REFINITIV

DELTA REPORT

10-Q

FNLC - FIRST BANCORP, INC /ME/

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1505
CHANGES	637
DELETIONS	395
ADDITIONS	473

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2023 March 31, 2024

Commission File Number 0-26589

THE FIRST BANCORP, INC.

(Exact name of Registrant as specified in its charter)

Maine	**01-0404322**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

223 Main Street	**Damariscotta**	**Maine**	**04543**
	(Address of principal executive offices)		(Zip code)

(207) 563-3195
Registrant's telephone number, including area code

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

Title of Each Class	**Trading Symbol**	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	FNLC	NASDAQ Global Select Market

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
Yes ☒ **No** ☐

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

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

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of November 1, 2023 May 1, 2024
Common Stock: 11,093,965 11,136,483 shares

Table of Contents

Part I. Financial Information	1
Selected Financial Data (Unaudited)	1
Item 1 – Financial Statements	2
Report of Independent Registered Public Accounting Firm	2
Consolidated Balance Sheets (Unaudited)	3
Consolidated Statements of Income and Comprehensive Income (Unaudited)	4
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)	5
Consolidated Statements of Cash Flows (Unaudited)	7 6
Notes to Consolidated Financial Statements	9 7
Note 1 – Basis of Presentation	9 7
Note 2 –Investment Securities	10 8
Note 3 – Loans	15 13
Note 4 – Allowance for Credit Losses	25 20
Note 5 – Stock-Based Compensation	34 33
Note 6 – Preferred and Common Stock	34 33
Note 7 – Earnings Per Share	35 33
Note 8 – Employee Benefit Plans	35 33
Note 9 – Other Comprehensive Income (Loss)	37 35
Note 10 – Financial Derivative Instruments	37 35
Note 11 – Mortgage Servicing Rights	39 37
Note 12 – Income Taxes	39 37
Note 13 – Certificates of Deposit	40 38
Note 14 – Reclassifications	40 38
Note 15 – Fair Value Disclosures	40 38
Note 16 – Impact of Recently Issued Accounting Standards	48 46
Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations	49 47
Forward-Looking Statements	49 47
Critical Accounting Policies	49 47
Use of Non-GAAP Financial Measures	51 49
Executive Summary	52 50
Net Interest Income	53 51
Average Daily Balance Sheets	56 53
Non-Interest Income	57 53
Non-Interest Expense	57 54
Income Taxes	57 54
Investments	57 54
Debt Securities-Unrealized Loss Position	59 56
Federal Home Loan Bank Stock	61 58
Loans and Loans Held for Sale	61 58
Credit Risk Management and Allowance for Credit Losses	63 59
Non-Performing Loans and Loan Modifications	67 63
Past Due Loans	68 65
Potential Problem Loans and Loans in Process of Foreclosure	68 65
Other Real Estate Owned	69 66
Liquidity	69 66
Deposits	70 66
Borrowed Funds	70 67
Capital Resources	70 67

Off-Balance-Sheet Financial Instruments and Contractual Obligations	71 68
Item 3 – Quantitative and Qualitative Disclosures About Market Risk	73 70
Market-Risk Management	73 70
Asset/Liability Management	73 70
Interest Rate Risk Management	74 71
Item 4 - Controls and Procedures	75 72
Part II. Other Information	76 73
Item 1 – Legal Proceedings	76 73
Item 1a – Risk Factors	76 73
Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds	76 73
Item 3 – Default Upon Senior Securities	76 73
Item 4 – Mine Safety Disclosures	76 73
Item 5 – Other Information	76 73
Item 6 – Exhibits	77 74
Signatures	78 75

Part I. Financial Information

Selected Financial Data (Unaudited)

The First Bancorp, Inc. and Subsidiary

Dollars in thousands,	*Dollars in thousands,*	**As of and for the nine months ended September 30,**		**As of and for the quarter ended September 30,**	
Dollars in thousands,					
Dollars in thousands, *except for per share amounts* *except for per share amounts*					
except for per share amounts	*except for per share amounts*	**2023**	2022	**2023**	2022
Summary of Operations	***Summary of Operations***				
Summary of Operations					
Summary of Operations					
Interest Income					
Interest Income					
Interest Income	Interest Income	**$ 93,352**	$ 65,955	**$ 33,254**	$ 23,991
Interest Expense	Interest Expense	**43,998**	9,273	**17,300**	4,627
Interest Expense					
Interest Expense					
Net Interest Income					
Net Interest Income					
Net Interest Income	Net Interest Income	**49,354**	56,682	**15,954**	19,364
Provision (reduction) for Credit Losses	Provision (reduction) for Credit Losses	**501**	1,300	**(200)**	400
Provision (reduction) for Credit Losses					
Provision (reduction) for Credit Losses					
Non-Interest Income					

Non-Interest Income					
Non-Interest Income	Non-Interest Income	**11,330**	13,027	**3,891**	4,715
Non-Interest Expense	Non-Interest Expense	**32,571**	32,193	**11,006**	11,371
Non-Interest Expense					
Non-Interest Expense					
Net Income					
Net Income					
Net Income	Net Income	**22,839**	29,793	**7,474**	10,091
Per Common Share Data	***Per Common Share Data***				
Per Common Share Data					
Per Common Share Data					
Basic Earnings per Share					
Basic Earnings per Share					
Basic Earnings per Share	Basic Earnings per Share	**$ 2.08**	$ 2.73	**$ 0.68**	$ 0.92
Diluted Earnings per Share	Diluted Earnings per Share	**2.06**	2.70	**0.67**	0.91
Diluted Earnings per Share					
Diluted Earnings per Share					
Cash Dividends Declared					
Cash Dividends Declared					
Cash Dividends Declared	Cash Dividends Declared	**1.04**	1.00	**0.35**	0.34
Book Value per Common Share	Book Value per Common Share	**20.44**	19.92	**20.44**	19.92
Book Value per Common Share					
Book Value per Common Share					
Tangible Book Value per Common Share[2]					
Tangible Book Value per Common Share[2]					
Tangible Book Value per Common Share[2]	Tangible Book Value per Common Share[2]	**17.66**	17.13	**17.66**	17.13
Market Value	Market Value	**23.50**	27.55	**23.50**	27.55
Market Value					
Market Value					
Financial Ratios					
Financial Ratios					
Financial Ratios	***Financial Ratios***				
Return on Average Equity[1]	Return on Average Equity[1]	**13.00 %**	16.78 %	**12.67 %**	17.13 %
Return on Average Equity[1]					
Return on Average Equity[1]					
Return on Average Tangible Common Equity[1,2]					
Return on Average Tangible Common Equity[1,2]					
Return on Average Tangible Common Equity[1,2]	Return on Average Tangible Common Equity[1,2]	**14.97 %**	19.29 %	**14.59 %**	19.73 %
Return on Average Assets[1]	Return on Average Assets[1]	**1.08 %**	1.54 %	**1.02 %**	1.51 %
Return on Average Assets[1]					

Return on Average Assets[1]													
Average Equity to Average Assets													
Average Equity to Average Assets													
Average Equity to Average Assets	Average Equity to Average Assets		**8.27**	**%**		9.16	%		**8.07**	**%**		8.80	%
Average Tangible Equity to Average Assets[2]	Average Tangible Equity to Average Assets[2]		**7.18**	**%**		7.96	%		**7.01**	**%**		7.64	%
Average Tangible Equity to Average Assets[2]													
Average Tangible Equity to Average Assets[2]													
Net Interest Margin Tax-Equivalent[1,2]													
Net Interest Margin Tax-Equivalent[1,2]													
Net Interest Margin Tax-Equivalent[1,2]	Net Interest Margin Tax-Equivalent[1,2]		**2.54**	**%**		3.17	%		**2.40**	**%**		3.14	%
Dividend Payout Ratio	Dividend Payout Ratio		**50.00**	**%**		36.63	%		**51.47**	**%**		36.96	%
Dividend Payout Ratio													
Dividend Payout Ratio													
Allowance for Credit Losses/Total Loans													
Allowance for Credit Losses/Total Loans													
Allowance for Credit Losses/Total Loans	Allowance for Credit Losses/Total Loans		**1.12**	**%**		0.88	%		**1.12**	**%**		0.88	%
Non-Performing Loans to Total Loans	Non-Performing Loans to Total Loans		**0.12**	**%**		0.10	%		**0.12**	**%**		0.10	%
Non-Performing Loans to Total Loans													
Non-Performing Loans to Total Loans													
Non-Performing Assets to Total Assets													
Non-Performing Assets to Total Assets													
Non-Performing Assets to Total Assets	Non-Performing Assets to Total Assets		**0.09**	**%**		0.07	%		**0.09**	**%**		0.07	%
Efficiency Ratio[2]	Efficiency Ratio[2]		**51.88**	**%**		44.99	%		**53.49**	**%**		46.02	%
Efficiency Ratio[2]													
Efficiency Ratio[2]													
At Period End													
At Period End													
At Period End	***At Period End***												
Total Assets	Total Assets	**$**	**2,944,139**		$	2,735,065		**$**	**2,944,139**		$	2,735,065	
Total Assets													
Total Assets													
Total Loans													
Total Loans													
Total Loans	Total Loans		**2,079,860**			1,857,975			**2,079,860**			1,857,975	
Total Investment Securities	Total Investment Securities		**676,206**			669,688			**676,206**			669,688	
Total Investment Securities													
Total Investment Securities													
Total Deposits													
Total Deposits													
Total Deposits	Total Deposits		**2,599,937**			2,369,949			**2,599,937**			2,369,949	

Total Shareholders' Equity	Total Shareholders' Equity	**226,665**	219,917	**226,665**	219,917
Total Shareholders' Equity					
Total Shareholders' Equity					

[1]*Annualized using a 366-day basis in 2024 and a 365-day basis in both 2023 and 2022. 2023.*

[2]*These ratios use non-GAAP financial measures. See Management's Discussion and Analysis of Financial Condition and Results of Operations for additional disclosures and information.*

Item 1 – Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
The First Bancorp, Inc.

Results of Review of Interim Financial Information

We have reviewed the accompanying interim consolidated financial information of The First Bancorp, Inc. and Subsidiary as of September 30, 2023 March 31, 2024 and 2022 2023 and for the three-month and nine-month periods then ended, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for them to be in conformity with accounting principles generally accepted in the United States of America.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Berry Dunn McNeil & Parker, LLC
Portland, Maine
November 3, 2023 May 7, 2024

Consolidated Balance Sheets (Unaudited)

The First Bancorp, Inc. and Subsidiary

		September 30, 2023		December 31, 2022		September 30, 2022
Assets						
Cash and cash equivalents	**$**	**29,894,000**	$	22,728,000	$	27,408,000
Interest bearing deposits in other banks		**38,366,000**		3,693,000		65,786,000
Securities available for sale		**284,972,000**		284,509,000		283,268,000
Securities held-to-maturity, net of allowance for credit losses of $432,000 at September 30, 2023[1] (fair value of $311,864,000 at September 30, 2023, $339,011,000 at December 31, 2022 and $313,796,000 at September 30, 2022)		**387,374,000**		393,896,000		381,906,000
Restricted equity securities, at cost		**3,860,000**		3,883,000		4,514,000
Loans held for sale		**268,000**		275,000		—
Loans		**2,079,860,000**		1,914,674,000		1,857,975,000
Less allowance for credit losses		**23,322,000**		16,723,000		16,387,000
Net loans		**2,056,538,000**		1,897,951,000		1,841,588,000
Accrued interest receivable		**12,038,000**		9,829,000		8,176,000
Premises and equipment, net		**28,868,000**		28,277,000		28,548,000
Goodwill		**30,646,000**		30,646,000		30,646,000
Other assets		**71,315,000**		63,491,000		63,225,000
Total assets	**$**	**2,944,139,000**	$	2,739,178,000	$	2,735,065,000
Liabilities						

Demand deposits	$ **323,375,000**	$ 318,626,000	$ 356,867,000
NOW deposits	**683,180,000**	630,416,000	656,865,000
Money market deposits	**271,056,000**	192,632,000	188,729,000
Savings deposits	**313,160,000**	369,532,000	381,312,000
Certificates of deposit	**1,009,166,000**	867,671,000	786,176,000
Total deposits	**2,599,937,000**	2,378,877,000	2,369,949,000
Borrowed funds – short term	**82,993,000**	103,399,000	118,258,000
Borrowed funds – long term	**—**	84,000	85,000
Other liabilities	**34,544,000**	27,895,000	26,856,000
Total liabilities	**2,717,474,000**	2,510,255,000	2,515,148,000
Shareholders' equity			
Common stock, one cent par value per share	**111,000**	110,000	110,000
Additional paid-in capital	**69,649,000**	68,435,000	68,028,000
Retained earnings	**209,132,000**	204,343,000	198,902,000
Accumulated other comprehensive income (loss)			
Net unrealized loss on securities available-for-sale	**(53,852,000)**	(44,718,000)	(47,661,000)
Net unrealized loss on securities transferred from available-for-sale to held-to-maturity	**(58,000)**	(64,000)	(67,000)
Net unrealized gain on cash flow hedging derivative instruments	**1,410,000**	544,000	500,000
Net unrealized gain on postretirement costs	**273,000**	273,000	105,000
Total shareholders' equity	**226,665,000**	228,923,000	219,917,000
Total liabilities & shareholders' equity	$ **2,944,139,000**	$ 2,739,178,000	$ 2,735,065,000
Common Stock			
Number of shares authorized	**18,000,000**	18,000,000	18,000,000
Number of shares issued and outstanding	**11,089,290**	11,045,186	11,038,224
Book value per common share	$ **20.44**	$ 20.73	$ 19.92
Tangible book value per common share	$ **17.66**	$ 17.93	$ 17.13

[1]*December 31, 2022 and September 30, 2022 had no allowance for credit losses*

	March 31, 2024	December 31, 2023	March 31, 2023
Assets			
Cash and cash equivalents	$ **23,875,000**	$ 31,942,000	$ 27,458,000
Interest bearing deposits in other banks	**2,911,000**	3,488,000	2,773,000
Securities available for sale	**274,451,000**	282,053,000	288,242,000
Securities held-to-maturity (net of ACL), fair value of $327,816,000 at March 31, 2024, $338,570,000 at December 31, 2023 and $344,053,000 at March 31, 2023)	**379,453,000**	385,235,000	391,845,000
Restricted equity securities, at cost	**5,933,000**	3,385,000	3,874,000
Loans	**2,173,746,000**	2,129,454,000	1,982,847,000
Less allowance for credit losses	**24,207,000**	24,030,000	23,458,000
Net loans	**2,149,539,000**	2,105,424,000	1,959,389,000
Accrued interest receivable	**15,970,000**	11,894,000	12,142,000
Premises and equipment, net	**28,435,000**	28,684,000	28,286,000
Goodwill	**30,646,000**	30,646,000	30,646,000
Other assets	**66,957,000**	63,947,000	67,165,000
Total assets	$ **2,978,170,000**	$ 2,946,698,000	$ 2,811,820,000
Liabilities			
Demand deposits	$ **262,652,000**	$ 289,104,000	$ 293,123,000
NOW deposits	**618,554,000**	634,543,000	623,523,000
Money market deposits	**321,822,000**	305,931,000	194,183,000
Savings deposits	**280,533,000**	299,837,000	346,205,000
Certificates of deposit	**1,065,427,000**	1,070,247,000	1,009,667,000
Total deposits	**2,548,988,000**	2,599,662,000	2,466,701,000
Borrowed funds – short term	**84,779,000**	69,652,000	83,800,000

Borrowed funds – long term	**70,000,000**	—	81,000
Other liabilities	**31,779,000**	34,305,000	32,777,000
Total liabilities	**2,735,546,000**	2,703,619,000	2,583,359,000
Shareholders' equity			
Common stock, one cent par value per share	**111,000**	111,000	111,000
Additional paid-in capital	**70,506,000**	70,071,000	68,830,000
Retained earnings	**213,839,000**	211,925,000	202,036,000
Accumulated other comprehensive income (loss)			
Net unrealized loss on securities available-for-sale	**(42,816,000)**	(39,575,000)	(40,537,000)
Net unrealized loss on securities transferred from available-for-sale to held-to-maturity	**(54,000)**	(56,000)	(60,000)
Net unrealized gain (loss) on cash flow hedging derivative instruments	**735,000**	300,000	(2,192,000)
Net unrealized gain on postretirement costs	**303,000**	303,000	273,000
Total shareholders' equity	**242,624,000**	243,079,000	228,461,000
Total liabilities & shareholders' equity	**$ 2,978,170,000**	$ 2,946,698,000	$ 2,811,820,000
Common Stock			
Number of shares authorized	**18,000,000**	18,000,000	18,000,000
Number of shares issued and outstanding	**11,130,933**	11,098,057	11,074,182
Book value per common share	**$ 21.80**	$ 21.90	$ 20.63
Tangible book value per common share	**$ 19.03**	$ 19.12	$ 17.84

See Report of Independent Registered Public Accounting Firm. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income (Loss) (Unaudited)

The First Bancorp, Inc. and Subsidiary

	For the nine months ended September 30,		**For the quarter ended September 30,**	
	2023	2022	**2023**	2022
	For the three months ended March 31,			
	For the three months ended March 31,			
	For the three months ended March 31,			
	2024			
	2024			
	2024			
Interest income **Interest income**				
Interest and fees on loans (includes YTD tax-exempt income of $1,362,000 for September 30, 2023 and $879,000 for September 30, 2022)	**$ 78,860,000**	$ 53,463,000	**$ 28,329,000**	$ 19,564,000
Interest income				
Interest income				
Interest and fees on loans (includes YTD tax-exempt income of $521,000 for March 31, 2024 and $329,000 for March 31, 2023)				
Interest and fees on loans (includes YTD tax-exempt income of $521,000 for March 31, 2024 and $329,000 for March 31, 2023)				
Interest and fees on loans (includes YTD tax-exempt income of $521,000 for March 31, 2024 and $329,000 for March 31, 2023)				
Interest on deposits with other banks Interest on deposits with other banks	**300,000**	163,000	**211,000**	92,000
Interest and dividends on investments (includes YTD tax-exempt income of $6,030,000 for September 30, 2023 and $5,588,000 for September 30, 2022)	**14,192,000**	12,329,000	**4,714,000**	4,335,000
Interest on deposits with other banks				
Interest on deposits with other banks				

Interest and dividends on investments (includes YTD tax-exempt income of $1,995,000 for March 31, 2024 and $2,002,000 for March 31, 2023)					
Interest and dividends on investments (includes YTD tax-exempt income of $1,995,000 for March 31, 2024 and $2,002,000 for March 31, 2023)					
Interest and dividends on investments (includes YTD tax-exempt income of $1,995,000 for March 31, 2024 and $2,002,000 for March 31, 2023)					
Total interest income					
Total interest income					
Total interest income	Total interest income	**93,352,000**	65,955,000	**33,254,000**	23,991,000
Interest expense	**Interest expense**				
Interest expense					
Interest expense					
Interest on deposits					
Interest on deposits					
Interest on deposits	Interest on deposits	**42,384,000**	8,190,000	**16,992,000**	4,164,000
Interest on borrowed funds	Interest on borrowed funds	**1,614,000**	1,083,000	**308,000**	463,000
Interest on borrowed funds					
Interest on borrowed funds					
Total interest expense					
Total interest expense					
Total interest expense	Total interest expense	**43,998,000**	9,273,000	**17,300,000**	4,627,000
Net interest income	Net interest income	**49,354,000**	56,682,000	**15,954,000**	19,364,000
Provision (reduction) for credit losses - loans		**419,000**	1,300,000	**(161,000)**	400,000
Net interest income					
Net interest income					
Provision for credit losses - loans					
Provision for credit losses - loans					
Provision for credit losses - loans					
Provision (reduction) for credit losses - debt securities HTM					
Provision (reduction) for credit losses - debt securities HTM					
Provision (reduction) for credit losses - debt securities HTM	Provision (reduction) for credit losses - debt securities HTM	**(7,000)**	—	3,000	—
Provision (reduction) for credit losses - off-balance sheet credit exposures	Provision (reduction) for credit losses - off-balance sheet credit exposures	**89,000**	—	(42,000)	—
Total provision for credit losses		**501,000**	1,300,000	**(200,000)**	400,000
Provision (reduction) for credit losses - off-balance sheet credit exposures					
Provision (reduction) for credit losses - off-balance sheet credit exposures					
Total provision (reduction) for credit losses					
Total provision (reduction) for credit losses					
Total provision (reduction) for credit losses					
Net interest income after provision for credit losses					

Net interest income after provision for credit losses					
Net interest income after provision for credit losses	Net interest income after provision for credit losses	**48,853,000**	55,382,000	**16,154,000**	18,964,000
Non-interest income	Non-interest income				
Non-interest income					
Non-interest income					
Investment management and fiduciary income					
Investment management and fiduciary income					
Investment management and fiduciary income	Investment management and fiduciary income	**3,515,000**	3,513,000	**1,160,000**	1,087,000
Service charges on deposit accounts	Service charges on deposit accounts	**1,399,000**	1,358,000	**465,000**	454,000
Net securities gains		**—**	7,000	**—**	6,000
Service charges on deposit accounts					
Service charges on deposit accounts					
Mortgage origination and servicing income, net of amortization					
Mortgage origination and servicing income, net of amortization					
Mortgage origination and servicing income, net of amortization	Mortgage origination and servicing income, net of amortization	**611,000**	1,234,000	**224,000**	356,000
Debit card income	Debit card income	**3,843,000**	4,884,000	**1,367,000**	2,128,000
Debit card income					
Debit card income					
Other operating income					
Other operating income					
Other operating income	Other operating income	**1,962,000**	2,031,000	**675,000**	684,000
Total non-interest income	Total non-interest income	**11,330,000**	13,027,000	**3,891,000**	4,715,000
Total non-interest income					
Total non-interest income					
Non-interest expense					
Non-interest expense					
Non-interest expense	**Non-interest expense**				
Salaries and employee benefits	Salaries and employee benefits	**16,420,000**	17,092,000	**5,523,000**	5,757,000
Salaries and employee benefits					
Salaries and employee benefits					
Occupancy expense					
Occupancy expense					
Occupancy expense	Occupancy expense	**2,494,000**	2,298,000	**784,000**	720,000
Furniture and equipment expense	Furniture and equipment expense	**4,009,000**	3,740,000	**1,403,000**	1,266,000
Furniture and equipment expense					
Furniture and equipment expense					
FDIC insurance premiums					
FDIC insurance premiums					

FDIC insurance premiums	FDIC insurance premiums	**1,429,000**	738,000	**551,000**	298,000
Amortization of identified intangibles	Amortization of identified intangibles	**20,000**	52,000	**7,000**	17,000
Amortization of identified intangibles					
Amortization of identified intangibles					
Other operating expense					
Other operating expense					
Other operating expense	Other operating expense	**8,199,000**	8,273,000	**2,738,000**	3,313,000
Total non-interest expense	Total non-interest expense	**32,571,000**	32,193,000	**11,006,000**	11,371,000
Total non-interest expense					
Total non-interest expense					
Income before income taxes					
Income before income taxes					
Income before income taxes	Income before income taxes	**27,612,000**	36,216,000	**9,039,000**	12,308,000
Income tax expense	Income tax expense	**4,773,000**	6,423,000	**1,565,000**	2,217,000
Income tax expense					
Income tax expense					
NET INCOME					
NET INCOME					
NET INCOME	**NET INCOME**	**$ 22,839,000**	$ 29,793,000	**$ 7,474,000**	$ 10,091,000
Basic earnings per common share	Basic earnings per common share	**$ 2.08**	$ 2.73	**$ 0.68**	$ 0.92
Basic earnings per common share					
Basic earnings per common share					
Diluted earnings per common share					
Diluted earnings per common share					
Diluted earnings per common share	Diluted earnings per common share	**$ 2.06**	$ 2.70	**$ 0.67**	$ 0.91
Other comprehensive income (loss) net of tax	**Other comprehensive income (loss) net of tax**				
Net unrealized loss on securities available for sale, net of taxes		**$ (9,134,000)**	$ (45,943,000)	**$ (10,071,000)**	$ (14,866,000)
Other comprehensive income (loss) net of tax					
Other comprehensive income (loss) net of tax					
Net unrealized (loss) gain on securities available for sale, net of taxes					
Net unrealized (loss) gain on securities available for sale, net of taxes					
Net unrealized (loss) gain on securities available for sale, net of taxes					
Net unrealized gain on transferred securities, net of taxes	Net unrealized gain on transferred securities, net of taxes	**6,000**	20,000	**1,000**	6,000
Net unrealized gain on hedging derivative instruments		**866,000**	500,000	**730,000**	354,000
Net unrealized gain on transferred securities, net of taxes					

Net unrealized gain on transferred securities, net of taxes								
Net unrealized gain (loss) on hedging derivative instruments								
Net unrealized gain (loss) on hedging derivative instruments								
Net unrealized gain (loss) on hedging derivative instruments								
Other comprehensive loss		**(8,262,000)**		(45,423,000)		**(9,340,000)**		(14,506,000)
Comprehensive income (loss)	**$**	**14,577,000**	$	(15,630,000)	**$**	**(1,866,000)**	$	(4,415,000)
Other comprehensive (loss) gain								
Other comprehensive (loss) gain								
Other comprehensive (loss) gain								
Comprehensive income								
Comprehensive income								
Comprehensive income								

See Report of Independent Registered Public Accounting Firm. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

The First Bancorp, Inc. and Subsidiary

		Nine Month Period Ended September 30, 2023 and 2022			
Three Month Period Ended March 31, 2024 and 2023		**Three Month Period Ended March 31, 2024 and 2023**			
	Common stock and additional paid-in capital	Common stock and additional paid-in capital		Accumulated other comprehensive income (loss)	Total shareholders' equity
	Shares	Shares	Amount	Retained earnings	
Balance at December 31, 2022					
Net income					
Net unrealized gain on securities available for sale, net of tax					
Net unrealized gain on securities transferred from available for sale to held to maturity, net of tax					
Net unrealized loss on hedging derivative instruments, net of tax					

	Common stock and additional paid-in capital	Retained earnings	~~Accumulated~~ other comprehensive income (loss)	Total shareholders' equity
Comprehensive income				
Comprehensive income				

Comprehensive income

Comprehensive income

		Shares	Amount	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2021		**10,998,765**	**$ 66,940,000**			
Net income		—	—	29,793,000	—	29,793,000
Net unrealized loss on securities available for sale, net of tax		—	—	—	(45,943,000)	(45,943,000)
Net unrealized gain on securities transferred from available for sale to held to maturity, net of tax		—	—	—	20,000	20,000
Net unrealized gain on cash flow hedging derivative instruments, net of tax		—	—	—	500,000	500,000
Comprehensive income (loss)		—	—	29,793,000	(45,423,000)	(15,630,000)
Cash dividends declared ($1.00 per share)		—	—	(11,032,000)	—	(11,032,000)
Cash dividends declared ($0.34 per share)						
Cash dividends declared ($0.34 per share)						
Cash dividends declared ($0.34 per share)						
Equity compensation expense	Equity compensation expense	—	610,000	—	—	610,000
Payment to repurchase common stock	Payment to repurchase common stock	(8,640)	—	(276,000)	—	(276,000)
Payment to repurchase common stock						
Payment to repurchase common stock						
Issuance of restricted stock	Issuance of restricted stock	28,745	—	—	—	—
Issuance of restricted stock						
Issuance of restricted stock						
Proceeds from sale of common stock	Proceeds from sale of common stock	19,354	588,000	—	—	588,000
Balance at September 30, 2022		**11,038,224**	**$ 68,138,000**	**$ 198,902,000**	**$ (47,123,000)**	**$ 219,917,000**
Adoption of ASU No. 2016-13						
Balance at March 31, 2023						
Balance at December 31, 2022		**11,045,186**	**$ 68,545,000**	**$ 204,343,000**	**$ (43,965,000)**	**$ 228,923,000**
Balance at December 31, 2023						
Balance at December 31, 2023						
Balance at December 31						

