunded commitments on the Consolidated Statement of Income. The Company’s activity in the allowance for credit losses on unfunded commitments for the periods ended was as follows:

(in thousands)	**Allowance for Credit Losses**
Balance at December 31, 2023	$ 500
Provision for Credit Losses - Unfunded Commitments	106
Balance at March 31, 2024	$ 606

(in thousands)	**Allowance for Credit Losses**
Balance at December 31, 2022	$ —
Impact of CECL Adoption	718
Provision for Credit Losses - Unfunded Commitments	—
Balance at March 31, 2023	$ 718

Loans that do not share risk characteristics are evaluated on an individual basis. For loans that are individually evaluated and collateral dependent, financial loans where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the financial asset to be provided substantially through the operation or sale of the collateral, the ACL - Loans is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. During the three months ended March 31, 2024 and March 31, 2023, there were no loans that required a credit loss to be individually assigned.

Note 5. Derivatives and Hedging Activities

Derivatives Not Designated as Hedging Instruments

The Company has four risk participation agreements with financial institution counterparties for interest rate swaps related to loans in which it is a participant. The risk participation agreements provide credit protection to the financial institution should the borrower fail to perform on its interest rate derivative contract with the financial institution.

Derivatives Designated as Hedging Instruments

In October 2023, the Company entered into an interest rate swap contract that is designated as a fair value hedge to mitigate the risk of interest rate increases and the subsequent impact on the associated fixed rate mortgages. This contract matures on October 17, 2026, has a notional amount of $ 75.0 million and is benchmarked to SOFR. The Company expects the hedge to remain effective during the remaining term of the swap.

The following table depicts the credit value and fair value adjustments recorded related to the notional amount of derivatives outstanding and risk participation agreements with other financial institutions. These adjustments are included in Accrued Interest Payable and Other Liabilities on the Company's Consolidated Statement of Financial Condition.

	March 31, 2024	December 31, 2023
(Dollars in Thousands)		
Derivatives not Designated as Hedging Instruments		
Risk Participation Agreements:		
Credit Value Adjustment	$ (103)	$ (94)
Notional Amount	16,588	9,119
Derivatives Designated as Hedging Instruments		
Interest rate swaps:		
Fair Value Adjustment	(644)	(1,777)
Notional Amount	75,000	75,000

Note 6. Fair Value Disclosure

ASC Topic 820 “Fair Value Measurement” defines fair value and provides the framework for measuring fair value and required disclosures about fair value measurements. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the transaction date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs used in valuation methods to determine fair value.

The three levels of fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

This hierarchy requires the use of observable market data when available. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The majority of the Company's securities are included in Level 2 of the fair value hierarchy. Fair values for Level 2 securities were primarily determined by a third-party pricing service using both quoted prices for similar assets, when available, and model-based valuation techniques that derive fair value based on market-corroborated data, such as instruments with similar prepayment speeds and default interest rates. The standard inputs that are normally used include benchmark yields of like securities, reportable trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications.

The Company uses derivative instruments, including interest rate swaps and risk participation agreements, and the fair value of such instruments are calculated using accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative, considering the contractual terms of each derivative, and uses observable market-based inputs, such as interest rate curves and implied volatilities. Credit valuation adjustments are incorporated to appropriately reflect nonperformance risk and the respective counterparties' nonperformance risk in calculating fair value measurements. These instruments are clasified as Level 2.

There were no transfers into or out of Level 3 during the three months ended March 31, 2024 or year ended December 31, 2023.

The following table presents the financial assets measured at fair value on a recurring basis and reported on the Consolidated Statements of Financial Condition as of the dates indicated, by level within the fair value hierarchy:

(Dollars in thousands)	Fair Value Hierarchy	March 31, 2024	December 31, 2023
ASSETS			
Available-for-Sale Debt Securities			
U.S. Government Agencies	Level 2	$ 3,894	$ 3,949
Obligations of States and Political Subdivisions	Level 2	3,344	3,373
Mortgage-Backed Securities - Government-Sponsored Enterprises	Level 2	53,316	54,532
Collateralized Mortgage Obligations - Government Sponsored Enterprises	Level 2	101,940	105,130
Collateralized Loan Obligations	Level 2	59,604	29,804
Corporate Debt	Level 2	7,756	7,719
Total Available-for-Sale Debt Securities		229,854	204,507
Equity Securities			
Mutual Funds	Level 1	880	888
Other	Level 1	1,542	1,700
Total Equity Securities		2,422	2,588
Total Securities		$ 232,276	$ 207,095
Total Assets		$ 232,276	$ 207,095
LIABILITIES			
Derivative Financial Liabilities			
Interest Rate Swaps	Level 2	$ 644	$ 1,777
Risk Participation Agreements	Level 2	103	94
Total Liabilities		$ 747	$ 1,871

The following table presents the financial assets on the Consolidated Statements of Financial Condition measured at fair value on a nonrecurring basis as of the dates indicated by level within the fair value hierarchy for only those nonrecurring assets that had a fair value below the carrying amount. The table also presents the significant unobservable inputs used in the fair value measurements.

Financial Asset	Fair Value Hierarchy	December 31, 2023	Valuation Techniques	Significant Unobservable Inputs	Range	Weighted Average
(Dollars in thousands)						
OREO	Level 3	$ —	Appraisal of Collateral (1)	Liquidation Expenses (2)	100 % to 100 %	100.0 %

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which may include various Level 3 inputs, which are not identifiable.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of appraisal adjustments and liquidation expense are presented as a percent of the appraisal.

Collateral dependent impaired loans are evaluated and valued at the time the loan is identified as impaired at the lower of cost or fair value. Fair value is measured based on the value of the collateral securing the loans and is classified as Level 3 in the fair value hierarchy. At March 31, 2024 and December 31, 2023, the Company did not have any loans that would be required to be remeasured.

The fair value of mortgage servicing rights ("MSRs") is determined by calculating the present value of estimated future net servicing cash flows, considering expected mortgage loan prepayment rates, discount rates, servicing costs and other economic factors, which are determined based on current market conditions. The expected rate of mortgage loan prepayments is the most significant factor driving the value of MSRs. MSRs are considered impaired if the carrying value exceeds fair value. Since the valuation model includes significant unobservable inputs as listed above, MSRs are classified as Level 3. At March 31, 2024 and December 31, 2023, the Company did not have any MSRs that would be required to be remeasured.

Other real estate owned ("OREO") properties are evaluated at the time of acquisition and recorded at fair value, less estimated selling costs. After acquisition, OREO is recorded at the lower of cost or fair value, less estimated selling costs. The fair value of an OREO property is determined from a qualified independent appraisal and is classified as Level 3 in the fair value hierarchy. As of March 31, 2024 the Company did not have any OREO that would be required to be remeasured. At December 31, 2023, OREO measured at fair value less costs to sell had no net carrying value, which consisted of the outstanding balance of $ 37,000 less write-downs of $ 37,000 .