Balance at December 31, 2023						
Net income	Net income	—	—	22,839,000	—	22,839,000
Net unrealized loss on securities available for sale, net of tax	Net unrealized loss on securities available for sale, net of tax	—	—	—	(9,134,000)	(9,134,000)
Net unrealized gain on securities transferred from available for sale to held to maturity, net of tax	Net unrealized gain on securities transferred from available for sale to held to maturity, net of tax	—	—	—	6,000	6,000
Net unrealized gain on hedging derivative instruments, net of tax	Net unrealized gain on hedging derivative instruments, net of tax	—	—	—	866,000	866,000
Comprehensive income (loss)	Comprehensive income (loss)	—	—	22,839,000	(8,262,000)	14,577,000
Comprehensive income (loss)						
Comprehensive income (loss)						
Cash dividends declared ($1.04 per share)		—	—	(11,525,000)	—	(11,525,000)
Cash dividends declared ($0.35 per share)						
Cash dividends declared ($0.35 per share)						
Cash dividends declared ($0.35 per share)						
Equity compensation expense	Equity compensation expense	—	607,000	—	—	607,000
Payment to repurchase common stock	Payment to repurchase common stock	(12,629)	—	(248,000)	—	(248,000)
Payment to repurchase common stock						
Payment to repurchase common stock						
Issuance of restricted stock						
Issuance of restricted stock						
Issuance of restricted stock	Issuance of restricted stock	33,610	—	—	—	—
Proceeds from sale of common stock	Proceeds from sale of common stock	23,123	608,000	—	—	608,000
Adoption of ASU No. 2016-13		—	—	(6,277,000)	—	(6,277,000)
Balance at September 30, 2023		**11,089,290**	**$ 69,760,000**	**$ 209,132,000**	**$ (52,227,000)**	**$ 226,665,000**
Balance at March 31, 2024						

See Report of Independent Registered Public Accounting Firm. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows (Unaudited)

Three Month Period Ended September 30, 2023 and 2022					
	Common stock and additional paid-in capital		Retained	Accumulated other comprehensive income	Total shareholders'
	Shares	Amount	earnings	(loss)	equity
Balance at June 30, 2022	**11,030,236 $**	**67,737,000 $**	**192,565,000 $**	**(32,617,000) $**	**227,685,000**
Net income	—	—	10,091,000	—	10,091,000
Net unrealized loss on securities available for sale, net of tax	—	—	—	(14,866,000)	(14,866,000)
Net unrealized gain on securities transferred from available for sale to held to maturity, net of tax	—	—	—	6,000	6,000
Net unrealized gain on cash flow hedging derivative instruments, net of tax	—	—	—	354,000	354,000
Comprehensive income (loss)	—	—	10,091,000	(14,506,000)	(4,415,000)
Cash dividends declared ($0.34 per share)	—	—	(3,754,000)	—	(3,754,000)
Equity compensation expense	—	198,000	—	—	198,000
Issuance of restricted stock	1,250	—	—	—	—
Proceeds from sale of common stock	6,738	203,000	—	—	203,000
Balance at September 30, 2022	**11,038,224 $**	**68,138,000 $**	**198,902,000 $**	**(47,123,000) $**	**219,917,000**
Balance at June 30, 2023	**11,081,800 $**	**69,351,000 $**	**205,539,000 $**	**(42,887,000) $**	**232,003,000**
Net income	—	—	7,474,000	—	7,474,000
Net unrealized loss on securities available for sale, net of tax	—	—	—	(10,071,000)	(10,071,000)
Net unrealized gain on securities transferred from available for sale to held to maturity, net of tax	—	—	—	1,000	1,000
Net unrealized gain on hedging derivative instruments, net of tax	—	—	—	730,000	730,000
Comprehensive income (loss)	—	—	7,474,000	(9,340,000)	(1,866,000)
Cash dividends declared ($0.35 per share)	—	—	(3,881,000)	—	(3,881,000)
Equity compensation expense	—	210,000	—	—	210,000
Payment to repurchase common stock	(250)	—	—	—	—
Proceeds from sale of common stock	7,740	199,000	—	—	199,000
Balance at September 30, 2023	**11,089,290 $**	**69,760,000 $**	**209,132,000 $**	**(52,227,000) $**	**226,665,000**

The First Bancorp, Inc. and Subsidiary

	For the three months ended March 31,	
	2024	2023
Cash flows from operating activities		
Net income	**$ 6,021,000**	$ 7,971,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**544,000**	495,000
Change in deferred taxes	**319,000**	(1,453,000)
Provision (reduction) for credit losses	**(513,000)**	550,000
Loans originated for resale	**(363,000)**	(705,000)
Proceeds from sales and transfers of loans	**373,000**	996,000
Net gain on sales of loans	**(10,000)**	(16,000)
Net amortization of premiums on investments	**135,000**	122,000
Equity compensation expense	**231,000**	184,000
Net increase in other assets and accrued interest	**(5,982,000)**	(7,296,000)
Net (decrease) increase in other liabilities	**(2,385,000)**	4,115,000

Net loss on disposal of premises and equipment		**9,000**		1,000
Amortization of investment in limited partnership		**117,000**		76,000
Net acquisition amortization		**7,000**		7,000
Net cash (used) provided by operating activities		**(1,497,000)**		5,047,000
Cash flows from investing activities				
Increase in interest-bearing deposits in other banks		**577,000**		920,000
Proceeds from maturities, payments and calls of securities available for sale		**5,359,000**		4,956,000
Proceeds from maturities, payments, calls and sales of securities to be held to maturity		**6,011,000**		1,594,000
Purchases of securities available for sale		**(1,968,000)**		(3,496,000)
Change in restricted equity securities		**(2,548,000)**		9,000
Net increase in loans		**(44,214,000)**		(68,198,000)
Capital expenditures		**(326,000)**		(526,000)
Net cash used by investing activities		**(37,109,000)**		(64,741,000)
Cash flows from financing activities				
Net decrease in demand, savings, and money market accounts		**(45,854,000)**		(54,172,000)
Net (decrease) increase in certificates of deposit		**(4,820,000)**		141,996,000
Net increase (decrease) in short-term borrowings		**15,127,000**		(19,599,000)
Advances on long-term borrowings		**70,000,000**		—
Repayment on long-term borrowings		**—**		(3,000)
Payment to repurchase common stock		**(211,000)**		(237,000)
Proceeds from sale of common stock		**204,000**		212,000
Dividends paid		**(3,907,000)**		(3,773,000)
Net cash provided by financing activities		**30,539,000**		64,424,000
Net (decrease) increase in cash and cash equivalents		**(8,067,000)**		4,730,000
Cash and cash equivalents at beginning of period		**31,942,000**		22,728,000
Cash and cash equivalents at end of period	**$**	**23,875,000**	$	27,458,000
Interest paid	**$**	**19,521,000**	$	11,460,000
Non-cash transactions				
Change in net unrealized loss on available for sale securities, net of tax	**$**	**3,241,000**	$	(4,181,000)

See Report of Independent Registered Public Accounting Firm. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows (Unaudited)

The First Bancorp, Inc. and Subsidiary

	For the nine months ended September 30,			
		2023		2022
Cash flows from operating activities				
Net income	**$**	**22,839,000**	$	29,793,000
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation		**1,563,000**		1,495,000
Change in deferred taxes		**(1,283,000)**		19,000
Provision for credit losses		**501,000**		1,300,000
Loans originated for resale		**(3,082,000)**		(20,152,000)
Proceeds from sales and transfers of loans		**3,157,000**		21,372,000
Net gain on sales of loans		**(68,000)**		(385,000)
Net gain on sale or call of securities		**—**		(7,000)
Net amortization of premiums on investments		**423,000**		763,000
Net (gain) loss on sale of other real estate owned		**(42,000)**		1,000
Equity compensation expense		**607,000**		610,000
Net increase in other assets and accrued interest		**(6,858,000)**		(11,362,000)
Net increase in other liabilities		**8,156,000**		8,720,000
Net (gain) loss on disposal of premises and equipment		**33,000**		(15,000)

REFINITIV

Amortization of investment in limited partnership	**227,000**	229,000
Net acquisition amortization	**20,000**	52,000
Net cash provided by operating activities	**26,193,000**	32,433,000
Cash flows from investing activities		
(Increase) decrease in interest-bearing deposits in other banks	**(34,673,000)**	892,000
Proceeds from sales of securities available for sale	**—**	1,301,000
Proceeds from maturities, payments and calls of securities available for sale	**17,037,000**	35,633,000
Proceeds from maturities, payments, calls and sales of securities to be held to maturity	**6,023,000**	15,073,000
Proceeds from sales of other real estate owned	**106,000**	50,000
Purchases of securities available for sale	**(29,409,000)**	(58,324,000)
Purchases of securities to be held to maturity	**—**	(27,138,000)
Redemption of restricted equity securities	**23,000**	851,000
Net increase in loans	**(165,280,000)**	(210,811,000)
Capital expenditures	**(2,253,000)**	(1,165,000)
Proceeds from disposal of premises and equipment	**3,000**	38,000
Net cash used by investing activities	**(208,423,000)**	(243,600,000)
Cash flows from financing activities		
Net increase in demand, savings, and money market accounts	**79,565,000**	26,681,000
Net increase in certificates of deposit	**141,495,000**	219,971,000
Net (decrease) increase in short-term borrowings	**(20,490,000)**	37,006,000
Repayment on long-term borrowings	**—**	(55,005,000)
Payment to repurchase common stock	**(248,000)**	(276,000)
Proceeds from sale of common stock	**608,000**	588,000
Dividends paid	**(11,534,000)**	(11,024,000)
Net cash provided by financing activities	**189,396,000**	217,941,000
Net increase in cash and cash equivalents	**7,166,000**	6,774,000
Cash and cash equivalents at beginning of period	**22,728,000**	20,634,000
Cash and cash equivalents at end of period	**$ 29,894,000**	$ 27,408,000

	For the nine months ended September 30,	
	2023	2022
Interest paid	**$ 43,643,000**	$ 9,061,000
Income taxes paid	**4,500,000**	5,745,000
Non-cash transactions		
Change in net unrealized loss on available for sale securities, net of tax	**$ 9,134,000**	$ 45,943,000

See Report of Independent Registered Public Accounting Firm. The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

The First Bancorp, Inc. and Subsidiary

Note 1 – Basis of Presentation

The Company is a financial holding company that owns all of the common stock of the Bank. The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of Management, all adjustments (consisting of normally recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany transactions and balances are eliminated in consolidation. The income reported for the 2023 2024 period is not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024. For further information, refer to the consolidated financial statements and notes included in the Company's annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

The acronyms, abbreviations and definitions identified below are used throughout this Form 10-Q, including Item 1 - Financial Statements and Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations. The following is provided to aid the reader and provide a reference page when reviewing these sections of the Form 10-Q.

Acronym Abbreviation	Description	Acronym Abbreviation	Description
ACL	Allowance for credit losses	GDP	Gross domestic product
AFS	Available-for-sale	GNMA	Government National Mortgage Association
ALCO	Asset/Liability Committee	HTM	Held-to-maturity
AOCI	Accumulated other comprehensive income (loss)	IRS IAL	Internal Revenue Service Individually Analyzed Loans
ASC	Accounting Standards Codification	LIBOR IRS	London Interbank Offered Rate Internal Revenue Service
ASU	Accounting Standards Update	MPF	Mortgage Partnership Finance Program
BTFP	Bank Term Funding Program	OAEM	Other assets especially mentioned
C&I	Commercial and Industrial	OCC	Office of the Comptroller of the Currency
CDs	Certificates of deposit	OCI	Other comprehensive income (loss)
CECL	Current Expected Credit Loss	OIS	Overnight Indexed Swap
CLLD	Construction, land, and land development	OREO	Other real estate owned
DFAST EPS	Dodd Frank Act Stress Tests Earnings per share	POR	Period of Redemption
EPS	Earnings per share	PPP	Paycheck Protection Program
FASB	Financial Accounting Standards Board	PSA	Public Securities Association
FDIC	Federal Deposit Insurance Corporation	SBA SEC	Small Business Association Securities and Exchange Commission
FHLB	Federal Home Loan Bank	SEC SOFR	Securities and Exchange Commission Secured Overnight Financing Rate
FHLBB	Federal Home Loan Bank of Boston	SOFR TDR	Secured Overnight Financing Rate Troubled debt restructuring
FHLMC	Federal Home Loan Mortgage Corporation	TDR	Troubled debt restructuring
FNMA	Federal National Mortgage Association	The 2020 Plan	The 2020 Equity Incentive Plan
FOMC FNMA	Federal Open Market Committee National Mortgage Association	The Bank	First National Bank
FRB FOMC	Federal Reserve Board Open Market Committee	The Company	The First Bancorp, Inc.
FRB	Federal Reserve Board	U.S.	United States of America
FRBB	Federal Reserve Bank of Boston	U.S. USD	United States of America U.S. Dollar
GAAP	Accounting principles generally accepted in the U.S.	USD	U.S. Dollar

Risks and Uncertainties

The ongoing conflict Ongoing conflicts between Russia and Ukraine, coupled with new tensions in the Middle East have increased and Israel and Hamas, continue to contribute to economic uncertainty and geopolitical instability. Concern continues to be expressed nationally about the national commercial real estate market and the impact a downturn in this sector could have on the banking industry. The failures in 2023 industry continues to be expressed, as does concern about a re-kindling of several regional banks in the U.S. caused disruption in markets in the first half of 2023, and could have a lingering impact. inflation after higher than expected CPI prints to begin 2024. Any or all could have negative downstream effects on the Company's operating results, the extent of which is indeterminable at this time.

Subsequent Events

Events occurring subsequent to September 30, 2023 March 31, 2024, have been evaluated as to their potential impact to the financial statements.

Note 2 – Investment Securities

The following table summarizes the amortized cost and estimated fair value of investment securities at September 30, 2023 March 31, 2024:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Amortized Cost	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Securities available for sale **Securities available for sale**				
U.S. Treasury & Agency securities				
U.S. Treasury & Agency securities				
U.S. Treasury & Agency securities U.S. Treasury & Agency securities	$ 45,851,000	$ —	$ (7,599,000)	$ 38,252,000

Mortgage-backed securities	Mortgage-backed securities	263,775,000	1,000	(50,930,000)	212,846,000
State and political subdivisions	State and political subdivisions	40,417,000	—	(9,637,000)	30,780,000
Asset-backed securities	Asset-backed securities	3,097,000	1,000	(4,000)	3,094,000
		$353,140,000	$ 2,000	$(68,170,000)	$284,972,000
	$				
	$				
	$				
Securities to be held to maturity	**Securities to be held to maturity**				
U.S. Treasury & Agency securities					
U.S. Treasury & Agency securities					
U.S. Treasury & Agency securities	U.S. Treasury & Agency securities	$ 40,100,000	$ —	$(11,996,000)	$ 28,104,000
Mortgage-backed securities	Mortgage-backed securities	57,224,000	4,000	(13,336,000)	43,892,000
State and political subdivisions	State and political subdivisions	255,732,000	16,000	(46,807,000)	208,941,000
Corporate securities	Corporate securities	34,750,000	—	(3,823,000)	30,927,000
		$387,806,000	$ 20,000	$(75,962,000)	$311,864,000
Corporate securities					
Corporate securities					
	$				
Less allowance for credit losses	Less allowance for credit losses	(432,000)	—	—	—
Net securities to be held to maturity	Net securities to be held to maturity	$387,374,000	$ —	$ —	$ —
Restricted equity securities	**Restricted equity securities**				
Federal Home Loan Bank Stock	Federal Home Loan Bank Stock	$ 2,823,000	$ —	$ —	$ 2,823,000
Federal Home Loan Bank Stock					
Federal Home Loan Bank Stock					

Federal Reserve Bank Stock	Federal Reserve Bank Stock	1,037,000	—	—	1,037,000
		$ 3,860,000	$ —	$ —	$ 3,860,000
	$				

The following table summarizes the amortized cost and estimated fair value of investment securities at December 31, 2023:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Securities available for sale				
U.S. Treasury & Agency securities	$ 26,033,000	$ —	$ (6,203,000)	$ 19,830,000
Mortgage-backed securities	262,823,000	265,000	(38,491,000)	224,597,000
State and political subdivisions	40,306,000	41,000	(5,702,000)	34,645,000
Asset-backed securities	2,986,000	4,000	(9,000)	2,981,000
	$ 332,148,000	$ 310,000	$ (50,405,000)	$ 282,053,000
Securities to be held to maturity				
U.S. Treasury & Agency securities	$ 40,100,000	$ —	$ (9,601,000)	$ 30,499,000
Mortgage-backed securities	56,401,000	70,000	(10,398,000)	46,073,000
State and political subdivisions	254,418,000	313,000	(24,213,000)	230,518,000
Corporate securities	34,750,000	—	(3,270,000)	31,480,000
	$ 385,669,000	$ 383,000	$ (47,482,000)	$ 338,570,000
Less allowance for credit losses	(434,000)	—	—	—
Net securities to be held to maturity	$ 385,235,000	$ 383,000	$ (47,482,000)	$ 338,570,000
Restricted equity securities				
Federal Home Loan Bank Stock	$ 2,348,000	$ —	$ —	$ 2,348,000
Federal Reserve Bank Stock	1,037,000	—	—	1,037,000
	$ 3,385,000	$ —	$ —	$ 3,385,000

The following table summarizes the amortized cost and estimated fair value of investment securities at March 31, 2023:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Securities available for sale				
U.S. Treasury & Agency securities	$ 26,027,000	$ —	$ (6,509,000)	$ 19,518,000
Mortgage-backed securities	269,730,000	72,000	(38,711,000)	231,091,000
State and political subdivisions	40,451,000	12,000	(6,114,000)	34,349,000
Asset-backed securities	3,347,000	—	(63,000)	3,284,000
	$ 339,555,000	$ 84,000	$ (51,397,000)	$ 288,242,000
Securities to be held to maturity				
U.S. Treasury & Agency securities	$ 40,100,000	$ —	$ (10,099,000)	$ 30,001,000
Mortgage-backed securities	59,523,000	75,000	(10,443,000)	49,155,000
State and political subdivisions	257,910,000	365,000	(25,357,000)	232,918,000
Corporate securities	34,750,000	—	(2,771,000)	31,979,000
	$ 392,283,000	$ 440,000	$ (48,670,000)	$ 344,053,000
Less allowance for credit losses	(438,000)	—	—	—
Net securities to be held to maturity	$ 391,845,000	$ 440,000	$ (48,670,000)	$ 344,053,000
Restricted equity securities				
Federal Home Loan Bank Stock	$ 2,837,000	$ —	$ —	$ 2,837,000
Federal Reserve Bank Stock	1,037,000	—	—	1,037,000
	$ 3,874,000	$ —	$ —	$ 3,874,000

Allowance for Credit Losses: The Company adopted ASC 326, the CECL standard, in the first quarter of 2023. In conjunction with adoption, holdings of AFS and HTM securities were evaluated to determine the need to establish an allowance for credit losses, if any.

AFS securities, as shown in the table above tables, consist of securities issued by U.S. Government Agencies, U.S. Government Sponsored Entities, State or Local Municipal Governments, or are backed by collateral that is guaranteed by the U.S. Government. We monitor the credit quality of these investments through credit ratings issued by major rating providers and through substantial price changes not consistent with general market movements. Each of the AFS securities is deemed to be investment grade, and no ACL has been established for AFS securities.

Similarly, the agency and mortgage-backed securities in the HTM portfolio have been determined to all be investment grade with no ACL required. Municipal securities within HTM include two private activity bonds issued by well-known customers of the Bank with total balances of $19,734,000 $19,441,000 as of September 30, 2023 March 31, 2024. These bonds carry similar risk characteristics to the commercial real estate - owner occupied segment of the Bank's loan portfolio described in Note 3; management has elected to apply a loss rate matching the loan segment to the balance of these bonds for purposes of establishing an ACL. Corporate securities in HTM consist of fourteen 13 individual companies in the banking industry. Management reviewed the collectability of these securities taking into consideration such factors as the financial condition of the issuers, reported regulatory capital ratios of the issuers, and other performance factors. Aggregate credit risk of the private activity bonds and corporate securities is considered very low and an immaterial ACL has been established. The As of March 31, 2024 and 2023, and December 31, 2023, the total ACL for HTM securities was $432,000 as of September 30, 2023; there was no reserve as of December 31, 2022 $182,000, $438,000 and September 30, 2022. $434,000, respectively.

Changes in the allowance for credit losses ACL are recorded as credit loss expense, or reversal. Losses would be charged against the allowance when management believes collection of the full contractual amount due on a security is unlikely.

The following table summarizes the amortized cost and estimated fair value contractual maturities of investment securities at December 31, 2022 March 31, 2024:

		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value (Estimated)
Securities available for sale								
U.S. Treasury & Agency securities	$	26,025,000	$	—	$	(6,878,000)	$	19,147,000
Mortgage-backed securities		271,068,000		55,000		(42,447,000)		228,676,000
State and political subdivisions		40,472,000		2,000		(7,283,000)		33,191,000
Asset-backed securities		3,548,000		—		(53,000)		3,495,000
	$	341,113,000	$	57,000	$	(56,661,000)	$	284,509,000
Securities to be held to maturity								
U.S. Treasury & Agency securities	$	40,100,000	$	4,000	$	(10,477,000)	$	29,627,000
Mortgage-backed securities		60,497,000		42,000		(11,392,000)		49,147,000
State and political subdivisions		258,549,000		154,000		(30,733,000)		227,970,000
Corporate securities		34,750,000		—		(2,483,000)		32,267,000
	$	393,896,000	$	200,000	$	(55,085,000)	$	339,011,000
Restricted equity securities								
Federal Home Loan Bank Stock	$	2,846,000	$	—	$	—	$	2,846,000
Federal Reserve Bank Stock		1,037,000		—		—		1,037,000
	$	3,883,000	$	—	$	—	$	3,883,000

	Securities available for sale				Securities to be held to maturity			
		Amortized Cost		Fair Value (Estimated)		Amortized Cost		Fair Value (Estimated)
Due in 1 year or less	$	1,496,000	$	1,453,000	$	1,673,000	$	1,670,000
Due in 1 to 5 years		1,966,000		1,901,000		17,009,000		16,294,000
Due in 5 to 10 years		28,781,000		24,960,000		99,113,000		92,330,000
Due after 10 years		296,405,000		246,137,000		261,840,000		217,522,000
	$	328,648,000	$	274,451,000	$	379,635,000	$	327,816,000

The following table summarizes the amortized cost and estimated fair value of investment securities at September 30, 2022:

		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value (Estimated)
Securities available for sale								
U.S. Treasury & Agency securities	$	26,023,000	$	—	$	(6,879,000)	$	19,144,000
Mortgage-backed securities		273,215,000		4,000		(44,041,000)		229,178,000
State and political subdivisions		40,489,000		—		(9,383,000)		31,106,000
Asset-backed securities		3,872,000		—		(32,000)		3,840,000
	$	343,599,000	$	4,000	$	(60,335,000)	$	283,268,000

Securities to be held to maturity								
U.S. Treasury & Agency securities	$	38,100,000	$	—	$	(10,428,000)	$	27,672,000
Mortgage-backed securities		56,423,000		48,000		(11,784,000)		44,687,000
State and political subdivisions		257,633,000		38,000		(43,899,000)		213,772,000
Corporate securities		29,750,000		—		(2,085,000)		27,665,000
	$	381,906,000	$	86,000	$	(68,196,000)	$	313,796,000
Restricted equity securities								
Federal Home Loan Bank Stock	$	3,477,000	$	—	$	—	$	3,477,000
Federal Reserve Bank Stock		1,037,000		—		—		1,037,000
	$	4,514,000	$	—	$	—	$	4,514,000

The following table summarizes the contractual maturities of investment securities at September 30, 2023 December 31, 2023:

		Securities available for sale		Securities to be held to maturity	
		Amortized Cost	**Fair Value (Estimated)**	**Amortized Cost**	**Fair Value (Estimated)**
Due in 1 year or less	Due in 1 year or less	$ 19,819,000	$ 19,819,000	$ 2,158,000	$ 2,151,000
Due in 1 to 5 years	Due in 1 to 5 years	3,640,000	3,468,000	15,780,000	14,771,000
Due in 5 to 10 years	Due in 5 to 10 years	28,082,000	23,360,000	92,565,000	81,812,000
Due after 10 years	Due after 10 years	301,599,000	238,325,000	277,303,000	213,130,000
		$353,140,000	$284,972,000	$387,806,000	$311,864,000

Securities available for sale	Securities available for sale		Securities to be held to maturity	
Amortized Cost	**Amortized Cost**	**Fair Value (Estimated)**	**Amortized Cost**	**Fair Value (Estimated)**
$				
$				
$				

The following table summarizes the contractual maturities of investment securities at December 31, 2022 March 31, 2023:

	Securities available for sale				Securities to be held to maturity			
		Amortized Cost		**Fair Value (Estimated)**		**Amortized Cost**		**Fair Value (Estimated)**
Due in 1 year or less	$	—	$	—	$	1,787,000	$	1,782,000
Due in 1 to 5 years		3,609,000		3,409,000		14,998,000		14,480,000
Due in 5 to 10 years		18,591,000		15,203,000		86,833,000		81,443,000
Due after 10 years		318,913,000		265,897,000		290,278,000		241,306,000
	$	341,113,000	$	284,509,000	$	393,896,000	$	339,011,000

The following table summarizes the contractual maturities of investment securities at September 30, 2022:

		Securities available for sale		Securities to be held to maturity	
		Amortized Cost	Fair Value (Estimated)	Amortized Cost	Fair Value (Estimated)
Due in 1 year or less	Due in 1 year or less	$ 4,000	$ 4,000	$ 1,346,000	$ 1,343,000
Due in 1 to 5 years	Due in 1 to 5 years	3,640,000	3,427,000	15,235,000	14,644,000
Due in 5 to 10 years	Due in 5 to 10 years	18,064,000	14,436,000	75,492,000	68,704,000
Due after 10 years	Due after 10 years	321,891,000	265,401,000	289,833,000	229,105,000
		$343,599,000	$283,268,000	$381,906,000	$313,796,000

	Securities available for sale		Securities available for sale		Securities to be held to maturity	
	Amortized Cost		Amortized Cost	Fair Value (Estimated)	Amortized Cost	Fair Value (Estimated)
$						
$						
$						

At September 30, 2023 March 31, 2024, securities with a carrying value of $383,946,000 $314,208,000 were pledged to secure public deposits, repurchase agreements, and for other purposes as required by law. This compares to securities with a carrying value of $350,411,000 $340,623,000 as of December 31, 2022 December 31, 2023 and $343,677,000 $324,716,000 at September 30, 2022 March 31, 2023, pledged for the same purposes.

Gains and losses on the sale of securities are computed by subtracting the amortized cost at the time of sale from the security's selling price, net of accrued interest to be received. There were no gains or losses on the sale of securities for the three months ended March 31, 2024 and 2023.

As of March 31, 2024, there were 236 AFS securities with unrealized losses held in the Company's portfolio. The Company has the ability and intent to hold its securities which are in an unrealized loss position until a recovery of their amortized cost, which may be at maturity.

The following table shows summarizes AFS debt securities gains in an unrealized loss position for which an ACL has not been recorded at March 31, 2024, aggregated by major security type and losses for the nine months and quarters ended September 30, 2023 and 2022: length of time in a continuous unrealized loss position:

	For the nine months ended September 30,		For the quarter ended September 30,	
	2023	2022	**2023**	2022
Proceeds from sales of securities	**$** —	$ 1,301,000	**$** —	$ 1,301,000
Gross realized gains	—	8,000	—	6,000
Gross realized losses	—	(1,000)	—	(1,000)
Net gain (loss)	**$** —	$ 7,000	**$** —	$ 5,000
Related income taxes	**$** —	$ 1,000	**$** —	$ 1,000

	Less than 12 months		12 months or more		Total	
	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses
U.S. Treasury & Agency securities	$ —	$ —	$ 19,693,000	$ (6,343,000)	$ 19,693,000	$ (6,343,000)
Mortgage-backed securities	4,593,000	(16,000)	202,736,000	(41,619,000)	207,329,000	(41,635,000)

State and political subdivisions		4,520,000		(30,000)	29,161,000		(6,308,000)	33,681,000	(6,338,000)
	$	9,113,000	$	(46,000) $	251,590,000	$	(54,270,000) $	260,703,000 $	(54,316,000)

As of September 30, 2023 December 31, 2023, there were 941 226 AFS securities with unrealized losses held in the Company's portfolio. The Company has the ability and intent to hold its securities which are in an unrealized loss position until a recovery of their amortized cost, which may be at maturity.

The following table summarizes AFS debt securities in an unrealized loss position for which an allowance for credit losses ACL has not been recorded at September 30, 2023, December 31, 2023 aggregated by major security type and length of time in a continuous unrealized loss position:

		Less than 12 months		12 months or more		Total	
		Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses
	Less than 12 months						
	Fair Value (Estimated)						
U.S. Treasury & Agency securities	U.S. Treasury & Agency securities	$11,842,000	$ (40,000)	$ 44,577,000	$ (19,555,000)	$ 56,419,000	$ (19,595,000)
Mortgage-backed securities	Mortgage-backed securities	18,017,000	(441,000)	238,150,000	(63,825,000)	256,167,000	(64,266,000)
State and political subdivisions	State and political subdivisions	66,583,000	(6,675,000)	147,818,000	(49,769,000)	214,401,000	(56,444,000)
Asset-backed securities	Asset-backed securities	—	—	1,510,000	(4,000)	1,510,000	(4,000)
Corporate securities		—	—	21,677,000	(3,823,000)	21,677,000	(3,823,000)
		$96,442,000	$(7,156,000)	$453,732,000	$(136,976,000)	$550,174,000	$(144,132,000)
	$						
	$						
	$						

Less than 12 months		12 months or more		Tota	
Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unreali Loss

As of December 31, 2022 March 31, 2023, there were 869 232 AFS securities with unrealized losses held in the Company's portfolio. These The Company has the ability and intent to hold its securities were temporarily impaired as which are in an unrealized loss position until a result recovery of changes their amortized cost, which may be at maturity.

The following table summarizes AFS debt securities in interest rates reducing their fair value, an unrealized loss position for which an ACL has not been recorded at March 31, 2023 aggregated by major security type and length of which 300 had been temporarily impaired for 12 months or more. time in a continuous unrealized loss position:

Information regarding securities temporarily impaired as of December 31, 2022 is summarized below:

	Less than 12 months		12 months or more		Total	
	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses
U.S. Treasury & Agency securities	$ 4,804,000	$ (675,000)	$ 41,965,000	$ (16,680,000)	$ 46,769,000	$ (17,355,000)
Mortgage-backed securities	73,509,000	(6,486,000)	197,102,000	(47,353,000)	270,611,000	(53,839,000)
State and political subdivisions	149,517,000	(13,769,000)	67,932,000	(24,247,000)	217,449,000	(38,016,000)
Asset-backed securities	3,495,000	(53,000)	—	—	3,495,000	(53,000)
Corporate securities	19,857,000	(2,143,000)	3,160,000	(340,000)	23,017,000	(2,483,000)
	$ 251,182,000	$ (23,126,000)	$ 310,159,000	$ (88,620,000)	$ 561,341,000	$ (111,746,000)

As of September 30, 2022, there were 912 securities with unrealized losses held in the Company's portfolio. These securities were temporarily impaired as a result of changes in interest rates reducing their fair value, of which 138 had been temporarily impaired for 12 months or more.

Information regarding securities temporarily impaired as of September 30, 2022 is summarized below:

	Less than 12 months		12 months or more		Total	
	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses
	Less than 12 months					

Less than 12 months	12 months or more	Tot

	Fair Value (Estimated)	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrea Los
U.S. Treasury & Agency securities	U.S. Treasury & Agency securities	$ 7,364,000	$ (1,264,000)	$ 39,452,000	$(16,043,000)	$ 46,816,000	$ (17,307,000)
Mortgage-backed securities	Mortgage-backed securities	109,041,000	(13,868,000)	162,979,000	(41,957,000)	272,020,000	(55,825,000)
State and political subdivisions	State and political subdivisions	197,145,000	(44,277,000)	17,902,000	(9,005,000)	215,047,000	(53,282,000)
Asset-backed securities	Asset-backed securities	3,840,000	(32,000)	—	—	3,840,000	(32,000)
Corporate securities		20,186,000	(1,814,000)	3,229,000	(271,000)	23,415,000	(2,085,000)
		$337,576,000	$(61,255,000)	$223,562,000	$(67,276,000)	$561,138,000	$(128,531,000)
	$						
	$						
	$						

Credit Quality Indicators: Agency-backed and government-sponsored enterprise securities have a long history with no credit losses, including during times of severe stress. The principal and interest payments on agency-guaranteed debt is backed by the U.S. Government. Government-sponsored enterprises similarly guarantee principal and interest payments and carry an implicit

guarantee from the U.S. Department of the Treasury. Additionally, government-sponsored enterprise securities are exceptionally liquid, readily marketable, and provide a substantial amount of price transparency and price parity, indicating a perception of zero credit losses. HTM municipal debt holdings are comprised primarily of high credit quality (rated A- or higher) state and municipal obligations. High credit quality state and municipal obligations have a history of zero to near-zero credit loss. All of the Mortgage-backed securities owned were issued either by a U.S. Government Agency (GNMA) or a Government Sponsored Enterprise (FNMA or FHLMC). HTM municipal debt holdings also include two unrated private activity bonds issued by well known customers of the Bank. These securities are regularly monitored as part of an overall credit relationship with the issuers; both issuers were in good standing as of September 30, 2023 March 31, 2024. HTM corporate debt holdings consist of 14 13 individual companies in the banking industry. Management conducts periodic reviews of the collectability of these securities taking into consideration such factors as the financial condition of the issuers; each were in good standing as of September 30, 2023 March 31, 2024.

The following table presents the activity in the ACL for held-to-maturity HTM debt securities by major security type for the nine three months ended September 30, 2023 March 31, 2024:

	State and Political Subdivisions	Corporate Securities	Total
Allowance for credit losses:			
Beginning balance	$ —	$ —	$ —
Impact of adopting ASC 326	229,000	209,000	438,000
Credit loss expense (reduction)[1]	(17,000)	11,000	(6,000)
Securities charged-off	—	—	—
Recoveries	—	—	—
Total ending allowance balance	$ 212,000	$ 220,000	$ 432,000

[1]Difference between total and amount reported on the Consolidated Statements of Income is due to rounding.

	State and Political Subdivisions	Corporate Securities	Total
Allowance for credit losses:			
Beginning balance	$ 222,000	$ 212,000	$ 434,000
Credit loss expense (reduction)	(109,000)	(143,000)	(252,000)
Securities charged-off	—	—	—
Recoveries	—	—	—
Total ending allowance balance	$ 113,000	$ 69,000	$ 182,000

There was no ACL on U.S. Government-sponsored enterprise, and agency securities, or mortgage-backed securities as of September 30, 2023 March 31, 2024.

A security is considered to be past due once it is 30 days contractually past due under the terms of the agreement. As of September 30, 2023 March 31, 2024, none of the Company's HTM debt securities were past due or on non-accrual status.

During the third quarter of 2014, the Company transferred securities with a total amortized cost of $89,780,000 with a corresponding fair value of $89,757,000 from available for sale to held to maturity. The net unrealized loss, net of taxes, on these securities at the date of the transfer was $15,000. The net unrealized holding loss at the time of transfer continues to be reported in AOCI, net of tax and is amortized over the remaining lives of the securities as an adjustment of the yield. The amortization of the net unrealized loss reported in AOCI will offset the effect on interest income of the discount for the transferred securities. The remaining unamortized balance of the net unrealized losses for the securities transferred from available for sale to held to maturity was $58,000, $54,000, net of taxes, at September 30, 2023 March 31, 2024. This compares to $64,000 $56,000 and $67,000, $60,000, net of taxes, at December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023, respectively. These securities were transferred as a part of the Company's overall investment and balance sheet strategies.

The Bank is a member of the FHLBB, a cooperatively owned wholesale bank for housing and finance in the six New England States. As a requirement of membership in the FHLBB, the Bank must own a minimum required amount of FHLBB stock, calculated periodically based primarily on its level of borrowings from the FHLBB. The Bank uses the FHLBB for a portion of its wholesale funding needs. As of September 30, 2023 March 31, 2024 and 2022, 2023, and December 31, 2022 December 31, 2023, the Bank's investment in FHLBB stock totaled $2,823,000, $3,477,000 $4,896,000, $2,837,000 and $2,846,000, $2,348,000, respectively. FHLBB stock is a non-marketable equity security and therefore is reported at cost, which equals par value.

The Bank is also a member of the FRBB. As a requirement for membership in the FRBB, the Bank must own a minimum required amount of FRBB stock. The Bank uses FRBB for certain correspondent banking services and maintains borrowing capacity at its discount window. The Bank's investment in FRBB stock totaled $1,037,000 at September 30, 2023 March 31, 2024 and 2022, 2023, and December 31, 2022 December 31, 2023.

The Company periodically evaluates its investment in FHLBB and FRBB stock for impairment based on, among other factors, the capital adequacy of the Banks and their overall financial condition. No impairment losses have been recorded through September 30, 2023 March 31, 2024. The Bank will continue to monitor its investment in these restricted equity securities.

Note 3 – Loans

Upon adoption of ASU 2016-13/ASC 326, the CECL standard, as described in Notes 4 The Company periodically reviews and 16 of these financial statements, the Company updated updates the segmentation of its loan portfolio. The updates primarily consist Updates performed in conjunction with adoption of ASC 326 in 2023 consisted of reporting what had been a single class, commercial real estate loans, as three classes - commercial real estate owner occupied, commercial real estate non-owner occupied, and commercial multi-family. In addition home equity installment loans which had previously been included in the residential term class are now were included in the home equity revolving and term class. Loan data as of September 30, 2023 is reported herein with In the current reporting period, a new class structure while segment has been established for Agriculture loans; certain prior period data retains information of these loans continues to be included the prior class structure. C&I and CRE non-owner occupied segments.

Loan Portfolio by Class: The following table shows the composition of the Company's loan portfolio by class of financing receivable as of September 30, 2023 March 31, 2024 and 2022 2023 and at December 31, 2022 December 31, 2023:

		September 30, 2023		December 31, 2022		September 30, 2022											
		March 31, 2024															
Commercial	Commercial																
Commercial																	
Commercial																	
Real estate owner occupied																	
Real estate owner occupied																	
Real estate owner occupied	Real estate owner occupied	$ **299,943,000**	**14.4 %**	$ 256,623,000	13.4 %	$ 251,410,000	13.6 %		$ **327,496,000**	**15.1**	**15.1**	%	%	$ 314,819,000	14.8	14.8	
Real estate non-owner occupied	Real estate non-owner occupied	**397,024,000**	**19.1 %**	363,660,000	19.0 %	315,514,000	17.0 %	Real estate non-owner occupied	**399,658,000**	**18.4**	**18.4**	**%**	**%**	390,167,000			18
Construction	Construction	**72,424,000**	**3.5 %**	93,907,000	4.9 %	129,036,000	6.9 %	Construction	**85,817,000**	**3.9**	**3.9**	**%**	**%**	88,673,000			4
C&I	C&I	**350,596,000**	**16.9 %**	319,359,000	16.7 %	310,110,000	16.7 %	C&I	**321,855,000**	**14.8**	**14.8**	**%**	**%**	315,026,000			14
Multifamily	Multifamily	**91,041,000**	**4.4 %**	79,057,000	4.1 %	71,784,000	3.9 %	Multifamily	**101,344,000**	**4.7**	**4.7**	**%**	**%**	93,476,000			4
Agriculture								Agriculture	**45,064,000**		**2.1**	**%**		45,230,000			
Municipal	Municipal	**58,447,000**	**2.8 %**	40,619,000	2.1 %	48,702,000	2.6 %	Municipal	**54,746,000**	**2.5**	**2.5**	**%**	**%**	51,423,000			2
Residential	Residential																
Term																	
Term																	
Term	Term	**660,049,000**	**31.7 %**	597,404,000	31.2 %	581,066,000	31.3 %		**678,093,000**	**31.1**	**31.1**	%	%	674,855,000	31.7	31.7	
Construction	Construction	**28,986,000**	**1.4 %**	49,907,000	2.6 %	41,631,000	2.2 %	Construction	**34,824,000**	**1.6**	**1.6**	**%**	**%**	32,358,000			1

Home Equity	Home Equity											
Revolving and term	Revolving and term	**101,980,000**	**4.9 %**	93,075,000	4.9 %	87,903,000	4.7 %					
Revolving and term												
Revolving and term									**105,814,000**		**4.9 %**	104,026,000
Consumer	Consumer	**19,370,000**	**0.9 %**	21,063,000	1.1 %	20,819,000	1.1 %	Consumer	**19,035,000**	**0.9**	**0.9 % %**	19,401,000
Total	Total	**$ 2,079,860,000**	**100.0 %**	$ 1,914,674,000	100.0 %	$ 1,857,975,000	100.0 %	Total	**$ 2,173,746,000**	**100.0**	**100.0 % %**	$ 2,129,454,000

Loan balances include net deferred loan costs of $11,213,000 $11,745,000 as of September 30, 2023 March 31, 2024, $10,132,000 $11,479,000 as of December 31, 2022 December 31, 2023, and $9,978,000 $10,315,000 as of September 30, 2022 March 31, 2023. Net deferred loan costs have increased from a year ago and year-to-date due to based upon loan origination unit volume over the period. periods, prepayments, and normal repayment activity. Loan balances in the Residential Term segment also include a valuation adjustment for fair value swaps hedged by certain loans in the portfolio. This adjustment subtracted $705,000 from added $313,000 to the loan balances as of September 30, 2023 March 31, 2024 and $2,149,000 as of December 31, 2023; there was no such adjustment as of December 31, 2022 or September 30, 2022 March 31, 2023.

Pursuant to collateral agreements, qualifying first mortgage loans and commercial real estate loans, which totaled $525,904,000 $565,047,000 at September 30, 2023 March 31, 2024, were used to collateralize borrowings from the FHLBB. This compares to qualifying loans which totaled $475,233,000 $561,574,000 at December 31, 2022 December 31, 2023, and $464,069,000 $527,949,000 at September 30, 2022 March 31, 2023. In addition, commercial, residential construction and home equity loans totaling $332,657,000 $322,124,000 at September 30, 2023 March 31, 2024, $338,636,000 $320,083,000 at December 31, 2022 December 31, 2023, and $327,551,000 $373,791,000 at September 30, 2022 March 31, 2023, were used to collateralize a standby line of credit at the FRBB. In September 2022 the Bank sold a block of 41 mixed performing residential mortgage loans. This block of loans carried general ledger balances that totaled $5.2 million and included a number of past-due, non-accrual, and TDR loans. The impact of the sale on the portfolio is included in the information presented herein for the prior year.

Past Due Loans: For all loan classes, loans over 30 days past due are considered delinquent. Information on the past-due status of loans by class of financing receivable as of September 30, 2023 March 31, 2024, is presented in the following table:

		30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	All Past Due	Current	Total	90+ Days & Accruing
	30-59 Days Past Due							
		30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	All Past Due	Current	Total	90+ Days & Accruing
Commercial	Commercial							
Real estate owner occupied								
Real estate owner occupied								
Real estate owner occupied	Real estate owner occupied	$ —	$ —	$ —	$ —	$ 299,943,000	$ 299,943,000	$ —
Real estate non-owner occupied	Real estate non-owner occupied	—	—	—	—	397,024,000	397,024,000	—
Construction	Construction	—	7,000	8,000	15,000	72,409,000	72,424,000	—
C&I	C&I	349,000	100,000	221,000	670,000	349,926,000	350,596,000	—
Multifamily	Multifamily	—	—	—	—	91,041,000	91,041,000	—
Agriculture								
Municipal	Municipal	—	—	—	—	58,447,000	58,447,000	—
Residential	Residential							
Term								
Term								
Term	Term	39,000	106,000	578,000	723,000	659,326,000	660,049,000	—
Construction	Construction	—	62,000	—	62,000	28,924,000	28,986,000	—
Home equity	Home equity							
Revolving and term	Revolving and term	79,000	—	179,000	258,000	101,722,000	101,980,000	—
Revolving and term								
Revolving and term								

Consumer	Consumer	210,000	39,000	11,000	260,000	19,110,000	19,370,000	11,000
Total	Total	$677,000	$314,000	$997,000	$1,988,000	$2,077,872,000	$2,079,860,000	$11,000

Information on the past-due status of loans by class of financing receivable as of December 31, 2022 December 31, 2023, is presented in the following table:

		30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	All Past Due	Current	Total	90+ Days & Accruing
30-59 Days Past Due		30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	All Past Due	Current	Total	90+ Days & Accruing
Commercial	Commercial							
Real estate		$ —	$ 3,000	$190,000	$ 193,000	$ 699,147,000	$ 699,340,000	$ —
Real estate owner occupied								
Real estate owner occupied								
Real estate owner occupied								
Real estate non-owner occupied								
Construction	Construction	—	—	—	—	93,907,000	93,907,000	—
Other		118,000	23,000	85,000	226,000	319,133,000	319,359,000	34,000
C&I								
Multifamily								
Municipal	Municipal	—	—	—	—	40,619,000	40,619,000	—
Residential	Residential							
Term	Term	135,000	33,000	284,000	452,000	596,952,000	597,404,000	118,000
Term								
Term								
Construction	Construction	—	—	—	—	49,907,000	49,907,000	—
Home equity line of credit		241,000	29,000	151,000	421,000	92,654,000	93,075,000	86,000
Home equity								
Revolving and term								
Revolving and term								
Revolving and term								
Consumer	Consumer	131,000	33,000	3,000	167,000	20,896,000	21,063,000	3,000
Total	Total	$625,000	$121,000	$713,000	$1,459,000	$1,913,215,000	$1,914,674,000	$241,000

Information on the past-due status of loans by class of financing receivable as of September 30, 2022 March 31, 2023, is presented in the following table:

		30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	All Past Due	Current	Total	90+ Days & Accruing
30-59 Days Past Due		30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	All Past Due	Current	Total	90+ Days & Accruing
Commercial	Commercial							
Real estate		$ —	$ 4,000	$191,000	$ 195,000	$ 638,513,000	$ 638,708,000	$ —
Real estate owner occupied								
Real estate owner occupied								
Real estate owner occupied								

Real estate non-owner occupied								
Construction	Construction	—	—	—	—	129,036,000	129,036,000	—
Other		172,000	16,000	83,000	271,000	309,839,000	310,110,000	—
C&I								
Multifamily								
Municipal	Municipal	—	—	—	—	48,702,000	48,702,000	—
Residential	Residential							
Term	Term	79,000	77,000	166,000	322,000	580,744,000	581,066,000	—
Term								
Term								
Construction	Construction	—	—	—	—	41,631,000	41,631,000	—
Home equity line of credit		473,000	29,000	—	502,000	87,401,000	87,903,000	—
Home equity								
Revolving and term								
Revolving and term								
Revolving and term								
Consumer	Consumer	143,000	28,000	—	171,000	20,648,000	20,819,000	—
Total	Total	$867,000	$154,000	$440,000	$1,461,000	$1,856,514,000	$1,857,975,000	$ —

Non-Accrual Loans: For all classes, loans are placed on non-accrual status when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement or when principal and interest is 90 days or more past due unless the loan is both well secured and in the process of collection (in which case the loan may continue to accrue interest in spite of its past due status). A loan is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. A loan is "in the process of collection" if collection of the loan is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

Cash payments received on non-accrual loans are applied to reduce the loan's principal balance until the remaining principal balance is deemed collectible, after which interest is recognized when collected. As a general rule, a loan may be restored to accrual status when payments are current for a substantial period of time, generally six months, and repayment of the remaining contractual amounts is expected, or when it otherwise becomes well secured and in the process of collection.

The following table presents the amortized costs basis of loans on nonaccrual status as of September 30, 2023, December 31, 2022 and September 30, 2022:

	September 30, 2023			December 31, 2022	September 30, 2022
	Nonaccrual with Allowance for Credit Loss	Nonaccrual with no Allowance for Credit Loss	Total Nonaccrual	Total Nonaccrual	Total Nonaccrual
Commercial					
Real estate owner occupied	**$ —**	**$ —**	**$ —**	$ 193,000	$ 195,000
Real estate non-owner occupied	**—**	**—**	**—**	—	—
Construction	**—**	**29,000**	**29,000**	23,000	25,000
C&I	**363,000**	**351,000**	**714,000**	663,000	756,000
Multifamily	**—**	**—**	**—**	—	—
Municipal	**—**	**—**	**—**	—	—
Residential					
Term	**304,000**	**1,016,000**	**1,320,000**	572,000	637,000
Construction	**—**	**—**	**—**	—	—
Home equity					
Revolving and term	**—**	**490,000**	**490,000**	304,000	247,000
Consumer	**—**	**—**	**—**	—	—
Total	**$ 667,000**	**$ 1,886,000**	**$ 2,553,000**	$ 1,755,000	$ 1,860,000

The following table presents the amortized costs basis of loans on nonaccrual status as of March 31, 2024, December 31, 2023 and March 31, 2023:

Dollars in thousands	March 31, 2024 Nonaccrual with Allowance for Credit Loss	March 31, 2024 Nonaccrual with no Allowance for Credit Loss	March 31, 2024 Total Nonaccrual	December 31, 2023 Nonaccrual with Allowance for Credit Loss	December 31, 2023 Nonaccrual with no Allowance for Credit Loss	December 31, 2023 Total Nonaccrual	March 31, 2023 Nonaccrual with Allowance for Credit Loss	March 31, 2023 Nonaccrual with no Allowance for Credit Loss	March 31, 2023 Total Nonaccrual
Commercial									
Real estate owner occupied	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 152,000	$ 152,000
Real estate non-owner occupied	—	—	—	—	—	—	—	—	—
Construction	—	**20,000**	**20,000**	—	29,000	29,000	—	23,000	23,000
C&I	**346,000**	**48,000**	**394,000**	354,000	184,000	538,000	530,000	118,000	648,000
Multifamily	—	—	—	—	—	—	—	—	—
Agriculture	—	**33,000**	**33,000**	—	—	—	—	—	—
Municipal	—	—	—	—	—	—	—	—	—
Residential							—	—	—
Term	—	**1,959,000**	**1,959,000**	304,000	1,011,000	1,315,000	—	443,000	443,000
Construction	—	—	—	—	—	—	—	—	—
Home equity							—	—	—
Revolving and term	—	**304,000**	**304,000**	—	296,000	296,000	—	534,000	534,000
Consumer	—	—	—	—	—	—	—	—	—
Total	**$ 346,000**	**$ 2,364,000**	**$ 2,710,000**	$ 658,000	$ 1,520,000	$ 2,178,000	$ 530,000	$ 1,270,000	$ 1,800,000

Individually Analyzed Loans: Individually analyzed loans IAL include loans placed on non-accrual and loans reported as TDR prior to adoption of ASU 2022-02 Troubled Debt Restructurings and Vintage Disclosures, with balances of $250,000 or more. These loans are measured at the present value of expected future cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral dependent. If the measure of an individually analyzed IAL loan is lower than the recorded investment in the loan and estimated selling costs, a specific reserve is established for the difference, or, in certain situations, if the measure of an individually analyzed IAL loan is lower than the recorded investment in the loan and estimated selling costs, the difference is written off.

The following table presents the amortized cost basis of collateral-dependent loans as of September 30, 2023 March 31, 2024 by collateral type:

		Collateral Type			
		Commercial Real Estate	Residential Real Estate	Total	
	Collateral Type				
	Collateral Type				
	Collateral Type				
	Residential Real Estate				
	Residential Real Estate				
	Residential Real Estate				Total
Commercial	Commercial				
Real estate owner occupied					
Real estate owner occupied					
Real estate owner occupied	Real estate owner occupied	$ —	$ —	$ —	
Real estate non-owner occupied	Real estate non-owner occupied		—	—	Real estate non-owner occupied —

Construction	Construction		—	—	Construction	—	
C&I	C&I		—	—	C&I	—	
Multifamily	Multifamily		—	—	Multifamily	—	
Agriculture					Agriculture		—
Municipal	Municipal		—	—	Municipal	—	
Residential	Residential						
Term							
Term							
Term	Term	—	687,000	687,000	950,000		
Construction	Construction		—	—	Construction	—	
Home Equity	Home Equity						
Revolving and term	Revolving and term		—	—			
Revolving and term							
Revolving and term							—
Consumer	Consumer		—	—	Consumer	—	
Total	Total	$ —	$ 687,000	$687,000			

Collateral-dependent loans are loans for which the repayment is expected to be provided substantially by the underlying collateral and there are no other available and reliable sources of repayment.