Financial instruments are defined as cash, evidence of an ownership in an entity, or a contract which creates an obligation or right to receive or deliver cash or another financial instrument from/to a second entity on potentially favorable or unfavorable terms.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If no readily available market exists, the fair value estimates for financial instruments should be based upon management’s judgment regarding current economic conditions, interest rate risk, expected cash flows, future estimated losses and other factors, as determined through various option pricing formulas or simulation modeling. As many of these assumptions result from judgments made by management based upon estimates which are inherently uncertain, the resulting estimated fair values may not be indicative of the amount realizable in the sale of a particular financial instrument. In addition, changes in the assumptions on which the estimated fair values are based may have significant impact on the resulting estimated fair values.

As certain assets such as deferred tax assets and premises and equipment are not considered financial instruments, the estimated fair value of financial instruments would not represent the full value of the Company.

The following table presents the estimated fair values of the Company's financial instruments at the dates indicated.

		March 31, 2024		December 31, 2023	
	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
(Dollars in thousands)					
Financial Assets:					
Cash and Due From Banks:					
Interest-Earning	Level 1	$ 67,006	$ 67,006	$ 62,442	$ 62,442
Noninterest-Earning	Level 1	6,685	6,685	5,781	5,781
Securities	See Above	232,276	232,276	207,095	207,095
Loans Held for Sale	Level 2	200	200	—	—
Loans, Net	Level 3	1,086,761	1,045,267	1,100,689	1,051,722
Restricted Stock	Level 2	3,168	3,168	3,345	3,345
Mortgage Servicing Rights	Level 3	517	973	540	974
Accrued Interest Receivable	Level 2	5,248	5,248	5,086	5,086
Financial Liabilities:					
Deposits	Level 2	1,262,494	1,259,793	1,267,159	1,263,574
Other Borrowed Funds					
FHLB Borrowings	Level 2	20,000	19,932	20,000	19,962
Subordinated Debt	Level 2	14,688	13,307	14,678	13,378
Derivative Liabilities	Level 2	747	747	1,871	1,871
Accrued Interest Payable	Level 2	2,213	2,213	1,814	1,814

Note 7. Commitments and Contingent Liabilities

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby and performance letters of credit written is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Company maintains an ACL on unfunded commitments to provide for the risk of loss inherent in these arrangements. The Company is required to include unfunded commitments that are expected to be funded in the future within the allowance calculation, other than those that are unconditionally cancellable. To arrive at that reserve, the reserve percentage for each applicable segment is applied to the unused portion of the expected commitment balance and is multiplied by the expected funding rate. To determine the expected funding rate, the Company uses a historical utilization rate for each segment. The ACL on unfunded loan commitments is included in other liabilities on the Consolidated Statement of Financial Condition and the related expense is recorded in provision for credit losses - unfunded commitments in the Consolidated Statement of Income.

The following table presents the unused and available credit balances of financial instruments whose contracts represent credit risk at the dates indicated:

	March 31, 2024	December 31, 2023
(Dollars in thousands)		
Standby Letters of Credit	$ 110	$ 110
Performance Letters of Credit	795	895
Construction Mortgages	43,484	47,034
Personal Lines of Credit	7,313	7,185
Overdraft Protection Lines	1,980	2,025
Home Equity Lines of Credit	24,677	24,176
Commercial Lines of Credit	67,747	64,667
Total Commitments	$ 146,106	$ 146,092

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the customer. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Performance letters of credit represent conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These instruments are issued primarily to support bid or performance-related contracts. The coverage period for these instruments is typically a one-year period with an annual renewal option subject to prior approval by management. Fees earned from the issuance of these letters are recognized upon expiration of the letter. For secured letters of credit, the collateral is typically Company deposit instruments or customer business assets. The Company recorded no liability associated with standby letters of credit as of March 31, 2024 and December 31, 2023.

Note 8. Leases

The Company evaluates all contracts at commencement to determine if a lease is present. In accordance with ASC Topic 842, leases are defined as either operating or finance leases. The Company's lease contracts are all classified as operating leases and create operating right-of-use ("ROU") assets and corresponding lease liabilities on the Consolidated Statements of Financial Condition. The leases are primarily ROU assets of land and building for branch and loan production locations. ROU assets are reported in Accrued Interest Receivable and Other Assets and the related lease liabilities in Accrued Interest Payable and Other Liabilities on the Consolidated Statements of Financial Condition.

The following tables present the lease expense, ROU assets, weighted average term, discount rate and maturity analysis of lease liabilities for operating leases for the periods and dates indicated.

	Three Months Ended March 31,	
	2024	2023
(Dollars in thousands)		
Operating Lease Expense	$ 77	$ 77
Variable Lease Expense	8	7
Total Lease Expense	$ 85	$ 84

(Dollars in thousands)	March 31, 2024	December 31, 2023
Operating Leases:		
ROU Assets	$ 2,651	$ 1,673
Weighted Average Lease Term in Years	12.14	7.50
Weighted Average Discount Rate	4.04 %	2.86 %

(Dollars in thousands)	March 31, 2024
Maturity Analysis:	
Due in One Year	$ 420
Due After One Year to Two Years	321
Due After Two Years to Three Years	308
Due After Three Years to Four Years	307
Due After Four to Five Years	273
Due After Five Years	2,005
Total	$ 3,634
Less: Present Value Discount	885
Lease Liabilities	$ 2,749

On March 29, 2024, the Bank completed the sale and leaseback of a branch office located in Rostraver, Pennsylvania for a sales price of $ 1.1 million. As a result, the Bank recorded a pre-tax net gain of $ 274,000 . Concurrently, the Bank entered into a lease agreement with the purchaser under which the Bank will lease the property for an initial term of 20 years with specified renewal options. The lease agreement includes a 2.0 % annual rent escalation during the initial term and renewal terms, if exercised. The Bank recorded an operating lease ROU asset and corresponding lease liability of $ 1.0 million.

There were no new lease agreements which commenced during the three months ended March 31, 2023.

Note 9. Segment and Related Information

At March 31, 2024, the Company’s business activities were comprised of one operating segment, which is community banking. In prior reporting periods, the Company's business activities were comprised of two operating segments, community banking and insurance brokerage services. CB Financial is the parent company of the Bank and Exchange Underwriters, a wholly owned subsidiary of the Bank.