A breakdown

The following table presents the amortized cost basis of individually analyzed collateral-dependent loans by class of financing receivable as of and for December 31, 2023 by collateral type:

	Collateral Type	
	Residential Real Estate	Total
Commercial		
Real estate owner occupied	$ —	$ —
Real estate non-owner occupied	—	—
Construction	—	—
C&I	—	—
Multifamily	—	—
Municipal	—	—
Residential		
Term	685,000	685,000
Construction	—	—
Home Equity		
Revolving and term	—	—
Consumer	—	—
Total	$ 685,000	$ 685,000

For the period ended September 30, 2023 is presented in March 31, 2023, IALinclude all loans that had been reported as TDR loans prior to adoption of ASU 2022-02 and loans placed on non-accrual. The following table presents the following table:

				For the nine months ended September 30, 2023		**For the quarter ended September 30, 2023**	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Recognized Interest Income	Average Recorded Investment	Recognized Interest Income
With No Related Allowance							
Commercial							
Real estate owner occupied	$ —	$ —	$ —	$ 143,000	$ —	$ —	$ —
Real estate non-owner occupied	—	—	—	537,000	—	—	(12,000)
Construction	—	—	—	157,000	—	—	—
C&I	—	—	—	72,000	—	—	—

Multifamily	—	—	—	—	—	—	—
Municipal	—	—	—	—	—	—	—
Residential							
Term	384,000	411,000	—	977,000	15,000	384,000	8,000
Construction	—	—	—	—	—	—	—
Home Equity							
Revolving and term	—	—	—	238,000	—	—	—
Consumer	—	—	—	—	—	—	—
	$ 384,000	$ 411,000	$ —	$ 2,124,000	$ 15,000	$ 384,000	$ (4,000)
With an Allowance Recorded							
Commercial							
Real estate owner occupied	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real estate non-owner occupied	—	—	—	—	—	—	—
Construction	—	—	—	—	—	—	—
C&I	363,000	456,000	225,000	502,000	—	366,000	—
Multifamily	—	—	—	—	—	—	—
Municipal	—	—	—	—	—	—	—
Residential							
Term	566,000	573,000	41,000	878,000	10,000	697,000	(2,000)
Construction	—	—	—	—	—	—	—
Home Equity							
Revolving and term	—	—	—	9,000	—	—	—
Consumer	—	—	—	—	—	—	—
	$ 929,000	$ 1,029,000	$ 266,000	$ 1,389,000	$ 10,000	$ 1,063,000	$ (2,000)
Total							
Commercial							
Real estate owner occupied	$ —	$ —	$ —	$ 143,000	$ —	$ —	$ —
Real estate non-owner occupied	—	—	—	537,000	—	—	(12,000)
Construction	—	—	—	157,000	—	$ —	—
C&I	363,000	456,000	225,000	574,000	—	366,000	—
Multifamily	—	—	—	—	—	—	—
Municipal	—	—	—	—	—	—	—
Residential							
Term	950,000	984,000	41,000	1,855,000	25,000	1,081,000	6,000
Construction	—	—	—	—	—	—	—
Home Equity							
Revolving and term	—	—	—	247,000	—	—	—
Consumer	—	—	—	—	—	—	—
	$ 1,313,000	$ 1,440,000	$ 266,000	$ 3,513,000	$ 25,000	$ 1,447,000	$ (6,000)

Substantially all interest income recognized on individually analyzed amortized cost basis of collateral-dependent loans for all classes of financing receivables was recognized on a cash basis as received.

A breakdown of individually analyzed loans by class of financing receivable as of and for the year ended December 31, 2022 is presented in the following table: March 31, 2023 by collateral type:

	Collateral Type					Collateral Type
	Commercial Real Estate		Commercial Real Estate	Residential Real Estate	Equipment[1]	Total
Commercial						
Real estate owner occupied						

Real estate owner occupied					
Real estate owner occupied					
Real estate non-owner occupied	Real estate non-owner occupied	844,000		—	844,000
Construction	Construction	23,000		—	23,000
C&I	C&I	79,000	—	192,000	271,000
Multifamily	Multifamily				—

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Recognized Interest Income
With No Related Allowance					
Commercial					
Real estate	$1,236,000	$1,532,000	$ —	$1,440,000	$ 50,000
Construction	685,000	687,000	—	81,000	35,000
Other	301,000	348,000	—	408,000	13,000
Municipal					
Municipal					
Municipal Municipal	—	—	—	—	—
Residential Residential					
Term Term	1,833,000	2,035,000	—	4,507,000	56,000
Construction	—	—	—	—	—
Home equity line of credit	304,000	340,000	—	295,000	—
Consumer	—	—	—	1,000	—
	$4,359,000	$4,942,000	$ —	$6,732,000	$ 154,000
With an Allowance Recorded					
Commercial					
Real estate	$ —	$ —	$ —	$ 11,000	$ —
Construction	—	—	—	606,000	—
Other	545,000	647,000	298,000	693,000	—
Municipal	—	—	—	—	—
Residential					
Term					
Term Term	1,256,000	1,259,000	100,000	1,486,000	50,000
Construction Construction	—	—	—	—	—
Home equity line of credit	—	—	—	8,000	—
Home Equity					
Revolving and term					
Revolving and term					
Revolving and term					
Consumer Consumer	—	—	—	—	—
	$1,801,000	$1,906,000	$398,000	$2,804,000	$ 50,000
Total					
Commercial					
Real estate	$1,236,000	$1,532,000	$ —	$1,451,000	$ 50,000
Construction	685,000	687,000	—	687,000	35,000
Other	846,000	995,000	298,000	1,101,000	13,000
Municipal	—	—	—	—	—
Residential					

Municipal					—
Term	—	1,438,000		—	1,438,000
Construction					—
Revolving and term	—	534,000		—	534,000
Consumer					—

Term	3,089,000	3,294,000	100,000	5,993,000	106,000
Construction	—	—	—	—	—
Home equity line of credit	304,000	340,000	—	303,000	—
Consumer	—	—	—	1,000	—
	$6,160,000	$6,848,000	$398,000	$9,536,000	$ 204,000

[1] *Collateral may consist of a boat, vehicle or other equipment.*

A breakdown of individually analyzed loans by class of financing receivable as of and for the period ended September 30, 2022 is presented in the following table:

				For the nine months ended September 30, 2022		For the quarter ended September 30, 2022	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Recognized Interest Income	Average Recorded Investment	Recognized Interest Income
With No Related Allowance							
Commercial							
Real estate	$ 1,295,000	$ 1,607,000	$ —	$ 1,497,000	$ 42,000	$ 1,314,000	$ 14,000
Construction	25,000	27,000	—	26,000	—	25,000	—
Other	399,000	459,000	—	432,000	10,000	405,000	2,000
Municipal	—	—	—	—	—	—	—
Residential							
Term	1,912,000	2,139,000	—	5,380,000	40,000	4,666,000	(9,000)
Construction	—	—	—	—	—	—	—
Home equity line of credit	247,000	279,000	—	299,000	—	249,000	—
Consumer	—	—	—	1,000	—	—	—
	$ 3,878,000	$ 4,511,000	$ —	$ 7,635,000	$ 92,000	$ 6,659,000	$ 7,000
With an Allowance Recorded							
Commercial							
Real estate	$ —	$ —	$ —	$ 14,000	$ —	$ —	$ —
Construction	661,000	661,000	6,000	661,000	27,000	661,000	16,000
Other	552,000	647,000	315,000	745,000	—	679,000	—
Municipal	—	—	—	—	—	—	—
Residential							
Term	1,264,000	1,267,000	99,000	1,562,000	34,000	1,384,000	9,000
Construction	—	—	—	—	—	—	—
Home equity line of credit	—	—	—	11,000	—	—	—
Consumer	—	—	—	—	—	—	—
	$ 2,477,000	$ 2,575,000	$ 420,000	$ 2,993,000	$ 61,000	$ 2,724,000	$ 25,000
Total							
Commercial							
Real estate	$ 1,295,000	$ 1,607,000	$ —	$ 1,511,000	$ 42,000	$ 1,314,000	$ 14,000
Construction	686,000	688,000	6,000	687,000	27,000	686,000	16,000
Other	951,000	1,106,000	315,000	1,177,000	10,000	1,084,000	2,000
Municipal	—	—	—	—	—	—	—
Residential							
Term	3,176,000	3,406,000	99,000	6,942,000	74,000	6,050,000	—
Construction	—	—	—	—	—	—	—
Home equity line of credit	247,000	279,000	—	310,000	—	249,000	—
Consumer	—	—	—	1,000	—	—	—
	$ 6,355,000	$ 7,086,000	$ 420,000	$ 10,628,000	$ 153,000	$ 9,383,000	$ 32,000

Loan Modifications: Modifications to Borrowers Experiencing Financial Difficulty: ASU 2022-02 amends ASC 326 for entities that have adopted ASU 2016-13, the CECL standard, such as the Company. ASU 2022-02 eliminates the accounting guidance for TDRs and introduces new guidance for enhanced reporting of certain loan Loan modifications to borrowers experiencing financial difficulty. Loan modifications difficulty may include interest rate reduction, term extension, payment deferral, principle forgiveness or a combination thereof. It is the intent to minimize future losses while providing borrowers with financial relief.

The following table represents tables represent loan modifications made to borrowers experiencing financial difficulty by modification type and class of financing receivable, during the three months ended September 30, 2023 March 31, 2024:

		Payment Deferral					
		Payment Deferral					
		Amortized Cost Basis at September 30, 2023	% of Total Class of Financing Receivable				
		Payment Deferral					
		Payment Deferral					
	Amortized Cost Basis at March 31, 2024					Amortized Cost Basis at March 31, 2024	% of Total Class of Financing Receivable
Commercial	Commercial						
Real estate owner occupied		$ 504,000	0.17 %				
Construction							
Construction							
Construction					$69,000	0.08%	
C&I	C&I	19,000	0.01 %	C&I	61,000	0.02%	
		$ 523,000	0.03 %				
Multifamily				Multifamily	1,932,000	1.91%	
Residential							
Term							
Term							
Term					1,023,000	0.15%	
Total							

	Payment Deferral & Term Extension	
	Amortized Cost Basis at March 31, 2024	% of Total Class of Financing Receivable
Home Equity		
Revolving and Term	$69,000	0.07%
Total	$69,000	

The following table describes tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty for the three months ended September 30, 2023 March 31, 2024:

	Payment Deferral
	Financial Effect
Commercial	
Real estate owner occupied Construction	Temporary payment accommodation, payments deferred to end of loan.
C&I	Temporary payment accommodation, payments deferred to end of loan.
Multifamily	Temporary payment accommodation, payments deferred to end of loan.
Residential	
Term	Temporary payment accommodation, payments deferred to end of loan.

	Payment Deferral & Term Extension
	Financial Effect
Home Equity	
Revolving and Term	Temporary payment accommodation, extended term 60 days.

The followingtables represent loan modifications made to borrowers experiencing financial difficulty by modification type and class of financing receivable, during the three months ended March 31, 2023:

	Term Extension	
	Amortized Cost Basis at March 31, 2023	% of Total Class of Financing Receivable
C&I	$23,000	0.01%
Total	$23,000	

	Payment Deferral	
	Amortized Cost Basis at March 31, 2023	% of Total Class of Financing Receivable
C&I	$227,000	0.07%
Total	$227,000	

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty for the three months ended March 31, 2023:

Term Extension	
	Financial Effect
C&I	Extended Term 12 months

Payment Deferral	
	Financial Effect
C&I	Temporary payment accommodation, payments deferred to end of loan.

The Company monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified during the nine months ended September 30, 2023: previous 12 months:

	Payment Status (Amortized Cost Basis)			
	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due
Commercial				
Real estate owner occupied	$ 503,000	$ —	$ —	$ —
C&I	220,000	40,000	—	—
Total	$ 723,000	$ 40,000	$ —	$ —

Troubled Debt Restructured: Prior to adoption of ASU 2022-02, the Company evaluated loan modifications and other transactions to determine if classification as a TDR was necessary. A TDR constitutes a restructuring of debt if the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. To determine whether or not a loan was to be classified as a TDR, Management evaluated a loan based upon the following criteria:

- The borrower demonstrates financial difficulty; common indicators include past due status with bank obligations, substandard credit bureau reports, or an inability to refinance with another lender; and
- The Company has granted a concession; common concession types include maturity date extension, interest rate adjustments to below market pricing, and deferment of payments.

As of December 31, 2022, the company had 29 loans with a balance of $4,744,000 that were classified as TDRs. The impairment carried as a specific reserve in the allowance for loan losses is calculated by present valuing the expected cash flows on the loan at the original interest rate, or, for collateral-dependent loans, using the fair value of the collateral less costs to sell.

The following table shows TDRs by class and the specific reserve as of December 31, 2022:

	Number of Loans	Balance	Specific Reserves
Commercial			
Real estate	5	$ 1,044,000	$ —
Construction	1	661,000	—
Other	3	361,000	81,000
Municipal	—	—	—
Residential			
Term	20	2,678,000	100,000
Construction	—	—	—
Home equity line of credit	—	—	—
Consumer	—	—	—
	29	$ 4,744,000	$ 181,000

As of December 31, 2022, one of the loans classified as TDR with a total balance of $97,000 was more than 30 days past due and was not placed on TDR status in the previous 12 months. The following table shows past-due TDRs by class and the associated specific reserves included in the allowance for loan losses as of December 31, 2022:

	Number of Loans	Balance	Specific Reserves
Commercial			
Real estate	—	$ —	$ —
Construction	—	—	—
Other	1	97,000	—
Municipal	—	—	—
Residential			
Term	—	—	—
Construction	—	—	—
Home equity line of credit	—	—	—
Consumer	—	—	—
	1	$ 97,000	$ —

	Payment Status (Amortized Cost Basis)			
	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due
Commercial				
Real estate owner occupied	$ 786,000	$ —	$ —	$ —
Construction	69,000	—	—	—
C&I	96,000	—	—	—
Multifamily	1,932,000	—	—	—
Residential				
Term	1,023,000	—	—	—
Home Equity				
Revolving and term	70,000	—	—	—
Consumer	34,000	—	—	—
Total	$ 4,010,000	$ —	$ —	$ —

For the year ended December 31, 2022, one loan was placed on TDR status. The following table shows this TDR by class and depicts the associated specific reserves included in performance of loans that have been modified during the allowance for loan losses as of December 31, 2022 three months ended March 31, 2023:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Specific Reserves
Commercial				

Real estate	—	$	—	$	—	$	—
Construction	—		—		—		—
Other	—		—		—		—
Municipal	—		—		—		—
Residential							
Term	1		38,000		38,000		—
Construction	—		—		—		—
Home equity line of credit	—		—		—		—
Consumer	—		—		—		—
	1	$	38,000	$	38,000	$	—

As of December 31, 2022, Management was aware of four loans classified as TDRs that are involved in bankruptcy with an outstanding balance of $550,000. As of December 31, 2022, there were five loans with an outstanding balance of $339,000 that were classified as TDRs and were on non-accrual status, of which none were in the process of foreclosure.

	Payment Status (Amortized Cost Basis)			
	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due
Commercial				
C&I	$ 227,000	$ —	$ —	$ 23,000
Total	$ 227,000	$ —	$ —	$ 23,000

Residential Mortgage Loans in Process of Foreclosure

As of September 30, 2023 March 31, 2024, there were four mortgage loans collateralized by residential real estate in the process of foreclosure with a total balance of $459,000. $510,000. This compares to five mortgage loans collateralized by residential real estate in the process of foreclosure with a total balance of $400,000 as of December 31, 2023 and two mortgage loans collateralized by residential real estate in the process of foreclosure with a total balance of $166,000 as of December 31, 2022 and September 30, 2022 March 31, 2023.

Note 4. Allowance for Credit Losses

Upon adoption of ASC 326, in the first quarter of 2023, the Company replaced the incurred loss model that recognized losses when it became probable that a credit loss would be incurred, with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. The ACL is a valuation amount that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the allowance when they are deemed uncollectible. The ACL consists of three elements: (1) specific reserves for loans individually analyzed; (2) general reserves for each portfolio segment; and, (3) qualitative reserves. All outstanding loans are considered in evaluating the appropriateness of the allowance. Loans are segmented by common risk characteristics as delineated in the paragraph below. Prior to adoption of ASC 326, under the incurred loss methodology, the Company evaluated portfolio risk characteristics largely on loan purpose. The Company provides for loan losses through the allowance for credit losses ACL which represents an estimated reserve for losses in the loan portfolio. To determine an appropriate level for general reserves, a discounted cash flow approach is applied to each portfolio segment implementing a probability of default and loss given default estimate based upon a number of factors including historical losses over an economic cycle, economic forecasts, loan prepayment speeds and curtailment rates. To determine an appropriate level for qualitative reserves, various factors are considered including underwriting policies, credit administration practices, experience, ability and depth of lending management, and economic factors not captured in the general reserve calculation. Adoption of ASC 326 added $6,210,000 to the Allowance for Credit Losses, recorded as a charge to retained earnings at January 1, 2023.

Loan Portfolio Composition & Risk Characteristics: The loan portfolio is segmented into ten eleven classes and credit risk is evaluated separately in each class. Major risk characteristics relevant to each portfolio segment are as follows:

Commercial Real Estate Owner Occupied - commercial real estate owner occupied loans consist of mortgage loans to finance investments in real property such as retail space, offices, industrial buildings, hotels, educational facilities, and other specific or mixed use properties. Loans are typically written with amortizing payment structures. Collateral values are determined based on appraisals and evaluations in accordance with established policy and regulatory guidelines. Loans typically have a loan-to-value ratio of up to 80% based upon current valuation information at the time the loan is made, and are primarily paid by the cash flow generated from the real property, typically the operating entity of owner occupant. Risk factors typically include competitive market forces, net operating incomes of the operating entity, and overall economic demand. Loans in the recreational and tourism sector can be affected by weather conditions, such as unseasonably low winter snowfalls. Commercial real estate lending also carries a higher degree of environmental risk than other types of lending.

Commercial Real Estate Non-Owner Occupied - commercial real estate loans non-owner occupied share many of the purpose, loan structure and risk characteristics of owner-occupied commercial real estate. Repayment is generally reliant upon cash flow generated from tenants with risk factors also influenced by vacancy rates, cap rates, lease renewals, and underlying financial health of lessees.

Commercial Construction - commercial construction loans consist of loans to finance construction in a mix of owner- and non-owner occupied commercial real estate properties. Loans typically have construction periods of less than two years, and payment structures during the construction period are typically on an interest only basis, although principal payments may be established depending on the type of construction project being financed. During the construction phase, commercial construction loans are primarily paid by cash flow generated from the construction project or other operating cash flows from the borrower or guarantors, if applicable. Commercial construction loans will typically convert to permanent financing from the Company, or loan repayment may come from a third party source in the event that the Company will not be providing permanent term financing. Collateral valuation and loan-to-value guidelines follow those for commercial real estate loans. Commercial construction loans are impacted by factors similar to those for commercial real estate loans in addition to risks related to contractor financial capacity and ability to complete a project within acceptable time frames and within budget.

Commercial and Industry- C&I loans consist of revolving and term loan obligations extended to business and corporate enterprises for the purpose of financing working capital and or capital investment. C&I loans may be secured or unsecured; when secured, collateral generally consists of pledges of business assets including, but not limited to, accounts receivable, inventory, equipment, and/or other tangible and intangible assets. C&I loans are primarily paid by the operating cash flow of the borrower. A weakened economy, soft consumer spending, and the rising cost of labor or raw materials are examples of issues that can impact the credit quality in this segment.

Commercial Multifamily - multifamily loans share structure and risk characteristics with non-owner occupied commercial real estate; underlying collateral is residential in nature rather than commercial, consisting of properties with five or more units.

Municipal Loans - municipal loans are comprised of loans to municipalities in Maine for capitalized expenditures, construction projects, or tax anticipation notes. All municipal loans are considered either general obligations of the municipality collateralized by the taxing ability of the municipality for repayment of debt or have a pledge of specific revenues. The overall health of the economy, including unemployment rates and housing prices, has an impact on the credit quality of this segment.

Agriculture - agriculture loans consist mostly of amortizing term loans and revolving lines of credit made to borrowers in agriculture related industries. For the Company, this includes loans made to land based agricultural production and to participants in the fishing industry. Collateral values are determined based on appraisals and evaluations in accordance with established policy and regulatory guidelines. Loans are primarily paid by the cash flow generated from the agricultural property or operation of equipment. Risk factors typically include competitive market forces, overall economic demand for the product, and may be further influenced by weather conditions which impact growing and/or harvesting, or other factors such as changes in government regulation(s).

Residential Real Estate Term - residential term loans consist of residential real estate loans held in the Company's loan portfolio made to borrowers who demonstrate the ability to make scheduled payments with full consideration to underwriting factors. Borrower qualifications include favorable credit history combined with supportive income requirements and loan-to-value ratios within established policy and regulatory guidelines. Collateral values are determined based on appraisals and evaluations in accordance with established policy and regulatory guidelines. Residential loans typically have a loan-to-value ratio of up to 80% based on appraisal information at the time the loan is made. Collateral consists of mortgage liens on one-to four-family residential properties. Loans are offered with fixed or adjustable rates with amortization terms of up to thirty years. The overall health of the economy, including unemployment rates and housing prices, has an impact on the credit quality of this segment.

Residential Real Estate Construction - residential construction loans typically consist of loans for the purpose of constructing single family residences to be owned and occupied by the borrower. Borrower qualifications include favorable credit history combined with supportive income requirements and loan-to-value ratios within established policy and regulatory guidelines. Residential construction loans normally have construction terms of one year or less and payment during the construction term is typically on an interest only basis from sources including interest reserves, borrower liquidity, and/or income. Residential construction loans will typically convert to permanent financing from the Company or have another financing commitment in place from an acceptable mortgage lender. Collateral valuation and loan-to-value guidelines are consistent with those for residential term loans. Residential construction loans are impacted by factors similar to those for residential real estate term loans in addition to risks related to contractor financial capacity and ability to complete a project within acceptable time frames and within budget.

Home Equity Revolving and Term - home equity revolving and term loans are made to qualified individuals and are secured by senior or junior mortgage liens on owner occupied one- to four-family homes, condominiums, or vacation homes. The home equity line of credit typically has a variable interest rate and is billed as interest-only payments during the draw period. At the end of the draw period, the home equity line of credit is billed as a percentage of the principal balance plus all accrued interest. Loan maturities are normally 300 months. Borrower qualifications include favorable credit history combined with supportive income requirements and combined loan-to-value ratios usually not exceeding 80% inclusive of priority liens. Collateral valuation guidelines follow those for residential real estate loans. The overall health of the economy, including unemployment rates and housing prices, has an impact on the credit quality of this segment.

Consumer - consumer loans include personal lines of credit and amortizing loans made to qualified individuals for various purposes such as autos, recreational vehicles, debt consolidation, personal expenses, or overdraft protection. Borrower qualifications include favorable credit history combined with supportive income and collateral requirements within established policy guidelines. Consumer loans may be secured or unsecured. The overall health of the economy, including unemployment rates, has an impact on the credit quality of this segment.

Construction, land, and land development: CLLD loans, both commercial and residential, represented 37.3% 43.4% of total Bank capital as of September 30, 2023 March 31, 2024 and remain below the regulatory guidance of 100.0% of total Bank capital. Construction loans and non-owner-occupied commercial real estate loans represented 215.5% 223.7% of total Bank capital at September 30, 2023 March 31, 2024, below the regulatory guidance of 300.0% of total Bank capital.

Composition of the ACL: A breakdown of the allowance for credit losses ACL as of September 30, 2023 March 31, 2024, by class of financing receivable and allowance element, is presented in the following table:

As of September 30, 2023	Specific Reserves on Loans Evaluated Individually	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Total Reserves

As of March 31, 2024	Specific Reserves on Loans Evaluated Individually	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Total Reserves

Commercial	Commercial				
Real estate owner occupied					
Real estate owner occupied					
Real estate owner occupied	Real estate owner occupied	$ —	$ 3,731,000	$ 780,000	$ 4,511,000
Real estate non-owner occupied	Real estate non-owner occupied	—	3,855,000	574,000	4,429,000
Construction	Construction	—	1,445,000	157,000	1,602,000
C&I	C&I	225,000	3,909,000	663,000	4,797,000
Multifamily	Multifamily	—	1,184,000	93,000	1,277,000
Agriculture					
Municipal	Municipal	—	332,000	44,000	376,000
Residential	Residential				
Term					
Term					
Term	Term	41,000	4,020,000	825,000	4,886,000
Construction	Construction	—	602,000	(26,000)	576,000
Home Equity	Home Equity				
Revolving and term	Revolving and term	—	442,000	175,000	617,000
Revolving and term					
Revolving and term					
Consumer	Consumer	—	219,000	32,000	251,000
		$266,000	$19,739,000	$3,317,000	$23,322,000
	$				
	$				
	$				

A breakdown of the allowance for loan losses ACL as of December 31, 2022 under the incurred loss method, December 31, 2023, by class of financing receivable and allowance element, is presented in the following table:

As of December 31, 2022		Specific Reserves on Loans Evaluated Individually for Impairment	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Unallocated Reserves	Total Reserves
Commercial	Commercial					
Real estate		$ —	$ 974,000	$ 5,142,000	$ —	$ 6,116,000

As of December 31, 2023	*As of December 31, 2023*	Specific Reserves on Loans Evaluated Individually	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Total Reserves
Real estate owner occupied					
Real estate owner occupied					
Real estate owner occupied					

Real estate non-owner occupied						
Construction	Construction	—	131,000	690,000	—	821,000
Other		298,000	446,000	2,353,000	—	3,097,000
C&I						
Multifamily						
Municipal	Municipal	—	—	162,000	—	162,000
Residential	Residential					
Term	Term	100,000	83,000	2,376,000	—	2,559,000
Term						
Term						
Construction	Construction	—	7,000	192,000	—	199,000
Home equity line of credit		—	101,000	928,000	—	1,029,000
Home Equity						
Revolving and term						
Revolving and term						
Revolving and term						
Consumer	Consumer	—	286,000	776,000	—	1,062,000
Unallocated		—	—	—	1,678,000	1,678,000
		$398,000	$2,028,000	$12,619,000	$1,678,000	$16,723,000
	$					

A breakdown of the allowance for loan losses ACL as of September 30, 2022 under the incurred loss method, March 31, 2023, by class of financing receivable and allowance element, is presented in the following table:

As of September 30, 2022		Specific Reserves on Loans Evaluated Individually for Impairment	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Unallocated Reserves	Total Reserves
As of March 31, 2023		*As of March 31, 2023*	Specific Reserves on Loans Evaluated Individually	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Total Reserves
Commercial	Commercial					
Real estate		$ —	$ 867,000	$ 4,708,000	$ —	$ 5,575,000
Real estate owner occupied						
Real estate owner occupied						
Real estate owner occupied						
Real estate non-owner occupied						
Construction	Construction	6,000	173,000	942,000	—	1,121,000
Other		315,000	420,000	2,279,000	—	3,014,000
C&I						
Multifamily						
Municipal	Municipal	—	—	160,000	—	160,000
Residential	Residential					
Term	Term	99,000	102,000	2,346,000	—	2,547,000

Term						
Term						
Construction	Construction	—	7,000	161,000	—	168,000
Home equity line of credit		—	106,000	887,000	—	993,000
Home Equity						
Revolving and term						
Revolving and term						
Revolving and term						
Consumer	Consumer	—	216,000	656,000	—	872,000
Unallocated		—	—	—	1,937,000	1,937,000
		$420,000	$1,891,000	$12,139,000	$1,937,000	$16,387,000
	$					

The allowance for credit losses ACL as a percent of total loans stood at 1.12% 1.11% as of September 30, 2023 March 31, 2024, 0.87% 1.13% at December 31, 2022 December 31, 2023 and 0.88% 1.18% as of September 30, 2022 March 31, 2023.

Off-Balance Sheet Credit Exposures: In the ordinary course of business, the Company enters into commitments to extend credit, including construction lines of credit, revolving lines of credit, written commitments to provide financing, commercial letters of credit and standby letters of credit. Such financial instruments are recorded as loans when they are funded.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The ACL on off-balance sheet credit exposures is adjusted through credit loss expense and any adjustment is recognized in net income. To appropriately measure expected credit losses, management disaggregates the loan portfolio into similar risk characteristics, identical to those determined for the loan portfolio. An estimated funding rate is then applied to the qualifying unfunded loan commitments and letters of credit using the Company's own historical experience to estimate the expected funded amount for each loan segment as of the reporting date. Once the expected funded amount for each loan segment is determined, the loss rate, which is the calculated expected loan loss as a percent of the amortized cost basis for each loan segment, is applied to calculate the ACL on off-balance sheet credit exposures as of the reporting date. The Company's allowance for credit losses ACL on unfunded commitments is recognized as a liability, included within other liabilities on the consolidated balance sheet.

The following table presents the activity in the ACL for off-balance sheet credit exposures for the nine three months ended September 30, 2023 March 31, 2024:

Allowance for credit losses:		
Beginning balance prior to adoption of ASC 326	$	100,000 1,255,000
Impact of adopting ASC 326		1,297,000
Credit loss expense reduction		89,000 (360,000)
Total ending allowance balance	$	1,486,000 895,000

Credit Quality Indicators: To monitor the credit quality of its loan portfolio, management applies an internal risk rating system to categorize commercial loan segments. Approximately 60% of commercial loan outstanding balances are subject to review and validation annually by an independent consulting firm. Additionally, commercial loan relationships with exposure greater than or equal to 750,000 $750,000 are subject to review annually by the Company's internal credit review function.

The risk rating system has eight levels, defined as follows:

1 Strong

Credits rated "1" are characterized by borrowers fully responsible for the credit with excellent capacity to pay principal and interest. Loans rated "1" may be secured with acceptable forms of liquid collateral.

2 Above Average

Credits rated "2" are characterized by borrowers that have better than average liquidity, capitalization, earnings, and/or cash flow with a consistent record of solid financial performance.

3 Satisfactory

Credits rated "3" are characterized by borrowers with favorable liquidity, profitability, and financial condition with adequate cash flow to pay debt service.

4 Average

Credits rated "4" are characterized by borrowers that present risk more than 1, 2 and 3 rated loans and merit an ordinary level of ongoing monitoring. Financial condition is on par or somewhat below industry averages while cash flow is generally adequate to meet debt service requirements.

5 Watch

Credits rated "5" are characterized by borrowers that warrant greater monitoring due to financial condition or unresolved and identified risk factors.

6 Other Assets Especially Mentioned

Loans in this category are currently protected but are potentially weak and constitute an undue and unwarranted credit risk, but not to the point of justifying a classification of substandard. OAEM have potential weaknesses which may, if not checked or corrected, weaken the asset or inadequately protect the Company's credit position at some future date.

7 Substandard

Loans in this category are inadequately protected by the paying capacity of the borrower or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Substandard loans are characterized by the distinct possibility that the Company may sustain some loss if the deficiencies are not corrected.

8 Doubtful

Loans classified "Doubtful" have the same weaknesses as those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, based on currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.

Most residential real estate, home equity, and consumer loans are not assigned ratings; therefore they are categorized as performing and non-performing loans. Performing loans include loans that are current and loans that are past due less than 90 days. Loans that are past due more than 90 days are considered non-performing.

The following table summarizes the credit quality for the Company's portfolio by risk category of loans and by class by vintage as follows:

	Term Loans Amortized Cost Basis by Origination Year								
Dollars in thousands	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of September 30, 2023									
Commercial									
Real estate owner occupied									
Pass (risk rating 1-5)	$ 43,022	$ 75,590	$ 41,851	$ 28,387	$ 35,696	$ 65,064	$ 9,355	$ 175	$ 299,140
Special Mention (risk rating 6)	—	—	—	—	—	—	—	—	—
Substandard (risk rating 7)	283	—	—	—	503	17	—	—	803
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Real Estate Owner Occupied	43,305	75,590	41,851	28,387	36,199	65,081	9,355	175	299,943
Current period gross write-offs	—	—	—	—	—	40	—	—	40
Real estate non-owner occupied									
Pass (risk rating 1-5)	27,875	71,474	130,132	49,160	27,670	85,559	5,092	—	396,962
Special Mention (risk rating 6)	—	—	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	62	—	—	62
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Real Estate Non-Owner Occupied	27,875	71,474	130,132	49,160	27,670	85,621	5,092	—	397,024
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Construction									
Pass (risk rating 1-5)	16,892	41,852	8,506	1,665	1,039	2,470	—	—	72,424
Special Mention (risk rating 6)	—	—	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Construction	16,892	41,852	8,506	1,665	1,039	2,470	—	—	72,424
Current period gross write-offs	—	—	—	—	—	—	—	—	—
C&I									
Pass (risk rating 1-5)	43,648	66,873	53,712	37,052	6,526	38,003	90,748	11,937	348,499
Special Mention (risk rating 6)	—	129	268	—	—	8	400	—	805
Substandard (risk rating 7)	94	363	35	—	188	545	67	—	1,292
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total C&I	43,742	67,365	54,015	37,052	6,714	38,556	91,215	11,937	350,596
Current period gross write-offs	—	—	—	—	16	—	—	—	16
Multifamily									
Pass (risk rating 1-5)	8,435	32,082	18,172	16,103	5,553	8,796	329	207	89,677

Special Mention (risk rating 6)	—	—	1,364	—	—	—	—	—	1,364
Substandard (risk rating 7)	—	—	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Multifamily	8,435	32,082	19,536	16,103	5,553	8,796	329	207	91,041
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Municipal									
Pass (risk rating 1-5)	24,527	6,239	4,121	10,226	5,270	8,064	—	—	58,447
Special Mention (risk rating 6)	—	—	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Municipal	24,527	6,239	4,121	10,226	5,270	8,064	—	—	58,447
Current period gross write-offs	—	—	—	—	—	—	—	—	—

of March 31, 2024:

	Term Loans Amortized Cost Basis by Origination Year								
Dollars in thousands	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term**	**Total**
As of March 31, 2024									
Commercial									
Real estate owner occupied									
Pass (risk rating 1-5)	$ 10,565	$ 66,273	$ 75,952	$ 40,501	$ 28,584	$ 85,709	$ 10,728	$ —	$ 318,312
Special Mention (risk rating 6)	—	1,903	—	—	—	6,428	50	—	8,381
Substandard (risk rating 7)	—	283	—	—	—	520	—	—	803
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Real Estate Owner Occupied	10,565	68,459	75,952	40,501	28,584	92,657	10,778	—	327,496
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Real estate non-owner occupied									
Pass (risk rating 1-5)	2,669	34,878	76,822	124,788	47,560	107,295	5,646	—	399,658
Special Mention (risk rating 6)	—	—	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Real Estate Non-Owner Occupied	2,669	34,878	76,822	124,788	47,560	107,295	5,646	—	399,658
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Construction									
Pass (risk rating 1-5)	4,032	30,768	37,898	8,592	1,529	2,929	—	—	85,748
Special Mention (risk rating 6)	—	—	—	69	—	—	—	—	69
Substandard (risk rating 7)	—	—	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Construction	4,032	30,768	37,898	8,661	1,529	2,929	—	—	85,817
Current period gross write-offs	—	—	—	—	—	—	—	—	—
C&I									
Pass (risk rating 1-5)	14,720	41,357	52,070	45,491	17,868	28,896	89,309	859	290,570
Special Mention (risk rating 6)	—	23,905	146	296	390	3,166	2,805	—	30,708
Substandard (risk rating 7)	—	—	361	54	—	34	128	—	577
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total C&I	14,720	65,262	52,577	45,841	18,258	32,096	92,242	859	321,855
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Multifamily									
Pass (risk rating 1-5)	4,517	12,360	34,562	17,855	14,913	13,319	530	—	98,056

Special Mention (risk rating 6)	—	—	1,020	—	912	—	—	—	1,932
Substandard (risk rating 7)	—	—	—	1,356	—	—	—	—	1,356
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Multifamily	4,517	12,360	35,582	19,211	15,825	13,319	530	—	101,344
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Agriculture									
Pass (risk rating 1-5)	4,330	3,738	7,534	4,325	15,357	7,974	670	234	44,162
Special Mention (risk rating 6)	21	—	—	—	—	—	600	—	621
Substandard (risk rating 7)	—	87	—	33	—	161	—	—	281
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Agriculture	4,351	3,825	7,534	4,358	15,357	8,135	1,270	234	45,064
Current period gross write-offs	—	—	—	—	—	—	—	—	—

Term Loans Amortized Cost Basis by Origination Year

Term Loans Amortized Cost Basis by Origination Year

Term Loans Amortized Cost Basis by Origination Year

Term Loans Amortized Cost Basis by Origination Year

Dollars in thousands	*Dollars in thousands*	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of September 30, 2023										

Dollars in thousands

Dollars in thousands	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of March 31, 2024									
Municipal									
Municipal									
Municipal									
Pass (risk rating 1-5)									
Pass (risk rating 1-5)									
Pass (risk rating 1-5)									
Special Mention (risk rating 6)									
Substandard (risk rating 7)									
Doubtful (risk rating 8)									
Total Municipal									
Current period gross write-offs									
Residential	**Residential**								
Term	**Term**								
Term									
Term									

Performing										
Performing										
Performing	Performing	47,019	149,470	143,048	97,350	40,621	179,788	1,301	132	658,729
Non-performing	Non-performing	—	304	—	81	340	595	—	—	1,320
Total Term	**Total Term**	47,019	149,774	143,048	97,431	40,961	180,383	1,301	132	660,049
Current period gross write-offs	Current period gross write-offs	—	—	—	—	—	—	—	—	—
Construction	**Construction**									
Performing	Performing	15,966	11,715	—	1,305	—	—	—	—	28,986
Performing										
Performing										
Non-performing	Non-performing	—	—	—	—	—	—	—	—	—
Total Construction	**Total Construction**	15,966	11,715	—	1,305	—	—	—	—	28,986
Current period gross write-offs	Current period gross write-offs	—	—	—	—	—	—	—	—	—
Home Equity Revolving and Term	**Home Equity Revolving and Term**									
Performing										
Performing										
Performing	Performing	8,154	9,472	2,073	1,214	609	1,754	67,639	10,575	101,490
Non-performing	Non-performing	—	—	—	—	—	115	198	177	490
Total Home Equity Revolving and Term	**Total Home Equity Revolving and Term**	8,154	9,472	2,073	1,214	609	1,869	67,837	10,752	101,980
Current period gross write-offs	Current period gross write-offs	—	—	—	—	—	—	—	—	—
Consumer	**Consumer**									
Performing	Performing	3,072	2,338	1,296	1,951	538	4,404	5,771	—	19,370
Performing										
Performing										
Non-performing	Non-performing	—	—	—	—	—	—	—	—	—
Total Consumer	**Total Consumer**	3,072	2,338	1,296	1,951	538	4,404	5,771	—	19,370
Current period gross write-offs	Current period gross write-offs	5	41	30	30	7	39	—	—	152
Total loans	**Total loans**	$238,987	$467,901	$404,578	$244,494	$124,553	$395,244	$ 180,900	$ 23,203	$2,079,860

The following table summarizes the credit quality for the Company's portfolio by risk category of loans and by class by vintage as of December 31, 2023:

	Term Loans Amortized Cost Basis by Origination Year								
Dollars in thousands	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term**	**Total**
As of December 31, 2023									
Commercial									

Real estate owner occupied									
Pass (risk rating 1-5)	$ 64,693	$ 73,920	$ 40,782	$ 28,716	$ 29,856	$ 59,236	$ 8,993	$ —	$ 306,196
Special Mention (risk rating 6)	1,903	—	—	—	5,605	313	—	—	7,821
Substandard (risk rating 7)	283	—	—	—	503	16	—	—	802
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Real Estate Owner Occupied	66,879	73,920	40,782	28,716	35,964	59,565	8,993	—	314,819
Current period gross write-offs	—	—	—	—	—	40	—	—	40
Real estate non-owner occupied									
Pass (risk rating 1-5)	30,666	70,442	129,299	47,959	27,159	83,820	4,230	—	393,575
Special Mention (risk rating 6)	—	—	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	61	—	—	61
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Real Estate Non-Owner Occupied	30,666	70,442	129,299	47,959	27,159	83,881	4,230	—	393,636
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Construction									
Pass (risk rating 1-5)	29,781	45,130	8,705	1,581	1,034	2,373	—	—	88,604
Special Mention (risk rating 6)	—	—	69	—	—	—	—	—	69
Substandard (risk rating 7)	—	—	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Construction	29,781	45,130	8,774	1,581	1,034	2,373	—	—	88,673
Current period gross write-offs	—	—	—	—	—	—	—	—	—
C&I									
Pass (risk rating 1-5)	49,147	61,628	51,848	33,955	6,103	32,032	87,949	973	323,635
Special Mention (risk rating 6)	23,970	3,414	267	546	—	3,373	330	—	31,900
Substandard (risk rating 7)	126	354	35	—	180	455	102	—	1,252
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total C&I	73,243	65,396	52,150	34,501	6,283	35,860	88,381	973	356,787
Current period gross write-offs	—	114	—	—	16	23	—	—	153
Multifamily									
Pass (risk rating 1-5)	12,046	30,565	18,053	15,033	5,540	8,527	416	—	90,180
Special Mention (risk rating 6)	—	1,020	—	912	—	—	—	—	1,932
Substandard (risk rating 7)	—	—	1,364	—	—	—	—	—	1,364
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Multifamily	12,046	31,585	19,417	15,945	5,540	8,527	416	—	93,476
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Municipal									
Pass (risk rating 1-5)	20,210	4,741	3,982	9,775	5,156	7,559	—	—	51,423
Special Mention (risk rating 6)	—	—	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—	—	—
Total Municipal	20,210	4,741	3,982	9,775	5,156	7,559	—	—	51,423
Current period gross write-offs	—	—	—	—	—	—	—	—	—

	Term Loans Amortized Cost Basis by Origination Year								
Dollars in thousands	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term**	**Total**
As of December 31, 2023									
Residential									
Term									
Performing	65,605	156,495	140,254	93,774	39,896	174,341	3,046	129	673,540

Non-performing	—	304	—	40	300	671	—	—	1,315
Total Term	65,605	156,799	140,254	93,814	40,196	175,012	3,046	129	674,855
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Construction									
Performing	25,007	6,012	—	1,339	—	—	—	—	32,358
Non-performing	—	—	—	—	—	—	—	—	—
Total Construction	25,007	6,012	—	1,339	—	—	—	—	32,358
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Home Equity Revolving and Term									
Performing	10,519	9,319	2,031	1,197	584	1,655	68,006	10,419	103,730
Non-performing	—	—	—	—	—	112	19	165	296
Total Home Equity Revolving and Term	10,519	9,319	2,031	1,197	584	1,767	68,025	10,584	104,026
Current period gross write-offs	—	50	—	—	—	—	—	—	50
Consumer									
Performing	3,664	2,042	1,175	1,794	455	4,564	5,707	—	19,401
Non-performing	—	—	—	—	—	—	—	—	—
Total Consumer	3,664	2,042	1,175	1,794	455	4,564	5,707	—	19,401
Current period gross write-offs	5	46	31	30	7	75	—	—	194
Total loans	$ 337,620	$ 465,386	$ 397,864	$ 236,621	$ 122,371	$ 379,108	$ 178,798	$ 11,686	$ 2,129,454

The following table summarizes the credit quality for the Company's portfolio by risk category of loans and by class by vintage as of March 31, 2023:

	Term Loans Amortized Cost Basis by Origination Year						
Dollars in thousands	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
As of March 31, 2023							
Commercial							
Real estate owner occupied							
Pass (risk rating 1-5)	$ 15,632	$ 77,722	$ 43,127	$ 30,277	$ 39,979	$ 78,184	$ 284,921
Special Mention (risk rating 6)	25	—	—	—	—	—	25
Substandard (risk rating 7)	—	—	—	—	—	278	278
Doubtful (risk rating 8)	—	—	—	—	—	—	—
Total Real Estate Owner Occupied	15,657	77,722	43,127	30,277	39,979	78,462	285,224
Current period gross write-offs	—	—	—	—	—	39	39
Real estate non-owner occupied							
Pass (risk rating 1-5)	12,167	72,434	132,514	49,921	28,367	88,991	384,394
Special Mention (risk rating 6)	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	63	63
Doubtful (risk rating 8)	—	—	—	—	—	—	—
Total Real Estate Non-Owner Occupied	12,167	72,434	132,514	49,921	28,367	89,054	384,457
Current period gross write-offs	—	—	—	—	—	—	—
Construction							
Pass (risk rating 1-5)	3,205	46,630	7,796	421	234	834	59,120
Special Mention (risk rating 6)	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—
Total Construction	3,205	46,630	7,796	421	234	834	59,120
Current period gross write-offs	—	—	—	—	—	—	—
C&I							
Pass (risk rating 1-5)	25,052	112,238	78,357	59,431	9,229	47,179	331,486
Special Mention (risk rating 6)	—	41	268	400	—	12	721
Substandard (risk rating 7)	—	378	35	13	218	684	1,328

Doubtful (risk rating 8)	—	—	—	—	—	—	—
Total C&I	25,052	112,657	78,660	59,844	9,447	47,875	333,535
Current period gross write-offs	—	—	—	—	—	—	—
Multifamily							
Pass (risk rating 1-5)	3,496	21,254	22,160	16,333	5,972	11,874	90,180
Special Mention (risk rating 6)	—	—	—	—	—	—	1,932
Substandard (risk rating 7)	—	—	—	—	—	—	1,364
Doubtful (risk rating 8)	—	—	—	—	—	—	—
Total Multifamily	3,496	21,254	22,160	16,333	5,972	11,874	93,476
Current period gross write-offs	—	—	—	—	—	—	—
Municipal							
Pass (risk rating 1-5)	6,785	7,186	6,518	11,063	5,732	9,882	47,166
Special Mention (risk rating 6)	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—
Total Municipal	6,785	7,186	6,518	11,063	5,732	9,882	47,166
Current period gross write-offs	—	—	—	—	—	—	—

	Term Loans Amortized Cost Basis by Origination Year						
Dollars in thousands	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
As of March 31, 2023							
Residential							
Term							
Pass (risk rating 1-5)	6,640	51,206	34,748	16,901	6,777	18,211	134,483
Special Mention (risk rating 6)	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	59	59
Doubtful (risk rating 8)	—	—	—	—	—	—	—
Total Term	6,640	51,206	34,748	16,901	6,777	18,270	134,542
Current period gross write-offs	—	—	—	—	—	—	—
Construction							
Pass (risk rating 1-5)	1,310	5,915	3,219	1,046	—	—	11,490
Special Mention (risk rating 6)	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—
Total Construction	1,310	5,915	3,219	1,046	—	—	11,490
Current period gross write-offs	—	—	—	—	—	—	—
Home Equity Revolving and Term							
Pass (risk rating 1-5)	1,472	10,440	2,194	1,453	445	1,735	17,739
Special Mention (risk rating 6)	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	185	185
Doubtful (risk rating 8)	—	—	—	—	—	—	—
Total Home Equity Revolving and Term	1,472	10,440	2,194	1,453	445	1,920	17,924
Current period gross write-offs	—	—	—	—	—	—	—
Consumer							
Pass (risk rating 1-5)	190	—	—	—	—	1	191
Special Mention (risk rating 6)	—	—	—	—	—	—	—
Substandard (risk rating 7)	—	—	—	—	—	—	—
Doubtful (risk rating 8)	—	—	—	—	—	—	—
Total Consumer	190	—	—	—	—	1	191
Current period gross write-offs	—	6	7	11	2	11	37

Total loans	$ 75,974	$ 405,444	$ 330,936	$ 187,259	$ 96,953	$ 258,172	$ 1,354,738

Loss Recognition: Commercial loans are generally charged off when all or a portion of the principal amount is determined to be uncollectible. This determination is based on circumstances specific to a borrower including repayment ability, analysis of collateral, and other factors as applicable. Consumer loans greater than 120 days past due are generally charged off. Residential loans 90 days or more past due are placed on non-accrual status unless the loans are both well secured and in the process of collection. One- to four-family residential real estate loans and home equity loans are written down or charged-off no later than 180 days past due, or for residential real estate secured loans having a borrower in bankruptcy, within 60 days of receipt of notification of filing from the bankruptcy court, whichever is sooner. This is subject to completion of a current assessment of the value of the collateral with any outstanding loan balance in excess of the fair value of the property, less costs to sell, written down or charged-off.

The following table presents allowance for credit losses ACL activity by class for the nine three months and quarter ended September 30, 2023 March 31, 2024:

	Commercial					Municipal	Residential		Home Equity	Consumer	Unallocated	Total
Dollars in thousands	Real Estate Owner Occupied	Real Estate Non-Owner Occupied	Construction	C&I	Multifamily		Term	Construction	Revolving and term			
For the nine months ended September 30, 2023												
Beginning balance, prior to adoption of ASC 326	$ 6,116	$ —	$ 821	$3,097	$ —	$ 162	$2,559	$ 199	$ 1,029	$ 1,062	$ 1,678	$16,723
Charge offs	40	—	—	16	—	—	—	—	—	152	—	208
Recoveries	2	75	—	3	—	—	10	—	10	78	—	178
Provision (credit)	119	39	(162)	68	93	82	439	(358)	34	65	—	419
Impact of adopting ASC 326	(1,686)	4,315	943	1,645	1,184	132	1,878	735	(456)	(802)	(1,678)	6,210
Ending balance	$ 4,511	$ 4,429	$ 1,602	$4,797	$ 1,277	$ 376	$4,886	$ 576	$ 617	$ 251	$ —	$23,322
For the three months ended September 30, 2023												
For the three months ended March 31, 2024												
For the three months ended March 31, 2024												
For the three months ended March 31, 2024												
Beginning balance	$ 4,719	$ 4,492	$ 1,469	$4,721	$ 1,312	$ 399	$4,831	$ 609	$ 635	$ 278	$ —	$23,465
Charge offs	1	—	—	16	—	—	—	—	—	69	—	86
Recoveries	2	—	—	—	—	—	4	—	3	20	—	104
Provision (credit)	(209)	(63)	133	92	(35)	(23)	51	(33)	(21)	22	—	(161)
Ending balance	$ 4,511	$ 4,429	$ 1,602	$4,797	$ 1,277	$ 376	$4,886	$ 576	$ 617	$ 251	$ —	$23,322
Ending balance												
Ending balance												

The following table presents ACL activity by class for the year ended December 31, 2023:

	Commercial					Municipal	Residential		Home Equity	Consumer	Unallocated	Total
Dollars in thousands	Real Estate Owner Occupied	Real Estate Non-Owner Occupied	Construction	C&I	Multifamily		Term	Construction	Revolving and term			
For the year ended December 31, 2023												
Beginning balance prior to adoption of ASC 326	$ 6,116	$ —	$ 821	$ 3,097	$ —	$ 162	$ 2,559	$ 199	$ 1,029	$ 1,062	$ 1,678	$ 16,723
Charge offs	(40)	—	—	(153)	—	—	—	—	(50)	(194)	—	(437)
Recoveries	2	75	—	3	—	—	14	—	13	97	—	204

Provision (credit)	241	(105)	214	409	134	40	540	(316)	90	83	—	1,330
Impact of adopting ASC 326	(1,686)	4,315	943	1,645	1,184	132	1,878	735	(456)	(802)	(1,678)	6,210
Ending balance	$ 4,633	$ 4,285	$ 1,978	$ 5,001	$ 1,318	$ 334	$ 4,991	$ 618	$ 626	$ 246	$ —	$ 24,030

The following table presents ACL activity by class for the three months ended March 31, 2023:

Dollars in thousands	Commercial					Municipal	Residential		Home Equity	Consumer	Unallocated	Total
	Real Estate Owner Occupied	Real Estate Non-Owner Occupied	Construction	C&I	Multifamily		Term	Construction	Revolving and term			
For the three months ended March 31, 2023												
Beginning balance prior to adoption of ASC 326	$ 6,116	$ —	$ 821	$ 3,097	$ —	$ 162	$ 2,559	$ 199	$ 1,029	$ 1,062	$ 1,678	$ 16,723
Charge offs	(39)	—	—	—	—	—	—	—	—	(37)	—	(76)
Recoveries	—	—	—	2	—	—	2	—	4	43	—	51
Provision	79	107	20	94	22	13	169	15	26	5	—	550
Impact of adopting ASC 326	(1,686)	4,315	943	1,645	1,184	132	1,878	735	(456)	(802)	(1,678)	6,210
Ending balance	$ 4,470	$ 4,422	$ 1,784	$ 4,838	$ 1,206	$ 307	$ 4,608	$ 949	$ 603	$ 271	$ —	$ 23,458

As of September 30, 2023 March 31, 2024, the significant model inputs and assumptions used within the discounted cash flow model for purposes of estimating the ACL on loans were:

Macroeconomic (loss) loss drivers: The following loss drivers for each loan segment were used to calculate the expected Probability probability of Default default over the forecast and reversion period:

- Commercial Real Estate Owner Occupied: FOMC median forecasts of national unemployment and change in national real GDP
- Commercial Real Estate Non-Owner Occupied: FOMC median forecasts of national unemployment and change in national real GDP
- Commercial Construction: FOMC median forecasts of national unemployment and change in national real GDP
- Commercial & Industrial: FOMC median forecasts of national unemployment and change in national real GDP
- Commercial Multifamily: FOMC median forecast of national unemployment and Case-Shiller National Home Price Index
- Municipal: Commercial Agriculture: FOMC median forecasts of national unemployment and change in national real GDP
- Municipal: Probability of default is measured based upon an index supplied by a nationally recognized ratings agency
- Residential Real Estate Term: FOMC median forecasts of national unemployment and change in national real GDP
- Residential Real Estate Construction: FOMC median forecast of national unemployment and change in national real GDP
- Home Equity Revolving & Term: FOMC median forecasts of national unemployment and change in national real GDP
- Consumer: FOMC median forecasts of national unemployment and change in national real GDP

Reasonable and supportable forecast period: The ACL on loans estimate used a reasonable and supportable forecast period of one year.
Reversion period: The ACL on loans estimate used a reversion period of one year.
Prepayment speeds: The estimate of prepayment speed for each loan segment was derived using internally sourced prepayment data.
Qualitative factors: The ACL on loans estimate incorporated various qualitative factors into the calculation such as changes in lending policies, changes in the nature and volume and terms of loans, changes in the experience, depth and ability of lending management, and economic factors not captured in the quantitative model.