Exchange Underwriters had an independent board of directors from the Company and was managed separately from the banking and related financial services that the Company offers. Exchange Underwriters was an independent insurance agency that offered property, casualty, commercial liability, surety and other insurance products.

On December 1, 2023, the Company announced that the Bank and EU entered into an Asset Purchase Agreement with World Insurance Associates, LLC ("World") pursuant to which EU sold substantially all of its assets to World for a purchase price of $ 30.5 million cash plus possible additional earn-out payments. The sale of assets was completed on December 8, 2023 and resulted in a pre-tax gain of $ 24.6 million. Assets remaining in the EU subsidiary at March 31, 2024 and December 31, 2023 consisted primarily of cash received from the sale of assets. The EU subsidiary will be dissolved with the remaining assets and liabilities being transferred to the Bank during 2024.

The following is a table of selected financial data for the Company's subsidiaries and consolidated results at the dates and for the periods indicated:

	Community Bank	Exchange Underwriters, Inc.	CB Financial Services, Inc.	Net Eliminations	Consolidated
(Dollars in thousands)					
March 31, 2024					
Assets	$ 1,471,305	$ 28,771	$ 156,604	$ (183,591)	$ 1,473,089
Liabilities	1,332,128	7,512	15,014	(23,155)	1,331,499
Stockholders' Equity	139,177	21,259	141,590	(160,436)	141,590
December 31, 2023					
Assets	$ 1,452,469	$ 28,830	$ 154,698	$ (179,906)	$ 1,456,091
Liabilities	1,315,110	7,571	14,864	(21,288)	1,316,257
Stockholders' Equity	137,359	21,259	139,834	(158,618)	139,834
Three Months Ended March 31, 2024					
Interest and Dividend Income	$ 17,965	$ —	$ 1,301	$ (1,280)	$ 17,986
Interest Expense	6,240	—	155	—	6,395
Net Interest and Dividend Income	11,725	—	1,146	(1,280)	11,591
Recovery for Credit Losses - Loans	(143)	—	—	—	(143)
Provision for Credit Losses - Unfunded Commitments	106	—	—	—	106
Net Interest and Dividend Income After Net Recovery for Credit Losses	11,762	—	1,146	(1,280)	11,628
Noninterest Income (Loss)	2,074	—	(158)	—	1,916
Noninterest Expense	8,423	—	5	—	8,428
Undistributed Net Income of Subsidiary	—	—	3,150	(3,150)	—
Income Before Income Tax Expense (Benefit)	5,413	—	4,133	(4,430)	5,116
Income Tax Expense (Benefit)	983	—	(63)	—	920
Net Income	$ 4,430	$ —	$ 4,196	$ (4,430)	$ 4,196
Three Months Ended March 31, 2023					
Interest and Dividend Income	$ 14,223	$ 2	$ 1,294	$ (1,275)	$ 14,244
Interest Expense	2,506	—	155	—	2,661
Net Interest and Dividend Income	11,717	2	1,139	(1,275)	11,583
Provision for Credit Losses	80	—	—	—	80
Net Interest and Dividend Income After Provision for Credit Losses	11,637	2	1,139	(1,275)	11,503
Noninterest Income (Loss)	1,100	1,956	(246)	—	2,810
Noninterest Expense	7,924	1,099	5	—	9,028
Undistributed Net Income of Subsidiary	608	—	3,187	(3,795)	—
Income Before Income Tax (Benefit) Expense	5,421	859	4,075	(5,070)	5,285
Income Tax (Benefit) Expense	959	251	(81)	—	1,129
Net Income	$ 4,462	$ 608	$ 4,156	$ (5,070)	$ 4,156

Note 10. Stock Based Compensation

The following table presents stock option information for the period indicated.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Outstanding Options at December 31, 2023	337,444	$ 24.11	5.6
Granted	93,950	22.12	
Exercised	—	—	
Forfeited	(3,128)	24.14	
Outstanding Options at March 31, 2024	428,266	$ 23.67	5.6
Exercisable Options at March 31, 2024	233,957	$ 24.32	3.3

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Service Period in Years
Nonvested Options at March 31, 2024	194,309	$ 22.90	8.3

Summary of Significant Assumptions for Newly Issued Stock Options	
Expected Term in Years	6.5
Expected Volatility	30.4 %
Expected Dividends	$ 1.00
Risk Free Rate of Return	3.98 %
Weighted Average Grant Date Fair Value (per share)	$ 4.81

The following table presents restricted stock award information for the period indicated:

	Number of Shares	Weighted Average Grant Date Fair Value Price	Weighted Average Remaining Service Period in Years
Nonvested Restricted Stock at December 31, 2023	68,777	$ 23.16	3.8
Granted	25,410	22.12	
Vested	(7,713)	24.05	
Forfeited	(1,650)	22.48	
Nonvested Restricted Stock at March 31, 2024	84,824	$ 22.78	3.2

The Company recognizes expense over a five-year vesting period for the restricted stock awards and stock options. Stock-based compensation expense related to restricted stock awards and stock options was $ 178,000 and $ 174,000 for the three months ended March 31, 2024 and 2023.

As of March 31, 2024 and December 31, 2023, total unrecognized compensation expense was $ 905,000 and $ 505,000 , respectively, related to stock options, and $ 1.8 million and $ 1.4 million, respectively, related to restricted stock awards.

Intrinsic value represents the amount by which the fair value of the underlying stock at March 31, 2024 and December 31, 2023 exceeds the exercise price of the stock options. The intrinsic value of stock options was $ 27,000 and $ 335,000 at March 31, 2024 and December 31, 2023, respectively.

At March 31, 2024 and December 31, 2023, respectively, there were 6,489 and 161,464 shares available under the Plan to be issued in connection with the exercise of stock options, and 2,596 and 64,586 shares that may be issued as restricted stock awards or units. Restricted stock awards or units may be issued above this amount provided that the number of shares reserved for stock options is reduced by two and one-half shares for each restricted stock award or unit share granted.

Note 11. Subsequent Events

The Company evaluated subsequent events through the date the consolidated financial statements were filed with the SEC and incorporated into the consolidated financial statements the effect of all material known events determined by Accounting Standards Codification ("ASC") 855, *Subsequent Events* , to be recognizable events.