The following table presents allowance for loan losses activity by class for the year ended December 31, 2022:

Dollars in thousands	Commercial			Municipal	Residential		Home Equity Line of Credit	Consumer	Unallocated	Total
	Real Estate	Construction	Other		Term	Construction				
For the year ended December 31, 2022										

Beginning balance	$	5,367 $	746 $	2,830 $	157 $	2,733 $	148 $	925 $	833 $	1,782 $	15,521
Charge offs		—	—	309	—	8	—	29	412	—	758
Recoveries		20	—	13	—	29	—	4	144	—	210
Provision (credit)		729	75	563	5	(195)	51	129	497	(104)	1,750
Ending balance	$	6,116 $	821 $	3,097 $	162 $	2,559 $	199 $	1,029 $	1,062 $	1,678 $	16,723

The following table presents allowance for loan losses activity by class for the nine months and quarter ended September 30, 2022:

Dollars in thousands		Commercial			Municipal	Residential		Home Equity Line of Credit	Consumer	Unallocated	Total
		Real Estate	Construction	Other		Term	Construction				
For the nine months ended September 30, 2022											
Beginning balance	$	5,367 $	746 $	2,830 $	157 $	2,733 $	148 $	925 $	833 $	1,782 $	15,521
Charge offs		—	—	272	—	—	—	29	318	—	619
Recoveries		16	—	11	—	27	—	3	128	—	185
Provision (credit)		192	375	445	3	(213)	20	94	229	155	1,300
Ending balance	$	5,575 $	1,121 $	3,014 $	160 $	2,547 $	168 $	993 $	872 $	1,937 $	16,387
For the three months ended September 30, 2022											
Beginning balance	$	5,480 $	1,151 $	2,948 $	157 $	2,592 $	191 $	966 $	866 $	1,850 $	16,201
Charge offs		—	—	229	—	—	—	—	31	—	260
Recoveries		(1)	—	9	—	16	—	2	20	—	46
Provision (credit)		96	(30)	286	3	(61)	(23)	25	17	87	400
Ending balance	$	5,575 $	1,121 $	3,014 $	160 $	2,547 $	168 $	993 $	872 $	1,937 $	16,387

Note 5 – Stock-Based Compensation

At the 2020 Annual Meeting, shareholders approved the 2020 Equity Incentive Plan. The 2020 Plan reserves 400,000 shares of common stock for issuance in connection with stock options, restricted stock awards, and other equity based awards to attract and retain the best available personnel, provide additional incentive to officers, employees, and non-employee Directors, and promote the success of the Company. Such grants and awards will be structured in a manner that does not encourage the recipients to expose the Company to undue or inappropriate risk. Options issued under the 2020 Plan qualify for treatment as incentive stock options for purposes of Section 422 of the Internal Revenue Code. Other compensation under the 2020 Plan qualifies as performance-based for purposes of Section 162(m) of the Internal Revenue Code, and satisfies NASDAQ guidelines relating to equity compensation.

As of September 30, 2023 March 31, 2024, 98,810 131,419 shares of restricted stock had been granted under the 2020 Plan, of which 83,127 88,268 shares remain restricted as of September 30, 2023 March 31, 2024 as detailed in the following table:

Year Granted	Year Granted	Vesting Term (In Years)	Shares	Remaining Term (In Years)	Year Granted	Vesting Term (In Years)	Shares	Remaining Term (In Years)			
2021		3.0	25,968	0.3							
2022	2022	3.0	23,654	1.3	2022	3.0	23,654	0.8	0.8		
2022	2022	2.5	1,250	1.3	2022	2.5	1,250	0.8	0.8		
2023	2023	3.0	27,559	2.3	2023	3.0	27,559	1.8	1.8		
2023	2023	2.0	2,946	1.3	2023	2.0	2,946	0.8	0.8		
2023		1.0	1,750	0.3							
2024					2024	3.0	28,337	2.8			
2024					2024	2.0	2,119	1.8			
2024					2024	1.0	2,403	0.8			
			83,127	1.3				88,268		1.8	1.8

The compensation cost related to these non-vested restricted stock grants is $2,402,000 $2,569,000 and is recognized over the vesting terms of each grant. In the nine three months ended September 30, 2023 March 31, 2024, $607,000 $231,000 of expense was recognized for these restricted shares, leaving $1,069,000 $1,486,000 in unrecognized expense as of September 30, 2023 March 31, 2024. In the nine three months ended September 30, 2022 March 31, 2023, $610,000 $184,000 of expense was recognized for restricted shares, leaving $994,000 $1,501,000 in unrecognized expense as of September 30, 2022 March 31, 2023.

Note 6 – Common Stock

Proceeds from sale of common stock totaled $608,000 $204,000 and $588,000 $212,000 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Note 7 – Earnings Per Share

The following table sets forth the computation of basic and diluted EPS for the nine three months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Income (Numerator)		Shares (Denominator)	Per-Share Amount	
For the nine months ended September 30, 2023					
Net income as reported	$	22,839,000			
Basic EPS: Income available to common shareholders		22,839,000	10,993,406	$	2.08
Effect of dilutive securities: restricted stock			84,089		
Diluted EPS: Income available to common shareholders plus assumed conversions	$	22,839,000	11,077,495	$	2.06
For the nine months ended September 30, 2022					
Net income as reported	$	29,793,000			
Basic EPS: Income available to common shareholders		29,793,000	10,927,920	$	2.73
Effect of dilutive securities: restricted stock			98,651		
Diluted EPS: Income available to common shareholders plus assumed conversions	$	29,793,000	11,026,571	$	2.70

The following table sets forth the computation of basic and diluted EPS for the quarters ended September 30, 2023 and 2022:

	Income (Numerator)	Income (Numerator)	Shares (Denominator)	Per-Share Amount
For the three months ended March 31, 2024				
Net income as reported				
Net income as reported				
Net income as reported				

		Income (Numerator)	Shares (Denominator)	Per-Share Amount
For the quarter ended September 30, 2023				
Net income as reported		$ 7,474,000		
Basic EPS: Income available to common shareholders				
Basic EPS: Income available to common shareholders				
Basic EPS: Income available to common shareholders	Basic EPS: Income available to common shareholders	7,474,000	11,003,987	$ 0.68
Effect of dilutive securities: restricted stock	Effect of dilutive securities: restricted stock		83,146	

Diluted EPS: Income available to common shareholders plus assumed conversions	Diluted EPS: Income available to common shareholders plus assumed conversions	$ 7,474,000	11,087,133	$ 0.67
For the quarter ended September 30, 2022				
Diluted EPS: Income available to common shareholders plus assumed conversions				
Diluted EPS: Income available to common shareholders plus assumed conversions				
For the three months ended March 31, 2023				
Net income as reported	Net income as reported	$10,091,000		
Net income as reported				
Net income as reported				
Basic EPS: Income available to common shareholders				
Basic EPS: Income available to common shareholders				
Basic EPS: Income available to common shareholders	Basic EPS: Income available to common shareholders	10,091,000	10,934,492	$ 0.92
Effect of dilutive securities: restricted stock	Effect of dilutive securities: restricted stock		100,899	
Diluted EPS: Income available to common shareholders plus assumed conversions	Diluted EPS: Income available to common shareholders plus assumed conversions	$10,091,000	11,035,391	$ 0.91
Diluted EPS: Income available to common shareholders plus assumed conversions				

Diluted EPS: Income available to common shareholders plus assumed conversions	

Note 8 – Employee Benefit Plans

401(k) Plan

The Bank has a defined contribution plan available to substantially all employees who have completed three months of service. Employees may contribute up to IRS determined limits and the Bank may match employee contributions not to exceed 3.0% of compensation depending on contribution level. The Plan is a safe harbor plan whereby the Bank also contributes a minimum 3.0% of annual compensation to the plan for all eligible employees. The expense related to the 401(k) plan was $826,000 $315,000 and $752,000 $326,000 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Deferred Compensation and Supplemental Retirement Benefits

The Bank also provides unfunded supplemental retirement benefits for certain officers, payable in installments over 20 years upon retirement or death. The agreements consist of individual contracts with differing characteristics that, when taken together, do not constitute a postretirement plan. There are no active officers eligible for these benefits. The costs for these benefits are recognized over the service periods of the participating officers in accordance with FASB ASC Topic 712 "Compensation – Nonretirement Postemployment Benefits". The expense of these supplemental retirement benefits was $57,000 $37,000 and $231,000 $41,000 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. As of September 30, 2023 March 31, 2024, the associated accrued liability included in other liabilities in the balance sheet was $2,735,000 $2,629,000 compared to $2,893,000 $2,664,000 and $2,888,000 $2,862,000 at December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023, respectively.

Postretirement Benefit Plans

The Bank sponsors two postretirement benefit plans. One plan currently provides a subsidy for health insurance premiums to certain retired employees; these subsidies are based on years of service and range between $40 and $1,200 per month per person. The other plan provides life insurance coverage to certain retired employees and health insurance for retired directors. None of these plans are prefunded. The Company utilizes FASB ASC Topic 712 to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its balance sheet and to recognize changes in the funded status in the year in which the changes occur through comprehensive income (loss).

The following table sets forth the accumulated postretirement benefit obligation and funded status:

		At or for the nine months ended September, 30,		
		2023	2022	
	At or for the three months ended March 31,			At or for the three months ended March 31,
	2024			2024 2023
Change in benefit obligation	**Change in benefit obligation**			
Benefit obligation at beginning of year	Benefit obligation at beginning of year	**$ 1,050,000**	$ 1,353,000	
Benefit obligation at beginning of year				
Benefit obligation at beginning of year				
Interest cost				
Interest cost				
Interest cost	Interest cost	**14,000**	24,000	
Benefits paid	Benefits paid	**(66,000)**	(66,000)	
Benefit obligation at end of period	Benefit obligation at end of period	**$ 998,000**	$ 1,311,000	
Benefit obligation at end of period				

Benefit obligation at end of period			
Funded status	**Funded status**		
Benefit obligation at end of period			
Benefit obligation at end of period			
Benefit obligation at end of period	Benefit obligation at end of period	**$ (998,000)**	$(1,311,000)
Unamortized gain	Unamortized gain	**(345,000)**	(133,000)
Accrued benefit cost at end of period	Accrued benefit cost at end of period	**$(1,343,000)**	$(1,444,000)

The following table sets forth the net periodic pension cost:

		For the three months ended March 31,						
		For the three months ended March 31,						
		For the three months ended March 31,						
		2024						
		2024						
		2024						
Components of net periodic benefit cost								
Components of net periodic benefit cost								
Components of net periodic benefit cost								
		For the nine months ended September 30,				**For the quarter ended September 30,**		
Interest cost								
		2023		2022		**2023**		2022
Components of net periodic benefit cost								
Interest cost								
Interest cost	Interest cost	**$**	**14,000**	$	24,000	**$**	**4,000**	$ 7,000
Net periodic benefit cost	Net periodic benefit cost	**$**	**14,000**	$	24,000	**$**	**4,000**	$ 7,000
Net periodic benefit cost								
Net periodic benefit cost								

Amounts not yet reflected in net periodic benefit cost and included in AOCI are as follows:

		September 30, 2023	December 31, 2022	September 30, 2022			
	March 31, 2024				**March 31, 2024**	December 31, 2023	March 31, 2023
Unamortized net actuarial gain	Unamortized net actuarial gain	**$345,000**	$345,000	$133,000			
Deferred tax expense	Deferred tax expense	**(72,000)**	(72,000)	(28,000)			
Deferred tax expense							

Deferred tax expense				
Net unrecognized postretirement benefits included in AOCI	Net unrecognized postretirement benefits included in AOCI	**$273,000**	$273,000	$105,000

A weighted average discount rate of 4.75% 4.67% was used in determining the accumulated benefit obligation and the net periodic benefit cost. The assumed health care cost trend rate is 7.00%. The measurement date for benefit obligations was as of year-end for prior years presented. The expected benefit payments for all of 2023 2024 are $88,000. $84,000. Plan expense for 2023 2024 is estimated to be $19,000. $0. A 1.00% change in trend assumptions would create an approximate change in the same direction of $100,000 in the accumulated benefit obligation, $7,000 in the interest cost, and $1,000 in the service cost.

Note 9 - Other Comprehensive Income (Loss)

The following table summarizes activity in the unrealized gain or loss on available for sale securities included in OCI for the nine three months ended March 31, 2024 and quarters ended September 30, 2023 and 2022. 2023.

	For the three months ended March 31,			
	For the three months ended March 31,			
	For the three months ended March 31,			
	2024			
	2024			
	2024			
Balance at beginning of period				
Balance at beginning of period				
Balance at beginning of period				
Unrealized (losses) gains arising during the period				
Unrealized (losses) gains arising during the period				
Unrealized (losses) gains arising during the period				
	For the nine months ended September 30,		**For the quarter ended September 30,**	
Related deferred taxes				
	2023	2022	**2023**	2022
Balance at beginning of period	**$ (44,718,000)**	$ (1,718,000)	**$ (43,781,000)**	$ (32,795,000)
Unrealized losses arising during the period	**(11,562,000)**	(58,149,000)	**(12,748,000)**	(18,812,000)
Reclassification of net realized gains during the period	**—**	(7,000)	**—**	(6,000)
Related deferred taxes				
Related deferred taxes / Related deferred taxes	**2,428,000**	12,213,000	**2,677,000**	3,952,000
Net change / Net change	**(9,134,000)**	(45,943,000)	**(10,071,000)**	(14,866,000)
Net change				
Net change				
Balance at end of period / Balance at end of period	**$ (53,852,000)**	$ (47,661,000)	**$ (53,852,000)**	$ (47,661,000)
Balance at end of period				
Balance at end of period				

The reclassification of realized gains is included in the net securities gains line of the consolidated statements of income and comprehensive income and the tax effect is included in the income tax expense line of the same statement.

The following table summarizes activity in the unrealized loss on securities transferred from available for sale to held to maturity included in OCI for the nine three months ended March 31, 2024 and quarters ended September 30, 2023 and 2022. 2023.

		For the nine months ended September 30,		For the quarter ended September 30,	
		2023	2022	**2023**	2022
		For the three months ended March 31,			
		For the three months ended March 31,			
		For the three months ended March 31,			
		2024			
		2024			
		2024			
Balance at beginning of period					
Balance at beginning of period					
Balance at beginning of period	Balance at beginning of period	**$ (64,000)**	$ (87,000)	**$ (59,000)**	$ (73,000)
Amortization of net unrealized gains	Amortization of net unrealized gains	**7,000**	25,000	**1,000**	7,000
Amortization of net unrealized gains					
Amortization of net unrealized gains					
Related deferred taxes					
Related deferred taxes					
Related deferred taxes	Related deferred taxes	**(1,000)**	(5,000)	**—**	(1,000)
Net change	Net change	**6,000**	20,000	**1,000**	6,000
Net change					
Net change					
Balance at end of period	Balance at end of period	**$ (58,000)**	$ (67,000)	**$ (58,000)**	$ (67,000)
Balance at end of period					
Balance at end of period					

The following table presents the effect of the Company's derivative financial instruments included in OCI for the nine three months ended March 31, 2024 and quarters ended September 30, 2023 and 2022. 2023.

	For the three months ended March 31,	
	For the three months ended March 31,	
	For the three months ended March 31,	
	2024	
	2024	
	2024	
Balance at beginning of period		
Balance at beginning of period		
Balance at beginning of period		
Unrealized gains (losses) on cash flow hedging derivatives arising during the period		
Unrealized gains (losses) on cash flow hedging derivatives arising during the period		
Unrealized gains (losses) on cash flow hedging derivatives arising during the period		
	For the nine months ended September 30,	**For the quarter ended September 30,**
Related deferred taxes		

		2023	2022	2023	2022
Balance at beginning of period		$ **544,000**	$ —	$ **680,000**	$ 146,000
Unrealized gains on cash flow hedging derivatives arising during the period		**1,096,000**	633,000	**924,000**	448,000
Related deferred taxes					
Related deferred taxes	Related deferred taxes	**(230,000)**	(133,000)	**(194,000)**	(94,000)
Net change	Net change	**866,000**	500,000	**730,000**	354,000
Net change					
Net change					
Balance at end of period	Balance at end of period	$ **1,410,000**	$ 500,000	$ **1,410,000**	$ 500,000
Balance at end of period					
Balance at end of period					

There was no activity in the unrealized gain or loss on postretirement benefits included in OCI for the nine three months ended March 31, 2024 and quarters ended September 30, 2023 and 2022. 2023.

Note 10 - Financial Derivative Instruments

The Bank uses derivative financial instruments for risk management purposes and not for trading or speculative purposes. As part of its overall asset and liability management strategy, the Bank periodically uses derivative instruments to minimize significant unplanned fluctuations in earnings and cash flows caused by interest rate volatility. The Bank's interest rate risk management strategy involves modifying the re-pricing characteristics of certain assets or liabilities so that changes in interest rates do not have a significant effect on net interest income.

The Bank recognizes its derivative instruments in the consolidated balance sheets at fair value. On the date the derivative instrument is entered into, the Bank designates whether the derivative is part of a hedging relationship (i.e., cash flow or fair value hedge). The Bank formally documents relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. The Bank also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting the changes in cash flows or fair values of hedged items. Changes in fair value of derivative instruments that are highly effective and qualify as cash flow hedges are recorded in OCI. Any ineffective portion is recorded in earnings. The Bank discontinues hedge accounting when it is determined that the derivative is no longer highly effective in offsetting changes of the hedged risk on the hedged item, or management determines that the designation of the derivative as a hedging instrument is no longer appropriate.

The details of the Bank's swap agreements are as follows:

						September 30, 2023		December 31, 2022		September 30, 2022	
						March 31, 2024					
Effective Date	Effective Date	Maturity Date	Variable Index Received	Fixed Rate Paid	Presentation on Consolidated Balance Sheets	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fai
								Cash Flow Hedges			
04/27/2022	04/27/2022	10/27/2023	USD-SOFR-COMPOUND	2.498%	Other Assets	$ **10,000,000**	$ **20,000**	$ 10,000,000	$ 187,000	$ 10,000,000	$
04/27/2022	04/27/2022	01/27/2024	USD-SOFR-COMPOUND	2.576%	Other Assets	**10,000,000**	**92,000**	10,000,000	233,000	10,000,000	
04/27/2022	04/27/2022	04/27/2024	USD-SOFR-COMPOUND	2.619%	Other Assets	**10,000,000**	**159,000**	10,000,000	269,000	10,000,000	
01/10/2023	01/10/2023	01/01/2026	USD-SOFR-OIS COMPOUND	3.836%	Other Assets	**75,000,000**	**1,513,000**	—	—	—	
						$ **105,000,000**	$ **1,784,000**	$ 30,000,000	$ 689,000	$ 30,000,000	$
					$						

										Fair Value Hedges	
03/08/2023	03/08/2023	03/01/2026	USD-SOFR-OIS COMPOUND	4.712%	Other Assets	**$ 40,000,000**	**$ 63,000**	$ —	$ —	$ —	$
03/08/2023	03/08/2023	03/01/2027	USD-SOFR-OIS COMPOUND	4.402%	Other Assets	**30,000,000**	**120,000**	—	—	—	
03/08/2023	03/08/2023	03/01/2028	USD-SOFR-OIS COMPOUND	4.189%	Other Assets	**30,000,000**	**250,000**	—	—	—	
07/12/2023	07/12/2023	08/01/2025	USD-SOFR-OIS COMPOUND	4.703%	Other Assets	**50,000,000**	**272,000**	—	—	—	
						$ 150,000,000	**$ 705,000**	$ —	$ —	$ —	$
					$						
Total swap agreements	**Total swap agreements**					**$ 255,000,000**	**$ 2,489,000**	$ 30,000,000	$ 689,000	$ 30,000,000	$

The Company would reclassify unrealized gains or losses accounted for within AOCI into earnings if the interest rate swaps were to become ineffective or the swaps were to terminate for cash flow hedges, or would amortize the gain or loss over the remaining life of the hedged instrument for fair value hedges. Amounts paid or received under the swaps are reported in interest income or interest expense in the consolidated statements of income, and reflected in net income in the consolidated statements of cash flows.

Customer loan derivatives

The Bank will enter into interest rate swaps with qualified commercial customers. Through these arrangements, the Bank is able to provide a means for a loan customer to obtain a long-term fixed rate, while it simultaneously contracts with an approved, highly-rated, third-party financial institution as counterparty to swap the fixed rate for a variable rate. Such loan level arrangements are not designated as hedges for accounting purposes, and are recorded at fair value in the Company's consolidated balance sheets.

At September 30, 2023 March 31, 2024 and 2022, and December 31, 2022 December 31, 2023, there were seven customer loan swap arrangements in place. This compares to six customer loan swap arrangements in place at March 31, 2023. The details of the Bank's customer loan swap arrangements are detailed below:

				September 30, 2023			December 31, 2022			September 30, 2022	
		Presentation on Consolidated Balance Sheet	Number of Positions	Notional Amount	Fair Value	Number of Positions	Notional Amount	Fair Value	Number of Positions	Notional Amount	Fair Value
			March 31, 2024								
	Presentation on Consolidated Balance Sheet										
Pay Fixed, Receive Variable	Pay Fixed, Receive Variable	Other Assets	**6**	**$ 36,572,000**	**$ 6,031,000**	6	$ 37,411,000	$ 4,910,000	6	$ 38,628,000	$ 5,365,0
			6	**36,572,000**	**6,031,000**	6	37,411,000	4,910,000	6	38,628,000	5,365,0
Pay Fixed, Receive Variable											
		7									
Receive Fixed, Pay Variable	Receive Fixed, Pay Variable	Other Liabilities	**6**	**36,572,000**	**(6,031,000)**	6	37,411,000	(4,910,000)	6	38,628,000	(5,365,0
			6	**36,572,000**	**(6,031,000)**	6	37,411,000	(4,910,000)	6	38,628,000	(5,365,0
Receive Fixed, Pay Variable											
		7									

Total	Total	**12**	**$**	**73,144,000**	**$**	**—**	12	$	74,822,000	$	—	12	$	77,256,000	$

Derivative collateral

The Bank has entered into a master netting arrangement with its counterparty and settles payments with the counterparty as necessary. The Bank's arrangement with its institutional counterparty requires it to post cash or other assets as collateral for its various loan swap contracts in a net liability position based on their fair values and the Bank's credit rating or receive cash collateral for contracts in a net asset position as requested. At September 30, 2023 March 31, 2024, there was no collateral posted on its swap contracts or required amount to be pledged.

Cessation of LIBOR

The Company adopted SOFR as its replacement reference rate index for each of the customer loan interest rate swap contracts that were tied to a LIBOR tenor. The six contracts shown in the table immediately above have maturity dates of December 19, 2029, August 21, 2030, April 1, 2031, July 1, 2035, October 1, 2035 and October 1, 2039. The necessary actions to amend these legacy contracts to incorporate the new replacement reference rate index were completed in the second quarter 2023.

Note 11 – Mortgage Servicing Rights

FASB ASC Topic 860 "Transfers and Servicing", requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. The Company's servicing assets and servicing liabilities are reported using the amortization method and carried at the lower of amortized cost or fair value by strata. In evaluating the carrying values of mortgage servicing rights, the Company obtains third party valuations based on loan level data including note rate, type, and term of the underlying loans. The model utilizes several assumptions, the most significant of which is loan prepayments, calculated using a three-months moving average of weekly prepayment data published by the PSA and modeled against the serviced loan portfolio, and the discount rate to discount future cash flows. As of September 30, 2023 March 31, 2024, the prepayment assumption using the PSA model was 93, 101, which translates into an anticipated prepayment rate of 4.46% 4.85%. The discount rate is 10.00% 9.75%. Other assumptions include delinquency rates, foreclosure rates, servicing cost inflation, and annual unit loan cost. All assumptions are adjusted periodically to reflect current circumstances. Amortization of mortgage servicing rights, as well as write-offs due to prepayments of the related mortgage loans, are recorded as a charge against mortgage servicing fee income.

For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, servicing rights capitalized totaled $34,000 $4,000 and $299,000, $7,000, respectively. Servicing rights amortized for the nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022 2023 were $280,000 $84,000 and $402,000, $98,000, respectively. The fair value of servicing rights was $3,673,000, $3,734,000, $3,423,000, $3,583,000, and $3,789,000 $3,505,000 at September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023, respectively. The Bank serviced loans for others totaling $327,428,000, $342,870,000, $315,414,000, $321,178,000, and $348,589,000 $337,585,000 at September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023, and September 30, 2022 March 31, 2023, respectively.

Mortgage servicing rights are included in other assets and detailed in the following table:

		September 30, 2023	December 31, 2022	September 30, 2022
	March 31, 2024	**March 31, 2024**	December 31, 2023	March 31, 2023
Mortgage servicing rights	Mortgage servicing rights	**$8,687,000**	$8,654,000	$8,640,000
Accumulated amortization	Accumulated amortization	**(6,441,000)**	(6,161,000)	(6,046,000)
Carrying value	Carrying value	**$2,246,000**	$2,493,000	$2,594,000
Carrying value				
Carrying value				

Note 12 – Income Taxes

FASB ASC Topic 740 "Income Taxes" defines the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's financial statements. Topic 740 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. The Company is currently open to audit under the statute of limitations by the IRS for the years ended December 31, 2019 December 31, 2020 through 2022. 2023.

Note 13 - Certificates of Deposit

The following table represents the breakdown of certificates of deposit at September 30, 2023 March 31, 2024 and 2022, 2023, and at December 31, 2022 December 31, 2023:

		September 30, 2023	December 31, 2022	September 30, 2022
	March 31, 2024	**March 31, 2024**	December 31, 2023	March 31, 2023
Certificates of deposit < $100,000	Certificates of deposit < $100,000 **$**	**641,429,000**	$489,793,000	$407,344,000

Certificates $100,000 to $250,000	Certificates $100,000 to $250,000	**234,962,000**	259,614,000	295,112,000
Certificates $250,000 and over	Certificates $250,000 and over	**132,775,000**	118,264,000	83,720,000
		$1,009,166,000	$867,671,000	$786,176,000
	$			

Note 14 – Reclassifications

Certain items from the prior year were reclassified in the consolidated financial statements to conform with the current year presentation. These do not have a material impact on the consolidated balance sheet or statement of income and comprehensive income presentations.

Note 15 – Fair Value

Certain assets and liabilities are recorded at fair value to provide additional insight into the Company's quality of earnings. Some of these assets and liabilities are measured on a recurring basis while others are measured on a nonrecurring basis, with the determination based upon applicable existing accounting pronouncements. For example, securities available for sale are recorded at fair value on a recurring basis. Other assets, such as other real estate owned and individually analyzed loans, IAL, are recorded at fair value on a nonrecurring basis using the lower of cost or market methodology to determine impairment of individual assets. The Company groups assets and liabilities, which are recorded at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (with level 1 considered highest and level 3 considered lowest). A brief description of each level follows:

Level 1 - Valuation is based upon quoted prices for identical instruments in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability. Valuation includes use of discounted cash flow models and similar techniques.

The fair value methods and assumptions for the Company's financial instruments and other assets measured at fair value are set forth below.

Investment Securities

The fair values of investment securities are estimated by independent providers using a market approach with observable inputs, including matrix pricing and recent transactions. In obtaining such valuation information from third parties, the Company has evaluated their valuation methodologies used to develop the fair values in order to determine whether the valuations are representative of an exit price in the Company's principal markets. The Company's principal markets for its securities portfolios are the secondary institutional markets, with an exit price that is predominantly reflective of bid level pricing in those markets. Fair values are calculated based on the value of one unit without regard to any premium or discount that may result from concentrations of ownership of a financial instrument, possible tax ramifications, or estimated transaction costs. If these considerations had been incorporated into the fair value estimates, the aggregate fair value could have been changed. The carrying values of restricted equity securities approximate fair values. As such, the Company classifies investment securities as Level 2.

Loans

Fair values are estimated for portfolios of loans are based on an exit pricing notion. The fair values of performing loans are calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest risk inherent in the loan. The estimates of maturity are based on the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of current economic and lending conditions, and the effects of estimated prepayments. Assumptions regarding credit risk, cash flows, and discount rates are judgmentally determined using available market information and specific borrower information. Management has made estimates of fair value using discount rates that it believes to be reasonable. However, because there is no market for many of these financial instruments, Management has no basis to determine whether the fair value presented above would be indicative of the value negotiated in an actual sale. As such, the Company classifies loans as Level 3, except for certain individually analyzed loans. IAL. Fair values of individually analyzed loans IAL are based on estimated cash flows and are discounted using a rate commensurate with the risk associated with the estimated cash flows, or if collateral dependent, discounted to the appraised value of the collateral as determined by reference to sale prices of similar properties, less costs to sell. As such, the Company classifies individually analyzed loans IAL for which a specific reserve results in a fair value measure as Level 2. All other individually analyzed loans IAL are classified as Level 3.

Other Real Estate Owned

Real estate acquired through foreclosure is initially recorded at fair value. The fair value of other real estate owned is based on property appraisals and an analysis of similar properties currently available. As such, the Company records other real estate owned as nonrecurring Level 2.

Mortgage Servicing Rights

Mortgage servicing rights represent the value associated with servicing residential mortgage loans. Servicing assets and servicing liabilities are reported using the amortization method and compared to fair value for impairment. In evaluating the fair values of mortgage servicing rights, the Company obtains third party valuations based on loan level data including note rate, type, and term of the underlying loans. As such, the Company classifies mortgage servicing rights as Level 2.

Time Deposits

The fair value of maturity deposits is based on the discounted value of contractual cash flows using a replacement cost of funds approach. The discount rate is estimated using the cost of funds borrowing rate in the market. As such, the Company classifies time deposits as Level 2.

Borrowed Funds

The fair value of borrowed funds is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently available for borrowings of similar remaining maturities. As such, the Company classifies borrowed funds as Level 2.

Derivatives

The fair value of interest rate swaps is determined using inputs that are observable in the market place obtained from third parties including yield curves, publicly available volatilities, and floating indexes and, accordingly, are classified as Level 2 inputs. The credit value adjustments associated with derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. As of September 30, 2023 March 31, 2024 and 2022, 2023, and December 31, 2022 December 31, 2023, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives due to collateral postings.

Customer Loan Derivatives

The valuation of the Company's customer loan derivatives is obtained from a third-party pricing service and is determined using a discounted cash flow analysis on the expected cash flows of each derivative. The pricing analysis is based on observable inputs for the contractual terms of the derivatives, including the period to maturity and interest rate curves. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of master netting arrangements and any applicable credit enhancements, such as collateral postings.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These values do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on Management's judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets and liabilities that are not considered financial instruments include the deferred tax asset, premises and equipment, and other real estate owned. In addition, tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the balances of assets and liabilities that were measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023.

		At September 30, 2023			
		Level 1	Level 2	Level 3	Total
	At March 31, 2024				
	Level 1				
		At March 31, 2024			
		Level 1	Level 2	Level 3	Total
Securities available for sale	**Securities available for sale**				
U.S. Government-sponsored agencies					
U.S. Government-sponsored agencies					
U.S. Government-sponsored agencies	U.S. Government-sponsored agencies	$ —	$ 38,252,000	$ —	$ 38,252,000
Mortgage-backed securities	Mortgage-backed securities	—	212,846,000	—	212,846,000
State and political subdivisions	State and political subdivisions	—	30,780,000	—	30,780,000
Asset-backed securities	Asset-backed securities	—	3,094,000	—	3,094,000
Total securities available for sale	**Total securities available for sale**	—	284,972,000	—	284,972,000
Total securities available for sale					
Total securities available for sale					

Interest rate swap agreements	Interest rate swap agreements	—	2,489,000	—	2,489,000
Customer loan interest swap agreements	Customer loan interest swap agreements	—	6,031,000	—	6,031,000
Total interest rate swap agreements	**Total interest rate swap agreements**	—	8,520,000	—	8,520,000
Total assets	**Total assets**	$ —	$293,492,000	$ —	$293,492,000

		At September 30, 2023			
		Level 1	Level 2	Level 3	Total
	At March 31, 2024				
	Level 1				
		At March 31, 2024			
		Level 1	Level 2	Level 3	Total
Interest rate swap agreements	Interest rate swap agreements	$ —	$ —	$ —	$ —
Customer loan interest swap agreements	Customer loan interest swap agreements	—	6,031,000	—	6,031,000
Total liabilities	**Total liabilities**	$ —	$6,031,000	$ —	$6,031,000

		At December 31, 2022			
		Level 1	Level 2	Level 3	Total
	At December 31, 2023				
	Level 1				
		At December 31, 2023			
		Level 1	Level 2	Level 3	Total
Securities available for sale	**Securities available for sale**				
U.S. Government-sponsored agencies					
U.S. Government-sponsored agencies					
U.S. Government-sponsored agencies	U.S. Government-sponsored agencies	$ —	$ 19,147,000	$ —	$ 19,147,000
Mortgage-backed securities	Mortgage-backed securities	—	228,676,000	—	228,676,000
State and political subdivisions	State and political subdivisions	—	33,191,000	—	33,191,000
Asset-backed securities	Asset-backed securities	—	3,495,000	—	3,495,000

Total securities available for sale	**Total securities available for sale**	—	284,509,000	—	284,509,000
Total securities available for sale					
Total securities available for sale					
Interest rate swap agreements	Interest rate swap agreements	—	689,000	—	689,000
Customer loan interest swap agreements	Customer loan interest swap agreements	—	4,910,000	—	4,910,000
Total interest rate swap agreements	**Total interest rate swap agreements**	—	5,599,000	—	5,599,000
Total assets	**Total assets**	$ —	$290,108,000	$ —	$290,108,000

	At December 31, 2022							
	Level 1	**Level 2**	**Level 3**	**Total**				
	At December 31, 2023				**At December 31, 2023**			
	Level 1				**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate swap agreements								
Customer loan interest swap agreements	Customer loan interest swap agreements $ —	$4,910,000	$ —	$4,910,000				
Total liabilities	**Total liabilities** $ —	$4,910,000	$ —	$4,910,000				

		At September 30, 2022							
		Level 1	**Level 2**	**Level 3**	**Total**				
		At March 31, 2023				**At March 31, 2023**			
		Level 1				**Level 1**	**Level 2**	**Level 3**	**Total**
Securities available for sale	**Securities available for sale**								
U.S. Government-sponsored agencies									
U.S. Government-sponsored agencies									
U.S. Government-sponsored agencies	U.S. Government-sponsored agencies	$ —	$ 19,144,000	$ —	$ 19,144,000				

Mortgage-backed securities	Mortgage-backed securities	—	229,178,000	—	229,178,000
State and political subdivisions	State and political subdivisions	—	31,106,000	—	31,106,000
Asset-backed securities	Asset-backed securities	—	3,840,000	—	3,840,000
Total securities available for sale	**Total securities available for sale**	—	283,268,000	—	283,268,000
Total securities available for sale					
Total securities available for sale					
Interest rate swap agreements	Interest rate swap agreements	—	633,000	—	633,000
Customer loan interest swap agreements	Customer loan interest swap agreements	—	5,365,000	—	5,365,000
Total interest swap agreements	**Total interest swap agreements**	—	5,998,000	—	5,998,000
Total assets	**Total assets**	$ —	$289,266,000	$ —	$289,266,000

		At September 30, 2022			
		Level 1	**Level 2**	**Level 3**	**Total**
	At March 31, 2023				
	Level 1				
Interest rate swap agreements					
Customer loan interest swap agreements	Customer loan interest swap agreements	$ —	$5,365,000	$ —	$5,365,000
Total liabilities	**Total liabilities**	$ —	$5,365,000	$ —	$5,365,000

At March 31, 2023			
Level 1	**Level 2**	**Level 3**	**Total**

Assets Recorded at Fair Value on a Non-Recurring Basis

The following tables include assets measured at fair value on a nonrecurring basis that have had a fair value adjustment since their initial recognition. Mortgage servicing rights are presented at fair value with no impairment reserve for each of the periods presented. Only collateral-dependent individually analyzed loans IAL with a related specific allowance for credit losses ACL or a partial charge off are included in individually analyzed loans IAL for purposes of fair value disclosures. There were no collateral-dependent IAL with a related specific ACL or a partial charge off at March 31, 2024.

Individually analyzed loans IAL below are presented net of specific allowances of $19,000 $135,000 and $151,000 $132,000 at September 30, 2023, December 31, 2022 December 31, 2023, and September 30, 2022 March 31, 2023, respectively.

At March 31, 2024	**At March 31, 2024**

	Level 1	Level 1	Level 2	Level 3	Total
Mortgage servicing rights					

	At September 30, 2023			
	Level 1	Level 2	Level 3	Total
Mortgage servicing rights	$ —	$3,673,000	$ —	$3,673,000
Total assets				
Individually analyzed loans	—	285,000	—	285,000
Total assets / Total assets	$ —	$3,958,000	$ —	$3,958,000
Total assets				

		At December 31, 2022			
		Level 1	Level 2	Level 3	Total
	At December 31, 2023			At December 31, 2023	
	Level 1	Level 1	Level 2	Level 3	Total
Mortgage servicing rights	Mortgage servicing rights	$ —	$3,734,000	$ —	$3,734,000
Individually analyzed loans	Individually analyzed loans	—	20,000	—	20,000
Individually analyzed loans					
Individually analyzed loans					
Total assets	Total assets	$ —	$3,754,000	$ —	$3,754,000

		At September 30, 2022			
		Level 1	Level 2	Level 3	Total
	At March 31, 2023			At March 31, 2023	
	Level 1	Level 1	Level 2	Level 3	Total
Mortgage servicing rights	Mortgage servicing rights	$ —	$3,789,000	$ —	$3,789,000
Individually analyzed loans	Individually analyzed loans	—	5,000	—	5,000
Individually analyzed loans					
Individually analyzed loans					
Total assets	Total assets	$ —	$3,794,000	$ —	$3,794,000

Fair Value of Financial Instruments

FASB ASC Topic 825 "Financial Instruments" requires disclosures of fair value information about financial instruments, whether or not recognized in the balance sheet if the fair values can be reasonably determined. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques using observable inputs when available. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Topic 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

This summary excludes financial assets and liabilities for which carrying value approximates fair values and financial instruments that are recorded at fair value on a recurring basis. Financial instruments for which carrying values approximate fair value include cash equivalents, interest-bearing deposits in other banks, demand, NOW, savings, and money market deposits. The estimated fair value of demand, NOW, savings, and money market deposits is the amount payable on demand at the reporting date. Carrying value is used because the accounts have no stated maturity and the customer has the ability to withdraw funds immediately.

The carrying amount and estimated fair values for financial instruments as of September 30, 2023 March 31, 2024 were as follows:

		Carrying value	Estimated fair value	Level 1	Level 2	Level 3
	Carrying value	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Financial assets	**Financial assets**					
Securities to be held to maturity (net of allowance for credit losses)	Securities to be held to maturity (net of allowance for credit losses)	$ 387,374,000	$ 311,864,000	$ —	$ 311,864,000	$ —
Securities to be held to maturity (net of allowance for credit losses)						
Securities to be held to maturity (net of allowance for credit losses)						
Loans (net of allowance for credit losses)						
Loans (net of allowance for credit losses)						
Loans (net of allowance for credit losses)	Loans (net of allowance for credit losses)					
Commercial	Commercial					
Commercial						
Commercial						
Real estate						
Real estate						
Real estate	Real estate	688,027,000	652,297,000	—	—	652,297,000
Construction	Construction	70,822,000	67,144,000	—	—	67,144,000
Other	Other	435,563,000	423,464,000	—	—	423,464,000
Municipal	Municipal	58,071,000	52,196,000	—	—	52,196,000
Residential	Residential					
Term						
Term						
Term	Term	655,431,000	577,982,000	—	285,000	577,697,000
Construction	Construction	28,410,000	27,972,000	—	—	27,972,000
Home equity line of credit	Home equity line of credit	101,363,000	102,124,000	—	—	102,124,000
Consumer	Consumer	19,119,000	16,978,000	—	—	16,978,000

Total loans	Total loans	2,056,806,000	1,920,157,000	—	285,000	1,919,872,000
Mortgage servicing rights	Mortgage servicing rights	2,246,000	3,673,000	—	3,673,000	—
Financial liabilities	**Financial liabilities**					
Financial liabilities						
Financial liabilities						
Local certificates of deposit						
Local certificates of deposit						
Local certificates of deposit	Local certificates of deposit	$ 338,280,000	$ 319,218,000	$ —	$ 319,218,000	$ —
National certificates of deposit	National certificates of deposit	670,886,000	672,654,000	—	672,654,000	—
Total certificates of deposit	Total certificates of deposit	1,009,166,000	991,872,000	—	991,872,000	—
Repurchase agreements	Repurchase agreements	52,915,000	52,793,000	—	52,793,000	—
Federal Home Loan Bank advances	Federal Home Loan Bank advances	30,078,000	30,074,000	—	30,074,000	—
Total borrowed funds	Total borrowed funds	82,993,000	82,867,000	—	82,867,000	—

The carrying amounts and estimated fair values for financial instruments as of December 31, 2022 December 31, 2023 were as follows:

		Carrying value	Estimated fair value	Level 1	Level 2	Level 3
	Carrying value	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Financial assets	**Financial assets**					
Securities to be held to maturity		$ 393,896,000	$ 339,011,000	$ —	$ 339,011,000	$ —
Securities to be held to maturity (net of allowance for credit losses)						
Loans (net of allowance for loan losses)						
Securities to be held to maturity (net of allowance for credit losses)						
Securities to be held to maturity (net of allowance for credit losses)						
Loans (net of allowance for credit losses)						
Loans (net of allowance for credit losses)						

Loans (net of allowance for credit losses)						
Commercial	Commercial					
Commercial						
Commercial						
Real estate						
Real estate						
Real estate	Real estate	692,541,000	669,752,000	—	—	669,752,000
Construction	Construction	92,994,000	89,934,000	—	—	89,934,000
Other	Other	315,917,000	312,219,000	—	20,000	312,199,000
Municipal	Municipal	40,439,000	38,069,000	—	—	38,069,000
Residential	Residential					
Term						
Term						
Term	Term	611,350,000	558,274,000	—	—	558,274,000
Construction	Construction	49,686,000	44,410,000	—	—	44,410,000
Home equity line of credit	Home equity line of credit	75,416,000	78,878,000	—	—	78,878,000
Consumer	Consumer	19,883,000	18,142,000	—	—	18,142,000
Total loans	Total loans	1,898,226,000	1,809,678,000	—	20,000	1,809,658,000
Mortgage servicing rights	Mortgage servicing rights	2,493,000	3,734,000	—	3,734,000	—
Financial liabilities	**Financial liabilities**					
Financial liabilities						
Financial liabilities						
Local certificates of deposit						
Local certificates of deposit						
Local certificates of deposit	Local certificates of deposit	$ 291,152,000	$ 275,658,000	$ —	$ 275,658,000	$ —
National certificates of deposit	National certificates of deposit	576,519,000	569,883,000	—	569,883,000	—
Total certificates of deposit	Total certificates of deposit	867,671,000	845,541,000	—	845,541,000	—
Repurchase agreements	Repurchase agreements	64,409,000	64,289,000	—	64,289,000	—
Federal Home Loan Bank advances	Federal Home Loan Bank advances	39,074,000	39,064,000	—	39,064,000	—
Total borrowed funds	Total borrowed funds	103,483,000	103,353,000	—	103,353,000	—

The carrying amount and estimated fair values for financial instruments as of September 30, 2022 March 31, 2023 were as follows:

	Carrying value	Estimated fair value	Level 1	Level 2	Level 3

	Carrying value	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Financial assets	**Financial assets**					
Securities to be held to maturity		$ 381,906,000	$ 313,796,000	$ —	$313,796,000	$ —
Securities to be held to maturity (net of allowance for credit losses)						
Loans (net of allowance for loan losses)						
Securities to be held to maturity (net of allowance for credit losses)						
Securities to be held to maturity (net of allowance for credit losses)						
Loans (net of allowance for credit losses)						
Loans (net of allowance for credit losses)						
Loans (net of allowance for credit losses)						
Commercial	Commercial					
Commercial						
Commercial						
Real estate						
Real estate						
Real estate	Real estate	632,385,000	615,560,000	—	—	615,560,000
Construction	Construction	127,765,000	124,366,000	—	—	124,366,000
Other	Other	306,692,000	304,024,000	—	5,000	304,019,000
Municipal	Municipal	48,521,000	46,475,000	—	—	46,475,000
Residential	Residential					
Term						
Term						
Term	Term	592,143,000	543,378,000	—	—	543,378,000
Construction	Construction	41,440,000	37,263,000	—	—	37,263,000
Home equity line of credit	Home equity line of credit	72,812,000	76,287,000	—	—	76,287,000
Consumer	Consumer	19,830,000	18,172,000	—	—	18,172,000
Total loans	Total loans	1,841,588,000	1,765,525,000	—	5,000	1,765,520,000
Mortgage servicing rights	Mortgage servicing rights	2,594,000	3,789,000	—	3,789,000	—
Financial liabilities	**Financial liabilities**					
Financial liabilities						
Financial liabilities						
Local certificates of deposit						
Local certificates of deposit						

Local certificates of deposit	Local certificates of deposit	$ 252,211,000	$ 239,377,000	$ —	$ 239,377,000	$ —
National certificates of deposit	National certificates of deposit	533,965,000	525,169,000	—	525,169,000	—
Total certificates of deposit	Total certificates of deposit	786,176,000	764,546,000	—	764,546,000	—
Repurchase agreements	Repurchase agreements	68,258,000	59,208,000	—	59,208,000	—
Federal Home Loan Bank advances	Federal Home Loan Bank advances	50,085,000	50,071,000	—	50,071,000	—
Total borrowed funds	Total borrowed funds	118,343,000	109,279,000	—	109,279,000	—

Note 16 – Impact of Recently Issued Accounting Standards

Adoption of New Accounting Standards: On January 1, 2023, the Company adopted ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as loans, such as loan commitments, standby letters of credit, certain lines of credit. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets, measured at amortized cost, and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. On adoption, the Company recognized an increase in the allowance for credit losses on held to maturity securities of $438,000, an increase to the allowance for credit losses on loans of $6,210,000, and an increase to the reserve for off-balance sheet commitments of $1,297,000. The net, after-tax impact of the increases of the allowances for credit losses and reserve for off-balance sheet commitments was a net decrease to retained earnings of $6,277,000 shown in the Consolidated Statements of Changes in Stockholders Equity. Additional details can be found in Notes 3 and 4.

In March 2023, the FASB issued ASU No. 2023-02, Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method. This ASU expands the use of proportional amortization method of accounting — currently allowed only for investments in low-income housing tax credit (LIHTC) structures — to equity investments in other tax credit structures that meet certain criteria. The proportional amortization method results in (1) the tax credit investment being amortized in proportion to the allocation of tax credits and other tax benefits in each period and (2) net presentation within the income tax line item. The ASU is effective beginning in 2024 for calendar year-end public business entities. Adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures.
This ASU requires public business entities, such as the Company, to provide enhanced disclosures on the amount of income taxes paid disaggregated by type and jurisdiction. Adoption is required for annual periods beginning after December 15, 2024 and is not expected to have a material impact on the Company's consolidated financial statements.

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

The First Bancorp, Inc. and Subsidiary

Forward-Looking Statements

This report contains statements that are "forward-looking statements." We may also make written or oral forward-looking statements in other documents we file with the SEC, in our annual reports to shareholders, in press releases and other written materials, and in oral statements made by our officers, directors or employees. You can identify forward-looking statements by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "outlook," "will," "should," and other expressions that predict or indicate future events and trends and which do not relate to historical matters. You should not rely on forward-looking statements, because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of the Company. These risks, uncertainties and other factors may cause the actual results, performance or achievements of the Company to be materially different from the anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

Some of the factors that might cause these differences include the following: changes in general national, regional or international economic conditions or conditions affecting the banking or financial services industries or financial capital markets, volatility and disruption in national and international financial markets, government intervention in the U.S. financial system, reductions in net interest income resulting from interest rate volatility as well as changes in the balance and mix of loans and deposits, reductions in the market value of wealth management assets under administration, changes in the value of securities and other assets, reductions in loan demand, changes in loan collectability, default and charge-off rates, changes in the size and nature of the Company's competition, changes in legislation or regulation and accounting principles, policies and guidelines, and changes in the assumptions used in making such forward-looking statements. In addition, the factors described under "Risk Factors" in Item 1A of this Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, as filed with the SEC, may result in these differences, as well as the "Risk Factors" in Part II, Item 1A listed below. You should carefully review all of these factors, and you should be aware that there may be other factors that could cause these differences. These forward-looking statements were based on information, plans and estimates at the date of this quarterly report, and we assume no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from the results discussed in these forward-looking statements. Readers are also urged to carefully review and consider the various disclosures made by the Company, which attempt to advise interested parties of the factors that affect the Company's business.

Critical Accounting Policies

Management's discussion and analysis of the Company's financial condition and results of operations is based on the consolidated financial statements which are prepared in accordance with GAAP. accounting principles generally accepted in the United States of America. The preparation of such financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, Management evaluates its estimates, including those related to the allowance for credit losses on loans, the ACL, fair value of securities, and allowance for credit losses on securities, the allowance for credit losses on off balance sheet commitments, goodwill, and the valuation of mortgage servicing rights. rights, derivative financial instruments, and credit losses on securities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis in for making judgments about the carrying values of assets that are not readily apparent from other sources. Actual results could differ from the amount amounts derived from Management's estimates and assumptions under different assumptions or conditions. conditions

Allowance for Credit Losses. Management believes the allowance for credit losses ACL requires the most significant estimates and assumptions used in the preparation of the consolidated financial statements. The allowance for credit losses ACL is based on Management's evaluation of the level of the allowance required in relation to the estimated loss exposure in the loan and investment portfolios. The allowance is comprised of the allowance for credit losses on loans, the allowance for credit losses on portfolio, off-balance sheet commitments, and the allowance for credit losses on held to maturity securities. investment portfolio.

Management regularly evaluates the allowance, typically monthly, to determine the appropriate level by taking into consideration factors such as the size and growth trajectory of the portfolios, portfolio, quality trends as measured by key indicators, prior loan loss experience in each loan major portfolio segment, segments, local and national business and conditions, economic conditions, forecasts, the results of any stress testing undertaken during the period, and other factors contributing to Management's estimation of potential losses. The Period-to-period changes to any or all of these of these factors could change the level of ACL required, in turn impacting our level of provision expense and ultimately our net income. Similarly, the use of different estimates or assumptions could produce different provisions for credit losses. losses which would likely result in changes to the Company's net income.

In the current period the ACL-Loans increased by $177,000, the ACL-Off-Balance Commitments decreased by $360,000 and the ACL-HTM Securities decreased by $252,000. Further discussion of the ACL may be found in Note 2, "Investment Securities", Note 3, "Loans", and Note 4, "Allowance for Credit Losses", to the consolidated financial statements contained in Item 1 of the Form 10-Q.

Goodwill. Management utilizes numerous techniques to estimate the value of various assets held by the Company, including methods to determine the appropriate carrying value of goodwill as required under FASB ASC Topic 350 "Intangibles – Goodwill and Other." In addition, goodwill from a purchase acquisition is subject to ongoing periodic

impairment tests, which include an evaluation of the ongoing assets, liabilities and revenues from the acquisition and an estimation of the impact of business conditions.

Mortgage Servicing Rights. The valuation of mortgage servicing rights is a critical accounting policy which requires significant estimates and assumptions. The Bank often sells mortgage loans it originates and retains the ongoing servicing of such loans, receiving a fee for these services, generally 0.25% of the outstanding balance of the loan per annum. Mortgage servicing rights are recognized at fair value when they are acquired through the sale of loans, and are reported in other assets. They are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. The rights are subsequently carried at the lower of amortized cost or fair value. Management uses an independent firm which specializes in the valuation of mortgage servicing rights to determine the fair value which is recorded on the balance sheet. The most important assumption is the anticipated loan prepayment rate, and increases in prepayment speed results in lower valuations of mortgage servicing rights. The valuation also includes an evaluation for impairment based upon the fair value of the rights, which can vary depending upon current interest rates and prepayment expectations, as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. The use of different assumptions could produce a different valuation. All of the assumptions are based on standards the Company believes would be utilized by market participants in valuing mortgage servicing rights and are consistently derived and/or benchmarked against independent public sources.

Fair Value of Securities. Determining a market price for securities carried at fair value is a critical accounting estimate in the Company's financial statements. Pricing of individual securities is subject to a number of factors including changes in market interest rates, changes in prepayment speeds and assumptions, changes in market tolerance for risk, and any changes in the risk profile of the security. The Company subscribes to a widely recognized, independent pricing service and updates carrying values no less frequently than monthly. It also validates the values provided by the pricing service no less frequently than quarterly by measuring against security prices provided by a secondary source. Results of the validation are reported to the Bank's Asset Liability Committee ALCO each quarter and any variances between the two sources above defined thresholds are investigated by management. A finding that the Company's methodology for valuation of its investment securities is materially incorrect could result in changes to the carrying value of securities on its balance sheet and corresponding changes in shareholders equity position. As of March 31, 2024 the fair value of AFS securities decreased by $7.6 million and the fair value of HTM securities decreased by $10.8 million from that of December 31, 2023. These decreases are due to a combination of higher interest rates leading to lower market prices for the underlying securities and incoming cash flow from these investments being re-deployed to other segments of the balance sheet. Further discussion of the fair value of securities may be found in Note 2, "Investment Securities", to the consolidated financial statements contained in Item 1 of the Form 10-Q.

Credit Loss Recognition on Securities. Another significant estimate related to investment securities is the evaluation of potential credit losses on investment securities. The evaluation of securities for potential credit losses is a quantitative and qualitative process, which is subject to risks and uncertainties and is intended to determine whether declines in the fair value of investments should be recognized as a charge to the allowance for credit losses. ACL. The risks and uncertainties include changes in general economic conditions, the issuer's financial condition and/or future prospects, the effects of changes in interest rates or credit spreads and the expected recovery period of unrealized losses. Securities that are in an unrealized loss position are reviewed at least quarterly to determine if recognition of a loss is required. The primary factors considered in this evaluation (a) the length of time and extent to which the fair value has been less than cost or amortized cost and the expected recovery period of the security, (b) the financial condition, credit rating and future prospects of the issuer, (c) whether the debtor is current on contractually obligated interest and principal payments, (d) the volatility of the securities' market price, (e) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for recovery, which may be at maturity and (f) any other information and observable data considered relevant, including the expectation of receipt of all principal and interest when due. The Bank invests only in investment grade securities and no credit losses have been recognized on securities currently held. Further discussion of credit loss recognition on securities may be found in Note 2, "Investment Securities", to the consolidated financial statements contained in Item 1 of the Form 10-Q.