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

This discussion should be read in conjunction with the unaudited consolidated financial statements, notes and tables included in this report. For further information, refer to the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Forward-Looking Statements

This report contains certain "forward-looking statements" within the meaning of the federal securities laws. These statements are not historical facts, but rather statements based on the Company's current expectations regarding its business strategies, intended results and future performance. Forward-looking statements are preceded by terms such as "expects," "believes," "anticipates," "intends" and similar expressions. Management's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors which could affect actual results include, but are not limited to, the following:

- General and local economic conditions;
- Our ability to realize the expected cost savings and other efficiencies related to our branch optimization and operational efficiency initiatives;
- Changes in market interest rates, deposit flows, demand for loans, real estate values and competition;
- Competitive products and pricing;
- The ability of our customers to make scheduled loan payments;
- Loan delinquency rates and trends;
- Our ability to manage the risks involved in our business;
- Our ability to integrate the operations of businesses we acquire;
- Our ability to control costs and expenses;
- Inflation, market and monetary fluctuations;
- Changes in federal and state legislation and regulation applicable to our business;
- Actions by our competitors; and
- Other factors disclosed in the Company's periodic reports as filed with the Securities and Exchange Commission.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The Company assumes no obligation to update any forward-looking statements except as may be required by applicable law or regulation.

General

CB Financial Services is a bank holding company established in 2006 and headquartered in Carmichaels, Pennsylvania. CB Financial's business activity is conducted primarily through its wholly owned bank subsidiary, Community Bank.

The Bank is a Pennsylvania-chartered commercial bank headquartered in Carmichaels, Pennsylvania. The Bank operates from 10 branches in Greene, Allegheny, Washington, Fayette and Westmoreland Counties in southwestern Pennsylvania and three offices in Marshall and Ohio Counties in West Virginia. The Bank also has a loan production office in Allegheny County, a corporate center in Washington County and an operations center in Greene County, all of which are in Pennsylvania. The Bank is a community-oriented institution offering residential and commercial real estate loans, commercial and industrial loans, and consumer loans as well as a variety of deposit products for individuals and businesses in its market area.

Overview

The following discussion and analysis is presented to assist in the understanding and evaluation of our consolidated financial condition and results of operations. It is intended to complement the unaudited consolidated financial statements and notes thereto appearing elsewhere in this Form 10-Q and should be read in conjunction therewith. The detailed discussion focuses on our consolidated financial condition as of March 31, 2024, compared to the consolidated financial condition as of December 31, 2023 and the consolidated results of operations for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets and the interest we pay on our interest-bearing liabilities. Our results of operations also are affected by our provision for credit losses, noninterest income and noninterest expense. Noninterest income consists primarily of fees and service charges on deposit accounts, income from bank-owned life insurance and other income. Noninterest expense consists primarily of expenses related to salaries and employee benefits, occupancy and equipment, data processing, contracted services, legal and professional fees, advertising, deposit and general insurance and other expenses.

Financial institutions like us, in general, are significantly affected by economic conditions, competition, and the monetary and fiscal policies of the federal government. Lending activities are influenced by the demand for and supply of housing, competition among lenders, interest rate conditions, and funds availability. Our operations and lending are principally concentrated in southwestern Pennsylvania and Ohio Valley market areas.

Explanation of Use of Non-GAAP Financial Measures

In addition to financial measures presented in accordance with U.S. GAAP, we present certain non-GAAP financial measures. We believe these non-GAAP financial measures provide useful information in understanding our underlying results of operations or financial position and our business and performance trends as they facilitate comparisons with the performance of other companies in the financial services industry. Non-GAAP adjusted items impacting the Company's financial performance are identified to assist investors in providing a complete understanding of factors and trends affecting the Company’s business and in analyzing the Company’s operating results on the same basis as that applied by management. Although we believe that these non-GAAP financial measures enhance the understanding of our business and performance, they should not be considered an alternative to GAAP or considered to be more important than financial results determined in accordance with GAAP, nor are they necessarily comparable with similar non-GAAP measures which may be presented by other companies. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found herein.

The interest income on interest-earning assets, net interest rate spread and net interest margin are presented on a fully tax-equivalent (“FTE”) basis. The FTE basis adjusts for the tax benefit of income on certain tax-exempt loans and securities using the federal statutory income tax rate of 21.0%. We believe the presentation of net interest income on a FTE basis ensures comparability of net interest income arising from both taxable and tax-exempt sources and is consistent with industry practice.

The following table reconciles net interest income, net interest spread and net interest margin on a FTE basis for the periods indicated:

	Three Months Ended March 31,	
	2024	**2023**
(Dollars in thousands)		
Interest Income (GAAP)	$ 17,986	$ 14,244
Adjustment to FTE Basis	39	31
Interest Income (FTE) (Non-GAAP)	18,025	14,275
Interest Expense (GAAP)	6,395	2,661
Net Interest Income (FTE) (Non-GAAP)	$ 11,630	$ 11,614
Net Interest Rate Spread (GAAP)	2.67 %	3.13 %
Adjustment to FTE Basis	0.01	0.01
Net Interest Rate Spread (FTE) (Non-GAAP)	2.68	3.14
Net Interest Margin (GAAP)	3.36 %	3.51 %
Adjustment to FTE Basis	0.01	0.01
Net Interest Margin (FTE) (Non-GAAP)	3.37	3.52

Tangible book value per common share is a non-GAAP measure calculated based on tangible common equity divided by period-end common shares outstanding. We believe this non-GAAP measure serves as a useful tool to help evaluate the strength and discipline of the Company's capital management strategies and as an additional, conservative measure of the Company's total value.

(Dollars in thousands, except share and per share data)	March 31, 2024	December 31, 2023
Stockholders' Equity (GAAP)	$ 141,590	$ 139,834
Goodwill and Other Intangible Assets, Net	(10,349)	(10,690)
Tangible Common Equity or Tangible Book Value (Non-GAAP) (Numerator)	$ 131,241	$ 129,144
Common Shares Outstanding (Denominator)	5,142,901	5,118,713
Book Value per Common Share (GAAP)	$ 27.53	$ 27.32
Tangible Book Value per Common Share (Non-GAAP)	$ 25.52	$ 25.23

Consolidated Statements of Financial Condition Analysis

Assets

Total assets increased $17.0 million, or 1.2%, to $1.47 billion at March 31, 2024 compared to $1.46 billion at December 31, 2023.

Cash and Securities

- Cash and due from banks increased $5.5 million, or 8.0%, to $73.7 million at March 31, 2024, compared to $68.2 million at December 31, 2023.
- Securities increased $25.2 million, or 12.2%, to $232.3 million at March 31, 2024, compared to $207.1 million at December 31, 2023. The securities balance was primarily impacted by the purchase of $29.8 million of collateralized loan obligation securities, partially offset by $3.1 million of repayments on amortizing securities .

Loans, Allowance for Credit Losses (ACL) and Credit Quality

- Total loans decreased $14.1 million, or 1.3%, to $1.10 billion at March 31, 2024 compared to $1.11 billion at December 31, 2023. This was driven by decreases in consumer loans and commercial and industrial loans of $11.1 million and $8.0 million, respectively, partially offset by increases in commercial real estate loans, other loans and construction loans of $3.3 million, $1.4 million and $1.2 million, respectively. The decrease in consumer loans resulted from a reduction in indirect automobile loan production due to rising market interest rates and the discontinuation of this product offering as of June 30, 2023. This portfolio is expected to continue to decline as resources are allocated and production efforts are focused on more profitable commercial products. The decrease in commercial and industrial loans was primarily due to the prepayment of a $20.0 million line of credit and a $5.0 million syndicated national credit.
- The allowance for credit losses (ACL) was $9.6 million at March 31, 2024 and $9.7 million at December 31, 2023. As a result, the ACL to total loans was 0.87% at March 31, 2024 and December 31, 2023. The provision for credit losses recorded for the three months ended March 31, 2024 was a net recovery of $37,000. The provision for credit losses - loans was a recovery of $143,000 and was primarily due to a decrease in loan balances while the provision for credit losses - unfunded commitments was $106,000 and was due to an increase in qualitative factors.
- Net recoveries for the three months ended March 31, 2024 were $18,000. Net recoveries for the three months ended March 31, 2023 were $756,000, or 0.29% of average loans on an annualized basis primarily due to recoveries totaling $750,000 related to a prior year $2.7 million charged-off commercial and industrial loan.
- Nonperforming loans, which includes nonaccrual loans and accruing loans past due 90 days or more, were $2.2 million at March 31, 2024 and December 31, 2023. Nonperforming loans to total loans ratio was 0.20% at March 31, 2024 and December 31, 2023.

Liabilities

Total liabilities increased $15.2 million, or 1.2%, to $1.33 billion at March 31, 2024 compared to $1.32 billion at December 31, 2023.

Deposits

- Total deposits decreased $4.7 million to $1.262 billion as of March 31, 2024 compared to $1.267 billion at December 31, 2023. Non interest-bearing demand deposits decreased $2.6 million, interest-bearing demand deposits decreased $39.9 million and savings deposits decreased $4.5 million, while money market deposits increased $7.3 million and time deposits increased $35.0 million. Deposit changes were primarily the result of cyclical fluctuations in municipal deposits and the current interest rate environment causing a shift in deposit products to higher priced time deposits. Additionally, the Bank added $13.0 million of brokered certificates of deposit during the period. Brokered certificates of deposit totaled $42.0 million as of March 31, 2024 compared to $29.0 million at December 31, 2023, all mature within three months and were utilized to fund the purchase of floating rate collateralized loan obligation securities. At March 31, 2024, FDIC insured deposits totaled approximately 63.1% of total deposits while an additional 15.0% of deposits were collateralized with investment securities.

Accrued Interest Payable and Other Liabilities

- Accrued interest payable and other liabilities increased $19.9 million, or 138.0%, to $34.3 million at March 31, 2024, compared to $14.4 million at December 31, 2023 primarily due to the purchase of $10.6 million of syndicated loans which were unfunded at the end of the period and $10.1 million of securities which were unsettled at the end of the period.

Stockholders' Equity

Stockholders' equity increased $1.8 million, or 1.3%, to $141.6 million at March 31, 2024, compared to $139.8 million at December 31, 2023. The key factor positively impacting stockholders' equity was $4.2 million of net income for the current period, partially offset by a $1.3 million increase in accumulated other comprehensive loss and the payment of $1.3 million in dividends since December 31, 2023.

Book value per share (GAAP) was $27.53 at March 31, 2024 compared to $27.32 at December 31, 2023, an increase of $0.21. Tangible book value per share (Non-GAAP) increased $0.29, or 1.1%, to $25.52 compared to $25.23 at December 31, 2023.

Refer to Explanation of Use of Non-GAAP Financial Measures in this Report.

Consolidated Results of Operations for the Three Months Ended March 31, 2024 and 2023

Overview. Net income was $4.20 million for the three months ended March 31, 2024, an increase of $40,000 compared to net income of $4.16 million for the three months ended March 31, 2023.

Net Interest and Dividend Income. Net interest and dividend income increased $8,000, or 0.1%, to $11.59 million for the three months ended March 31, 2024 compared to $11.58 million for the three months ended March 31, 2023. Net interest margin (GAAP) decreased to 3.36% for the three months ended March 31, 2024 compared to 3.51% for the three months ended March 31, 2023. Fully Tax Equivalent (FTE) net interest margin (Non-GAAP) decreased 15 basis points (bps) to 3.37% for the three months ended March 31, 2024 compared to 3.52% for the three months ended March 31, 2023.

Interest and Dividend Income

- Interest and dividend income increased $3.7 million, or 26.3%, to $18.0 million for the three months ended March 31, 2024 compared to $14.2 million the three months ended March 31, 2023.
  - Interest income on loans increased $2.5 million, or 19.9%, to $14.8 million for the three months ended March 31, 2024 compared to $12.4 million for the three months ended March 31, 2023. The average yield on loans increased 67 bps to 5.50% compared to 4.83% resulting in a $1.8 million increase in interest income on loans. The average balance of loans increased $47.3 million to $1.09 billion from $1.04 billion, generating $694,000 of additional interest income on loans. The increase in loan yield has been driven by a reduction in lower yielding consumer loans due to the discontinuation of the indirect automobile loan product with the redeployment of those funds into higher yielding commercial loan products.
  - Interest income on taxable investment securities increased $1.3 million, or 138.9%, to $2.3 million for the three months ended March 31, 2024 compared to $964,000 for the three months ended March 31, 2023 driven by a 210 bp increase in average yield coupled with a $22.6 million increase in average balances. The increase in the average yield was the result of the Bank implementing a balance sheet repositioning strategy of its portfolio of available-for-sale securities during the fourth quarter of 2023. The Bank sold $69.3 million in market value of its lower yielding U.S. government agency, mortgage-backed and municipal securities with an average yield of 1.89% and purchased $69.3 million of higher yielding mortgage-backed and collateralized mortgage obligation securities with an average yield of 5.49%.
  - Interest income on interest-earning deposits at other banks decreased $72,000, to $733,000 for the three months ended March 31, 2024 compared to $805,000 for the three months ended March 31, 2023 driven by a $14.3 million decrease in average balances, partially offset by a 58 bp increase in the average yield.

Interest Expense

- Interest expense increased $3.7 million, or 140.3%, to $6.4 million for the three months ended March 31, 2024 compared to $2.7 million for the three months ended March 31, 2023.
  - Interest expense on deposits increased $3.5 million, or 139.3%, to $6.0 million for the three months ended March 31, 2024 compared to $2.5 million for the three months ended March 31, 2023. Rising market interest rates led to the repricing of interest-bearing demand and money market deposits and a shift in deposits from noninterest-bearing to interest-bearing demand and time deposits which resulted in a 132 bp, or 116.0%, increase in the average cost of interest-bearing deposits compared to the three months ended March 31, 2023. This accounted for a $3.2 million increase in interest expense. Additionally, interest-bearing deposit balances increased $86.1 million, or 9.6%, to $978.3 million as of March 31, 2024 compared to $892.2 million as of March 31, 2023, accounting for a $298,000 increase in interest expense.
  - Interest expense on borrowed funds increased $247,000, or 157.3%, to $404,000 for the three months ended March 31, 2024 compared to $157,000 for the three months ended March 31, 2023. The average balance of borrowed funds increased $18.7 million due to $20.0 million of FHLB long-term advances added during the second quarter of 2023. The increase in the average balance accounted for a $232,000 increase in interest expense.

Average Balances and Yields. The following table presents information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting average yields and costs. Average balances are derived from daily balances over the periods indicated. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense. FTE yield adjustments have been made for tax exempt loan and securities interest income utilizing a marginal federal income tax rate of 21.0% for the periods presented. As such, amounts will not agree to income as reported in the consolidated financial statements. The yields and costs for the periods indicated are derived by dividing annualized income or expense by the average balances of assets or liabilities, respectively, for the periods presented.

	Three Months Ended March 31,					
	2024			2023		
	Average Balance	Interest and Dividends	Yield/ Cost [1]	Average Balance	Interest and Dividends	Yield/ Cost [1]
(Dollars in thousands) (Unaudited)						
Assets:						
Interest-Earning Assets:						
Loans, Net [2]	$ 1,087,889	$ 14,877	5.50 %	$ 1,040,570	$ 12,391	4.83 %
Debt Securities						
Taxable	235,800	2,303	3.91	213,158	964	1.81
Exempt From Federal Tax	—	—	—	6,270	52	3.32
Equity Securities	2,693	27	4.01	2,693	24	3.56
Interest-Earning Deposits at Banks	58,887	733	4.98	73,221	805	4.40
Other Interest-Earning Assets	3,235	85	10.57	2,633	39	6.01
Total Interest-Earning Assets	1,388,504	18,025	5.22	1,338,545	14,275	4.33
Noninterest-Earning Assets	54,910			49,703		
Total Assets	$ 1,443,414			$ 1,388,248		
Liabilities and Stockholders' Equity:						
Interest-Bearing Liabilities:						
Interest-Bearing Demand Deposits	$ 334,880	1,794	2.15 %	$ 335,327	1,191	1.44 %
Money Market Accounts	203,867	1,514	2.99	213,443	939	1.78
Savings Accounts	191,444	59	0.12	242,298	37	0.06
Time Deposits	248,118	2,624	4.25	101,147	337	1.35
Total Interest-Bearing Deposits	978,309	5,991	2.46	892,215	2,504	1.14
Short-Term Borrowings	—	—	—	1,344	2	0.60
Other Borrowings	34,682	404	4.69	14,641	155	4.29
Total Interest-Bearing Liabilities	1,012,991	6,395	2.54	908,200	2,661	1.19
Noninterest-Bearing Demand Deposits	278,691			362,343		
Total Funding and Cost of Funds	1,291,682		1.99	1,270,543		0.85
Other Liabilities	11,441			2,953		
Total Liabilities	1,303,123			1,273,496		
Stockholders' Equity	140,291			114,752		
Total Liabilities and Stockholders' Equity	$ 1,443,414			$ 1,388,248		
Net Interest Income (FTE) (Non-GAAP) [3]		$ 11,630			$ 11,614	
Net Interest Rate Spread (FTE) (Non-GAAP) [3][5]			2.68 %			3.14 %
Net Interest-Earning Assets [4]	$ 375,513			$ 430,345		
Net Interest Margin (GAAP) [6]			3.36			3.51
Net Interest Margin (FTE) (Non-GAAP) [3][6]			3.37			3.52
Return on Average Assets [1]			1.17			1.21
Return on Average Equity [1]			12.03			14.69
Average Equity to Average Assets			9.72			8.27
Average Interest-Earning Assets to Average Interest-Bearing Liabilities			137.07			147.38

(1) Annualized based on three months ended results.

(2) Net of the allowance for credit losses and includes nonaccrual loans with a zero yield and Loans Held for Sale if applicable.

(3) Refer to Explanation and Use of Non-GAAP Financial Measures in this filing for the calculation of the measure and reconciliation to the most comparable GAAP measure.

(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(5) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.

(6) Net interest margin represents annualized net interest income divided by average total interest-earning assets.

***Rate/Volume Analysis*.** The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. FTE yield adjustments have been made for tax exempt loan and securities income utilizing a marginal federal income tax rate of 21.0%. The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume. The total column represents the sum of the prior columns.

	Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023		
	Increase (Decrease) Due to		
	Volume	Rate	Total
(Dollars in thousands) (Unaudited)			
Interest and Dividend Income:			
Loans, net	$ 694	$ 1,792	$ 2,486
Debt Securities:			
Taxable	111	1,228	1,339
Exempt From Federal Tax	(26)	(26)	(52)
Equity Securities	—	3	3
Cash at Other Banks	(170)	98	(72)
Other Interest-Earning Assets	11	35	46
Total Interest-Earning Assets	620	3,130	3,750
Interest Expense:			
Deposits	298	3,189	3,487
Short-Term Borrowings	(1)	(1)	(2)
Other Borrowings	233	16	249
Total Interest-Bearing Liabilities	530	3,204	3,734
Change in Net Interest and Dividend Income	$ 90	$ (74)	$ 16

Provision for Credit Losses. The provision for credit losses recorded for the three months ended March 31, 2024 was a net recovery of $37,000. The provision for credit losses - loans was a recovery of $143,000 and was primarily due to a decrease in loan balances while the provision for credit losses - unfunded commitments was $106,000 and was due to an increase in qualitative factors. This compared to an $80,000 provision for credit losses recorded for the three months ended March 31, 2023.

***Noninterest Income*.** Noninterest income decreased $894,000, or 31.8%, to $1.9 million for the three months ended March 31, 2024, compared to $2.8 million for the three months ended March 31, 2023. This decrease resulted primarily from a $1.9 million decrease in insurance commissions as no income was recognized for the three months ended March 31, 2024 due to the December 2023 sale of EU, compared to a full quarter of income recognized for the three months ended March 31, 2023. This decrease was partially offset by net increases in gains on bank-owned life insurance and gains on the disposal of premises and equipment of $613,000 and $263,000, respectively. The gain on bank owned life insurance was $915,000 resulting from one death claim during the three months ended March 31, 2024 compared to $302,000 resulting from two death claims during the three months ended March 31, 2023. The gain on the disposal of premises and equipment was $274,000 resulting from the sale of one branch office building during the three months ended March 31, 2024 compared to $11,000 for the three months ended March 31, 2023.

Noninterest Expense. Noninterest expense decreased $600,000, or 6.6%, to $8.4 million for the three months ended March 31, 2024 compared to $9.0 million for the three months ended March 31, 2023. Salaries and benefits decreased $503,000, or 9.9%, to $4.6 million primarily due to no expense related to EU recognized for the three months ended March 31, 2024 due to the December 2023 sale, compared to $864,000 of expense recognized for the three months ended March 31, 2023, partially offset by merit increases and revenue producing staff additions. Data processing expense decreased $165,000 due to additional expenses realized during the three months ended March 31, 2023 related to a 2022 data processing conversion. Other noninterest expense decreased $164,000 and intangible amortization decreased $104,000 primarily due to EU expenses of $108,000 and $47,000, respectively, realized during the three months ended March 31, 2023. Partially offsetting these decreases, contracted services, advertising, occupancy and equipment expenses increased $134,000, $50,000, $48,000 and $46,000, respectively.

Income Taxes. Income tax expense was $920,000 for the three months ended March 31, 2024 compared to $1.1 million for the three months ended March 31, 2023. This change was primarily driven by a decrease in pre-tax income to $5.1 million for the three months ended March 31, 2024 compared to $5.3 million for the three months ended March 31, 2023.

Off-Balance Sheet Arrangements.

Other than loan commitments and standby and performance letters of credit, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a significant current or future effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors. Refer to Note 7 in the Notes to Consolidated Financial Statements of this report for a summary of commitments outstanding as of March 31, 2024 and December 31, 2023.

Liquidity and Capital Management

Liquidity. Liquidity is the ability to meet current and future financial obligations of a short-term nature. The Company's primary sources of funds consist of deposit inflows, loan repayments and maturities, calls and sales of securities. While maturities and scheduled amortization of loans and securities are typically predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

The Company regularly adjusts its investments in liquid assets based upon its assessment of expected loan demand, expected deposit flows, yields available on interest-earning deposits and securities, and the objectives of its asset/liability management program. Excess liquid assets are invested generally in interest-earning deposits with other banks and short- and intermediate-term securities. The Company believes that it had sufficient liquidity at March 31, 2024 to satisfy its short- and long-term liquidity needs.

The Company's most liquid assets are cash and due from banks, which totaled $73.7 million at March 31, 2024. The levels of these assets depend on our operating, financing, lending and investing activities during any given period. Unpledged securities, which provide an additional source of liquidity, totaled $66.5 million at March 31, 2024. In addition, at March 31, 2024, the Company had the ability to borrow up to $482.0 million from the FHLB of Pittsburgh, of which $460.0 million is available. The Company also has the ability to borrow up to $97.8 million from the FRB through its Borrower-In-Custody line of credit agreement and the Company also maintains multiple line of credit arrangements with various unaffiliated banks totaling $50.0 million as of both March 31, 2024 and December 31, 2023, currently these credit arrangements have remained unused.

At March 31, 2024, $201.5 million, or 75.9% of total time deposits mature within one year. If these time deposits do not remain with the Company, the Company will be required to seek other sources of funds. Depending on market conditions, the Company may be required to pay higher rates on such deposits or other borrowings than it currently pays on these time deposits. The Company believes, however, based on past experience that a significant portion of its time deposits will remain with it, either as time deposits or as other deposit products. The Company has the ability to attract and retain deposits by adjusting the interest rates offered. At March 31, 2024, the Bank's current deposit portfolio is 63.1% insured by the FDIC, and with additional coverage of 15.0% from the Bank's investment securities; of the total deposits held at the Bank only 21.9% are uninsured.

We are committed to maintaining a strong liquidity position; therefore, we monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. The marginal cost of new funding, however, whether from deposits or borrowings from the FHLB, will be carefully considered as we monitor our liquidity needs. Therefore, in order to minimize our cost of funds, we may consider additional borrowings from the FHLB in the future.

CB Financial is a separate legal entity from the Bank and must provide for its own liquidity to pay any dividends to its shareholders and for other corporate purposes. Its primary source of liquidity is dividend payments it receives from the Bank. The Bank's ability to pay dividends to CB Financial is subject to regulatory limitations. At March 31, 2024, CB Financial (on an unconsolidated, stand-alone basis) had liquid assets of $16.8 million. The ability to pay future dividends or conduct stock repurchases may be limited under applicable banking regulations and regulatory policies due to expected losses for future periods and/or the inability to upstream funds from the Bank to the Company as a result of lower income or regulatory capital levels.

Capital Management. The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, each must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Under the Regulatory Capital Rules, in order to avoid limitations on capital distributions (including dividend payments and certain discretionary bonus payments to executive officers), a banking organization must hold a capital conservation buffer comprised of common equity Tier I capital above its minimum risk-based capital requirements in an amount greater than 2.5% of total risk-weighted assets.

At March 31, 2024 and December 31, 2023, the Bank was categorized as “well capitalized” under the regulatory framework for prompt corrective action.

The following table presents the Bank’s regulatory capital amounts and ratios, as well as the minimum amounts and ratios required to be well capitalized as of the dates indicated.

	March 31, 2024		December 31, 2023	
	Amount	Ratio	Amount	Ratio
(Dollars in thousands)				
Common Equity Tier 1 (to risk weighted assets)				
Actual	$ 147,112	14.50 %	$ 143,654	13.64 %
For Capital Adequacy Purposes	45,640	4.50	47,385	4.50
To Be Well Capitalized	65,924	6.50	68,445	6.50
Tier 1 Capital (to risk weighted assets)				
Actual	147,112	14.50	143,654	13.64
For Capital Adequacy Purposes	60,853	6.00	63,180	6.00
To Be Well Capitalized	81,138	8.00	84,240	8.00
Total Capital (to risk weighted assets)				
Actual	157,300	15.51	153,861	14.61
For Capital Adequacy Purposes	81,138	8.00	84,240	8.00
To Be Well Capitalized	101,422	10.00	105,300	10.00
Tier 1 Leverage (to adjusted total assets)				
Actual	147,112	10.28	143,654	10.19
For Capital Adequacy Purposes	57,250	4.00	56,385	4.00
To Be Well Capitalized	71,563	5.00	70,481	5.00

Item 3. Quantitative and Qualitative Disclosure about Market Risk.

Management of Interest Rate Risk. The majority of the Company’s assets and liabilities are monetary in nature. Consequently, the Company’s most significant form of market risk is interest rate risk and a principal part of its business strategy is to manage interest rate risk by reducing the exposure of net interest income to changes in market interest rates. Accordingly, the Company’s Board has established an Asset/Liability Management Committee, which is responsible for evaluating the interest rate risk inherent in the Company’s assets and liabilities, for determining the level of risk that is appropriate given the Company’s business strategy, operating environment, capital, liquidity and performance objectives; and for managing this risk consistent with the guidelines approved by the Board. Senior management monitors the level of interest rate risk and the Asset/Liability Management Committee meets on a quarterly basis to review its asset/liability policies and position and interest rate risk position, and to discuss and implement interest rate risk strategies.

The Company monitors interest rate risk through the use of a simulation model. The quarterly reports developed in the simulation model assist the Company in identifying, measuring, monitoring and controlling interest rate risk to ensure compliance within the Company’s policy guidelines. This quantitative analysis measures interest rate risk from both a capital and earnings perspective. With regard to earnings, movements in interest rates and the shape of the yield curve significantly influence the amount of net interest income that is recognized. Movements in market interest rates significantly influence the spread between the interest earned on our interest-earning assets and the interest paid on our interest-bearing liabilities. Our internal interest rate risk analysis calculates the sensitivity of our projected net interest income over a one year period utilizing a static balance sheet assumption through which incoming and outgoing asset and liability cash flows are reinvested into similar instruments. Product pricing and earning asset prepayment speeds are adjusted for each rate scenario.

With regard to capital, our internal interest rate risk analysis calculates the sensitivity of our economic value of equity (“EVE”) ratio to movements in interest rates. EVE represents the present value of the expected cash flows from our assets less the present value of the expected cash flows arising from our liabilities. EVE attempts to quantify our economic value using a discounted cash flow methodology while the EVE ratio reflects that value as a form of capital ratio. The degree to which the EVE ratio changes for any hypothetical interest rate scenario from its base case measurement is a reflection of an institution's sensitivity to interest rate risk.

For both net interest income and capital at risk, our interest rate risk analysis calculates a base case scenario that assumes no change in interest rates. The model then measures changes throughout a series of interest rate scenarios representing immediate and permanent, parallel shifts in the yield curve up and down 100, 200, 300 and 400 basis points with additional scenarios modeled where appropriate. The model requires that interest rates remain positive for all points along the yield curve for each rate scenario which may preclude the modeling of certain falling rate scenarios.

The table below sets forth, as of March 31, 2024, the estimated changes in EVE and net interest income at risk that would result from the designated instantaneous changes in market interest rates. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results. Changes presented in the table below are within the policy limits approved by the Board of Directors.

	EVE			EVE as a Percent of Portfolio Value of Assets		Net Interest Earnings at Risk		
Change in Interest Rates in Basis Points	**Dollar Amount**	**Dollar Change**	**Percent Change**	**NPV Ratio**	**Basis Point Change**	**Dollar Amount**	**Dollar Change**	**Percent Change**
(Dollars in thousands)								
+400	$ 157,801	$ (38,532)	(19.6)%	12.40 %	(164)	$ 54,272	$ 4,246	8.5 %
+300	166,174	(30,159)	(15.4)	12.77	(127)	53,151	3,125	6.2
+200	176,174	(20,159)	(10.3)	13.23	(81)	52,111	2,085	4.2
+100	186,501	(9,832)	(5.0)	13.67	(37)	51,103	1,077	2.2
Flat	196,333	—	—	14.04	—	50,026	—	—
(100)	203,743	7,410	3.8	14.21	17	48,254	(1,772)	(3.5)
(200)	207,529	11,196	5.7	14.12	8	46,085	(3,941)	(7.9)
(300)	207,465	11,132	5.7	13.80	(24)	43,983	(6,043)	(12.1)
(400)	203,104	6,771	3.4	13.22	(82)	42,012	(8,014)	(16.0)

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in EVE and net interest income require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the table presented assumes that the composition of the Company's interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured, and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the table provides an indication of the Company's 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 EVE and net interest income and will differ from actual results. EVE calculations also may not reflect the fair values of financial instruments. For example, changes in market interest rates can increase the fair values of the Company's loans, deposits and borrowings.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures.

Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the SEC (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

(b) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, claims seeking damages for improper collection procedures or misrepresentations, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any other pending legal proceedings that we believe would have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial condition or future results. The risks described in such Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended March 31, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company's securities that was intended to satisfy the affirmative defense conditions of SEC Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement (as such term is defined in Item 408 of SEC Regulation S-K).

Item 6. Exhibits

3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-4 filed on June 13, 2014 (File No. 333-196749))
3.2	Bylaws, as amended (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 20, 2020)
31.1	Rule 13a-14(a) / 15d-14(a) Certification (Chief Executive Officer)
31.2	Rule 13a-14(a) / 15d-14(a) Certification (Chief Financial Officer)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials for the quarter ended March 31, 2024, formatted in XBRL (Extensible Business Reporting Language); the (i) Consolidated Statements of Financial Condition, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to the Consolidated Financial Statements (Unaudited)
104	Cover Page Interactive Data File (Embedded within Inline XBRL contained in Exhibit 101)

SIGNATURES

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

		CB FINANCIAL SERVICES, INC.
		(Registrant)
Date:	May 10, 2024	/s/ John H. Montgomery
		John H. Montgomery
		President and Chief Executive Officer
Date:	May 10, 2024	/s/ Jamie L. Prah
		Jamie L. Prah
		Executive Vice President and Chief Financial Officer
		(Principal Financial Officer and Chief Accounting Officer)

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a)
CHIEF EXECUTIVE OFFICER CERTIFICATION

I, John H. Montgomery, President and Chief Executive Officer of CB Financial Services, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 of CB Financial Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(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: May 10, 2024

/s/ John H. Montgomery
John H. Montgomery
President and Chief Executive Officer

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a)
CHIEF FINANCIAL OFFICER CERTIFICATION

I, Jamie L. Prah, Executive Vice President and Chief Financial Officer of CB Financial Services, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 of CB Financial Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(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: May 10, 2024

/s/ Jamie L. Prah
Jamie L. Prah
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 Quarterly Report on Form 10-Q of CB Financial Services, Inc. (the “Company”) for the quarter ended March 31, 2024 as filed with the Securities and Exchange Commission (the “Report”), I, John H. Montgomery, President and Chief Executive Officer of the Company, and Jamie L. Prah, Executive Vice President and Chief Financial Officer, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	May 10, 2024	/s/ John H. Montgomery
		John H. Montgomery
		President and Chief Executive Officer
Date:	May 10, 2024	/s/ Jamie L. Prah
		Jamie L. Prah
		Executive Vice President and Chief Financial Officer