Derivative Financial Instruments Designated as Hedges. The Company recognizes all derivatives in the consolidated balance sheets at fair value. On the date a derivative contract is entered into, the derivative is designated as a hedge of either a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), or a held for trading instrument ("trading instrument"). The relationships between hedging instruments and hedged items is formally documented, as is the risk management objectives and strategy for undertaking various hedge transactions. Both at the hedge's inception and on an ongoing basis, determination is made as to whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows or fair values of hedged items. Changes in fair value of a derivative that is effective and that qualifies as a cash flow hedge are recorded in OCI and are reclassified into earnings when the forecasted transaction or related cash flows affect earnings. Changes in fair value of a derivative that qualifies as a fair value hedge and the change in fair value of the hedged item are both recorded in earnings and offset each other when the transaction is effective. Those derivatives that are classified as trading instruments, including customer loan swaps, are recorded at fair value with changes in fair value recorded in earnings. Hedge accounting is discontinued when it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item, that it is unlikely that the forecasted transaction will occur, or that the designation of the derivative as a hedging instrument is no longer appropriate. Among the factors that may influence the fair value of a derivative instrument are changes in market interest rates, changes in the time remaining to maturity of the instrument, or credit quality of the counter-party. Further information, including period-to-period changes in the fair value of derivatives, may be found in Note 10, "Financial Derivative Instruments", to the consolidated financial statements contained in Item 1 of the Form 10-Q.

Risks and Uncertainties. The nation's economy continues to demonstrate areas of strength and areas of weakness post-pandemic. Inflation is beginning weakness. The high inflation experienced post-pandemic has moderated, yet continues to moderate run above the FOMC's 2% target, and the pace of progress has slowed as evidenced by recent trends in higher than expected readings of the Consumer Price Index which had risen at levels not experienced since in the 1980s. first quarter of 2024. The labor market remains very tight with very low rates of unemployment and strong job creation, each contributing to inflationary pressure. To address the inflation problem, the FOMC has removed accommodative monetary policies and aggressively increased short-term interest rates throughout 2022 and into 2023, and has been on hold since the summer of 2023. The

pace of increase by the FOMC has slowed signaled rate reductions beginning later this year, however recent discussion has pushed the timing of cuts out further and there is ongoing debate as to how close to the end of the rate hiking cycle the FOMC may be. at less depth than initial guidance suggested. If the FOMC does not increase rates enough or cuts rates too early, it risks an ongoing inflation problem; an overshoot on rate increases maintaining elevated interest rates risks entering the economy into a recession. There is developing concern Concern continues to be expressed nationally on the commercial real estate market given high vacancy numbers in some locations. The ongoing conflict conflicts between Russia and Ukraine, and the recent tensions arising from the Middle East have added Israel and Hamas, continue to contribute to geopolitical instability and add to economic uncertainty particularly in the energy sector. The recent near-failure and geopolitical instability. The subsequent recapitalization of a large regional bank rekindled concerns that followed the failures in 2023 of several regional banks, further which roiled markets and introduced new sources of uncertainty.

Any or all of these factors could have negative downstream effects on the Company's operating results, the extent of which is indeterminable at this time.

Use of Non-GAAP Financial Measures

Certain information in this release contains financial information determined by methods other than in accordance with GAAP. Management uses these "non-GAAP" measures in its analysis of the Company's performance (including for purposes of determining the compensation of certain executive officers and other Company employees) and believes that these non-GAAP financial measures provide a greater understanding of ongoing operations and enhance comparability of results with prior periods and with other financial institutions, as well as demonstrating the effects of significant gains and charges in the current period, in light of the disclosure practices employed by many other publicly-traded financial institutions. The Company believes that a meaningful analysis of its financial performance requires an understanding of the factors underlying that performance. Management believes that investors may use these non-GAAP financial measures to analyze financial performance without the impact of unusual items that may obscure trends in the Company's underlying performance. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

In several places net interest income is calculated on a fully tax-equivalent basis. Specifically included in interest income was tax-exempt interest income from certain investment securities and loans. An amount equal to the tax benefit derived from this tax-exempt income has been added back to the interest income total which, as adjusted, increased net interest income accordingly. Management believes the disclosure of tax-equivalent net interest income information improves the clarity of financial analysis, and is particularly useful to investors in understanding and evaluating the changes and trends in the Company's results of operations. Other financial institutions commonly present net interest income on a tax-equivalent basis. This adjustment is considered helpful in the comparison of one financial institution's net interest income to that of another institution, as each will have a different proportion of tax-exempt interest from its earning assets. Moreover, net interest income is a component of a second financial measure commonly used by financial institutions, net interest margin, which is the ratio of net interest income to average earning assets. For purposes of this measure as well, other financial institutions generally use tax-equivalent net interest income to provide a better basis of comparison from institution to institution. The Company follows these practices.

The following table provides a reconciliation of tax-equivalent financial information to the Company's consolidated financial statements prepared in accordance with GAAP. A Federal Income Tax rate of 21.0% was used in 2023 2024 and 2022. 2023.

		For the nine months ended September 30,		**For the quarter ended September 30,**	
		For the three months ended March 31,			
		For the three months ended March 31,			
		For the three months ended March 31,			
Dollars in thousands					
Dollars in thousands					
Dollars in thousands	*Dollars in thousands*	**2023**	2022	**2023**	2022

Net interest income as presented	Net interest income as presented	**$**	**49,354**	$	56,682	**$**	**15,954**	$	19,364
Net interest income as presented									
Net interest income as presented									
Effect of tax-exempt income									
Effect of tax-exempt income									
Effect of tax-exempt income	Effect of tax-exempt income		**1,965**		1,719		**685**		592
Net interest income, tax equivalent	Net interest income, tax equivalent	**$**	**51,319**	$	58,401	**$**	**16,639**	$	19,956
Net interest income, tax equivalent									
Net interest income, tax equivalent									

The Company presents its efficiency ratio using non-GAAP information which is most commonly used by financial institutions. The GAAP-based efficiency ratio is non-interest expenses divided by net interest income plus non-interest income from the Consolidated Statements of Income. The non-GAAP efficiency ratio excludes securities any losses and provision for credit losses on sales of securities from non-interest expenses, excludes any gains on sales of securities gains from non-interest income, and adds the tax-equivalent adjustment to net interest income.

The following table provides a reconciliation between the GAAP and non-GAAP efficiency ratio:

		For the nine months ended September 30,				**For the quarter ended September 30,**			
		For the three months ended March 31,							
		For the three months ended March 31,							
		For the three months ended March 31,							
Dollars in thousands									
Dollars in thousands									
Dollars in thousands	*Dollars in thousands*		**2023**		2022		**2023**		2022
Non-interest expense, as presented	Non-interest expense, as presented	**$**	**32,571**	$	32,193	**$**	**11,006**	$	11,371
Non-interest expense, as presented									
Non-interest expense, as presented									
Net interest income, as presented									
Net interest income, as presented									
Net interest income, as presented	Net interest income, as presented		**49,354**		56,682		**15,954**		19,364
Effect of tax-exempt interest income	Effect of tax-exempt interest income		**1,965**		1,719		**685**		592
Effect of tax-exempt interest income									
Effect of tax-exempt interest income									
Non-interest income, as presented									
Non-interest income, as presented									
Non-interest income, as presented	Non-interest income, as presented		**11,330**		13,027		**3,891**		4,715
Effect of non-interest tax-exempt income	Effect of non-interest tax-exempt income		**131**		127		**44**		43
Net securities gains			**—**		(7)		**—**		(6)
Effect of non-interest tax-exempt income									

Effect of non-interest tax-exempt income					
Adjusted net interest income plus non-interest income					
Adjusted net interest income plus non-interest income					
Adjusted net interest income plus non-interest income	Adjusted net interest income plus non-interest income	**$ 62,780**	$ 71,548	**$ 20,574**	$ 24,708
Non-GAAP efficiency ratio	Non-GAAP efficiency ratio	**51.88 %**	44.99 %	**53.49 %**	46.02 %
Non-GAAP efficiency ratio					
Non-GAAP efficiency ratio					
GAAP efficiency ratio	GAAP efficiency ratio	**53.67 %**	46.18 %	**55.46 %**	47.22 %
GAAP efficiency ratio					
GAAP efficiency ratio					

The Company presents certain information based upon tangible common equity instead of total shareholders' equity. The difference between these two measures is the Company's intangible assets, specifically goodwill from prior acquisitions. Management, banking regulators and many stock analysts use the tangible common equity ratio and the tangible book value per common share in conjunction with more traditional bank capital ratios to compare the capital adequacy of banking organizations with significant amounts of goodwill or other intangible assets, typically stemming from the use of the purchase accounting method in accounting for mergers and acquisitions.

The following table provides a reconciliation of average tangible common equity to the Company's consolidated financial statements, which have been prepared in accordance with GAAP:

		For the nine months ended September 30,		**For the quarter ended September 30,**	
		For the three months ended March 31,			
		For the three months ended March 31,			
		For the three months ended March 31,			
Dollars in thousands	*Dollars in thousands*	**2023**	2022	**2023**	2022
Dollars in thousands					
Dollars in thousands					
Average shareholders' equity as presented					
Average shareholders' equity as presented					
Average shareholders' equity as presented	Average shareholders' equity as presented	**$ 234,832**	$ 237,412	**$ 234,024**	$ 233,763
Less average intangible assets	Less average intangible assets	**(30,847)**	(30,901)	**(30,853)**	(30,884)
Less average intangible assets					
Less average intangible assets					
Average tangible shareholders' common equity	Average tangible shareholders' common equity	**$ 203,985**	$ 206,511	**$ 203,171**	$ 202,879
Average tangible shareholders' common equity					
Average tangible shareholders' common equity					

To provide period-to-period comparison of operating results prior to consideration of credit loss provision and income taxes, the non-GAAP measure of Pre-Tax, Pre-Provision Net Income is presented. The following table provides a reconciliation to Net Income:

	For the nine months ended September 30,	**For the quarter ended September 30,**
	For the three months ended March 31,	
	For the three months ended March 31,	

			For the three months ended March 31,						
Dollars in thousands									
Dollars in thousands									
Dollars in thousands	*Dollars in thousands*		**2023**		2022		**2023**		2022
Net Income, as presented	Net Income, as presented	**$**	**22,839**	$	29,793	**$**	**7,474**	$	10,091
Net Income, as presented									
Net Income, as presented									
Add: provision (reduction) for credit losses									
Add: provision (reduction) for credit losses									
Add: provision (reduction) for credit losses	Add: provision (reduction) for credit losses		**501**		1,300		**(200)**		400
Add: income taxes expense	Add: income taxes expense		**4,773**		6,423		**1,565**		2,217
Add: income taxes expense									
Add: income taxes expense									
Pre-tax, pre-provision net income	Pre-tax, pre-provision net income	**$**	**28,113**	$	37,516	**$**	**8,839**	$	12,708
Pre-tax, pre-provision net income									
Pre-tax, pre-provision net income									

Executive Summary

Net income for the nine three months ended September 30, 2023 March 31, 2024 was $22.8 million $6.0 million, down $7.0 million $2.0 million or 23.3% 24.5% from the same period in 2022 2023 due primarily to a decrease in net interest income resulting from higher funding costs. Earnings per common share on a fully diluted basis were $2.06 $0.54 for the nine three months ended September 30, 2023 March 31, 2024, down $0.64 $0.18 or 23.7% 25.0% from the $2.70 $0.72 posted for the same period in 2022. 2023. Dividends totaling $1.04 $0.35 per share have been declared year-to-date, representing a payout to our shareholders of 50.00% 63.64% of basic earnings per share for the period. For the quarter ended September 30, 2023, net income was $7.5 million, down $2.6 million or 25.9% from the same period in 2022. Earnings per common share on a fully diluted basis were $0.67 for the quarter ended September 30, 2023, down $0.24 or 26.4% from the $0.91 posted for the same period in 2022.

Net interest income on a tax-equivalent basis was down $7.1 million $2.5 million or 12.1% 14.1% in the nine three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. 2023. The tax equivalent net interest margin for the nine three months ended September 30, 2023 March 31, 2024, was 2.54% 2.22%, down from 3.17% 2.78% for the same period in 2022. 2023. The period to period change in net interest income and net interest margin is primarily attributable to increased funding costs; also contributing was $1.1 million in PPP revenue earned in 2022 which was non-continuing. For the quarter ended September 30, 2023, net interest income on a tax-equivalent basis decreased $3.3 million or 16.6% compared to the same period in 2022, with a net interest margin of 2.40% compared to 3.14% for the same period in 2022. costs.

Non-interest income for the nine three months ended September 30, 2023 March 31, 2024 was $11.3 million $3.6 million, down $1.7 million up $71,000 or 13.0% 2.0%, from the nine three months ended September 30, 2022 March 31, 2023. As compared to the prior year period, mortgage banking revenue decreased $623,000 $62,000 or 50.5% 32.3% on lower volume of mortgage sales and negative marks taken against mortgage servicing rights valuation. Debit Service charges on deposit accounts were up $62,000, or 14.2%, while debit card revenue was down $1.0 million or 21.3% due primarily to timing of program incentive payments; year-to-date revenue even with the three months ended March 31, 2024. Revenue at First National Wealth Management was essentially unchanged in 2023 from that earned in 2022. increased $42,000 or 3.7% over the same period.

Non-interest expense for the nine three months ended September 30, 2023 March 31, 2024 was $32.6 million $11.8 million, up $378,000 $911,000 or 1.2% 8.4% from the nine three months ended September 30, 2022 March 31, 2023. FDIC insurance premiums increased $691,000 $220,000 from the same period in 2022, while 2023, salaries and employee benefits decreased 3.9% increased 5.9% and other operating expense decreased 0.9% increased 10.4% over the same period.

Asset quality continues to be strong and stable. Non-performing assets stood at 0.09% of total assets as of September 30, 2023 March 31, 2024, up slightly from 0.07% of total assets as of September 30, 2022 December 31, 2023 and 0.06% of total assets as of December 31, 2022 March 31, 2023. Total past-due loans remain low and were 0.09% of total loans as of March 31, 2024, down from 0.18% and 0.10% of total loans as of September 30, 2023 December 31, 2023 and March 31, 2023, up slightly from 0.08% of total loans as of December 31, 2022 and September 30, 2022. respectively.

The provision for credit losses on loans for the first nine three months of 2023 2024 was $419,000, $99,000, down from the $1.3 million $550,000 provisioned in the same period in 2022. A reversal 2023. The effects of improved economic projections and strong asset quality offset the effects of loan growth and other factors in the first quarter model, resulting in lower provision expense for the current period as compared to the prior period. Recoveries in the first quarter of prior period loan charge-offs outpaced current period charge-offs, resulting in a net addition to the allowance for credit losses on loans of $161,000 was recorded in the third quarter of 2023 under the CECL methodology. loans. Net loan chargeoffs recoveries for the nine three months ended September 30, 2023 were $30,000 March 31, 2024 was $78,000 or 0.002% 0.015% of average loans on an annualized basis, down from compared to net charge-offs of $434,000 $25,000 or 0.030% 0.010% of total loans for the nine three months ended September 30, 2022 March 31, 2023. The ACL for loans increased $6.6 million $177,000 between December 31, 2022 December 31, 2023 and September 30, 2023 March 31, 2024, and now stands at 1.12% 1.11% of loans outstanding as of September 30, 2023 March 31, 2024, up down from 0.87% 1.13% at December 31, 2022 December 31, 2023 and 0.88% 1.18% at September 30, 2022 March 31, 2023. Most of the dollar increase in the ACL for loans is the result of CECL adoption and associated one-time adjustments.

The Company's balance sheet continued to expand in the first nine three months of 2023 2024 as total assets increased $205.0 million $31.5 million or 7.5% 1.1% year-to-date. The loan portfolio increased $165.2 million $44.3 million or 8.6% 2.1% in the nine three months ended September 30, 2023 March 31, 2024 and $221.9 million $190.9 million or 11.9% 9.6% from a year ago. Loan growth in the first nine three months of 2023 2024 was centered in the commercial and residential portfolios. Commercial loans increased by $98.4 million $34.0 million during the period, led by increases in owner-occupied commercial real estate of $43.3 million $12.7 million, non-owner occupied commercial real estate of $33.4 million and $9.5 million, commercial & industrial loans of $31.2 million $6.8 million and multifamily of $7.9 million; commercial construction balances decreased by $21.5 million $2.9 million as a number of projects converted to permanent financing. Residential term loans increased by $62.6 million $3.2 million in the first nine three months of 2023, while 2024 and residential construction loans decreased increased by $20.9 million. $2.5 million during the same period. The investment portfolio decreased $6.1 million $10.8 million year-to-date and increased $6.5 million decreased $24.1 million from a year ago based upon cash flow of amortizing securities, limited reinvestment or new purchases, and changes in the carrying value of AFS securities.

On the liability side of the balance sheet, total deposits have increased $221.1 million decreased $50.7 million, or 9.3% 1.9%, year-to-date to $2.60 $2.55 billion. Low-cost deposits increased $1.1 million during the nine-month period as growth decreased $61.7 million, in Demand and NOW balances was offset by a decline in Savings balances. line with seasonal deposit patterns. Money Market market balances increased $78.4 million $15.9 million and local CDs increased $141.5 million decreased $10.2 million. A majority of the deposit growth generated YTD has been in local deposits which have increased by $120.8 million, or 7.00%, year-to-date. To balance the seasonal changes and to support earning asset growth, wholesale CDs have increased $94.4 $5.4 year-to-date while and borrowings have decreased increased by $20.5 million $85.1 million.

Remaining well capitalized is a top priority for The Company. The Company's total risk-based capital ratio was 13.76% 13.54% as of September 30, 2023 March 31, 2024, solidly above the well-capitalized threshold of 10.0% set by the FDIC, the FRBB, and the OCC.

Among the Company's operating ratios, the return on average assets was 1.08% 0.82% and return on average tangible common equity of 14.97% 11.36% for the nine three months ended September 30, 2023 March 31, 2024 compared to 1.54% 1.16% and 19.29% 15.64%, respectively, for the same period in 2022. 2023. Our non-GAAP efficiency ratio continues to be an important component in the Company's overall performance and stood at 51.88% 61.15% for the nine three months ended September 30, 2023 March 31, 2024 compared to 44.99% 49.98% for the same period in 2022. 2023.

Net Interest Income

Total interest income of $93.4 million $35.0 million for the nine three months ended September 30, 2023 March 31, 2024 was an increase of $27.4 million $6.1 million or 41.5% 21.0% compared to total interest income of $66.0 million $28.9 million for the same period of 2022; interest income for the prior period included $1.1 million of non-recurring PPP revenue. 2023. Growth in earning assets coupled with higher interest rates resulted in the period to period period-to-period increase. Higher market interest rates resulting from FOMC actions coupled with changing customer product preferences to higher cost money market and CD products led to total interest expense of $44.0 million $20.1 million for the nine three months ended September 30, 2023 March 31, 2024, an increase of $34.7 million $8.7 million or 374.5% 75.8% compared to total interest expense for the nine three months ended September 30, 2022 March 31, 2023. As a result, net interest income of $49.4 million $14.9 million for the nine three months ended September 30, 2023 March 31, 2024 was a decrease of $7.3 million $2.6 million or 12.9% 14.8% compared to net interest income of $56.7 million $17.5 million for the same period ended September 30, 2022; excluding the PPP income, the period-to-period change would have been 11.2% March 31, 2023. The Company's net interest margin on a tax-equivalent basis for the nine three months ended September 30, 2023 March 31, 2024 was 2.54% 2.22%, down from 3.17% 2.78% for the first nine three months of 2022. 2023. Tax-exempt interest income amounted to $7.4 million $2.5 million for the nine three months ended September 30, 2023 March 31, 2024 compared to $6.5 million $2.3 million for the nine three months ended September 30, 2022 March 31, 2023.

The following tables present table presents the amount of interest earned or paid, as well as the average yield or rate on an annualized basis, for each major category of assets or liabilities for the nine three months ended March 31, 2024 and quarters ended September 30, 2023 and 2022. 2023. Tax-exempt income is calculated on a tax-equivalent basis, using a 21.0% Federal Income Tax rate.

		For the nine months ended			
		September 30, 2023		September 30, 2022	
For the three months ended March 31, 2024					**For the three months ended**
Dollars in thousands					
Dollars in thousands					
Dollars in thousands	*Dollars in thousands*	**Amount of interest**	**Average Yield/Rate**	Amount of interest	Average Yield/Rate
Interest on earning assets	**Interest on earning assets**				
Interest on earning assets					
Interest on earning assets					
Interest-bearing deposits					
Interest-bearing deposits					

Interest-bearing deposits	Interest-bearing deposits	$ 300	5.30 %	$ 163	0.93 %		$ 78	5.50	5.50 %	%	$ 40	4.83	4.83 % %
Investments	Investments	15,795	3.12 %	13,815	2.68 %	Investments	5,236	3.17	3.17 %	%	5,281	3.12	3.12 % %
Loans held for sale	Loans held for sale	—	0.00 %	11	2.53 %	Loans held for sale	—	0.00	0.00 %	%	—	0.00	0.00 % %
Loans	Loans	79,222	5.26 %	53,685	4.10 %	Loans	30,343	5.68	5.68 %	%	24,213	5.04	5.04 % %
Total interest income	Total interest income	95,317	4.72 %	67,674	3.67 %	Total interest income	35,657	5.09	5.09 %	%	29,534	4.54	4.54 % %
Interest expense	**Interest expense**												
Deposits	Deposits	42,384	2.62 %	8,190	0.59 %								
Deposits													
Deposits							19,177		3.37	%	10,917		2.10 %
Other borrowings	Other borrowings	1,614	1.93 %	1,083	1.09 %	Other borrowings	931	2.93	2.93 %	%	522	1.94	1.94 % %
Total interest expense	Total interest expense	43,998	2.58 %	9,273	0.62 %	Total interest expense	20,108	3.35	3.35 %	%	11,439	2.09	2.09 % %
Net interest income	**Net interest income**	$51,319		$58,401									
Interest rate spread	Interest rate spread		2.14 %		3.05 %								
Interest rate spread													
Interest rate spread									1.74	%			2.45 %
Net interest margin	Net interest margin		2.54 %		3.17 %	Net interest margin			2.22	% %			2.78 % %

	For the quarters ended			
	September 30, 2023		September 30, 2022	
Dollars in thousands	**Amount of interest**	**Average Yield/Rate**	Amount of interest	Average Yield/Rate
Interest on earning assets				
Interest-bearing deposits	**$ 211**	**5.49 %**	$ 92	2.32 %
Investments	**5,249**	**3.12 %**	4,849	2.80 %
Loans held for sale	**—**	**0.00 %**	2	4.84 %
Loans	**28,479**	**5.45 %**	19,640	4.29 %
Total interest-earning assets	**33,939**	**4.89 %**	24,583	3.87 %
Interest expense				
Deposits	**16,992**	**3.02 %**	4,164	0.86 %
Other borrowings	**308**	**1.32 %**	463	1.40 %
Total interest expense	**17,300**	**2.96 %**	4,627	0.89 %
Net interest income	**$ 16,639**		$ 19,956	
Interest rate spread		**1.93 %**		2.97 %
Net interest margin		**2.40 %**		3.14 %

The following tables present table presents changes in interest income and expense attributable to changes in interest rates and volume for interest-earning assets and liabilities for the nine three months and quarters ended September 30, 2023 March 31, 2024 compared to 2022. 2023. Tax-exempt income is calculated on a tax-equivalent basis, using a 21% Federal Income Tax rate.

For the nine months ended September 30, 2023 compared to 2022

For the three months ended March 31, 2024 compared to 2023

Dollars in thousands

Dollars in thousands

Dollars in thousands	*Dollars in thousands*	Volume	Rate	Rate/Volume[1]	Total	Volume	Rate	Rate/Volume[1]	Total
Interest on earning assets	**Interest on earning assets**								
Interest-bearing deposits									
Interest-bearing deposits									
Interest-bearing deposits	Interest-bearing deposits	$ (110)	$ 765	$ (518)	$ 137				
Investment securities	Investment securities	(259)	2,282	(43)	1,980				
Loans held for sale	Loans held for sale	(10)	(11)	10	(11)				
Loans	Loans	8,132	15,115	2,290	25,537				
Change in interest income	Change in interest income	7,753	18,151	1,739	27,643				
Interest expense	**Interest expense**								
Deposits	Deposits	1,292	28,418	4,484	34,194				
Deposits									
Deposits									
Other borrowings	Other borrowings	(168)	827	(128)	531				
Change in interest expense	Change in interest expense	1,124	29,245	4,356	34,725				
Change in net interest income	Change in net interest income	$6,629	$(11,094)	$ (2,617)	$(7,082)				

[1] Represents the change attributable to a combination of change in rate and change in volume.

For the quarter ended September 30, 2023 compared to 2022				
Dollars in thousands	Volume	Rate	Rate/Volume[1]	Total
Interest on earning assets				
Interest-bearing deposits	$ (3)	$ 126	$ (4)	$ 119
Investment securities	(148)	565	(17)	400
Loans held for sale	(1)	(2)	1	(2)
Loans	2,753	5,338	748	8,839
Change in interest income	2,601	6,027	728	9,356

Interest expense							
Deposits		670		10,474		1,684	12,828
Other borrowings		(136)		(27)		8	(155)
Change in interest expense		534		10,447		1,692	12,673
Change in net interest income	$	2,067	$	(4,420)	$	(964)	$ (3,317)

Average Daily Balance Sheets

The following table shows the Company's average daily balance sheets for the nine three months ended March 31, 2024 and quarters ended September 30, 2023 and 2022: 2023:

	For the nine months ended		For the quarters ended	
Dollars in thousands	**September 30, 2023**	September 30, 2022	**September 30, 2023**	September 30, 2022
Assets				
Cash and cash equivalents	**$ 25,355**	$ 23,926	**$ 29,993**	$ 27,062
Interest-bearing deposits in other banks	**7,567**	23,405	**15,241**	15,711
Securities available for sale (includes tax exempt securities of $40,442 and $35,457 at September 30, 2023 and 2022, respectively)	**281,935**	308,297	**273,930**	302,428
Securities to be held to maturity, net of allowance for credit losses of $432 at September 30, 2023[1] (included tax exempt securities of $257,421 and $253,554 at September 30, 2023 and 2022, respectively)	**390,828**	377,163	**388,623**	380,512
Restricted equity securities, at cost	**4,778**	5,011	**4,243**	4,809
Loans held for sale	**45**	581	**65**	164
Loans	**2,015,081**	1,750,004	**2,073,265**	1,818,419
Allowance for credit losses	**(21,478)**	(15,962)	**(23,688)**	(16,365)
Net loans	**1,993,603**	1,734,042	**2,049,577**	1,802,054
Accrued interest receivable	**13,223**	9,539	**13,419**	9,425
Premises and equipment	**28,109**	28,960	**28,004**	28,848
Other real estate owned	**8**	12	**19**	33
Goodwill	**30,646**	30,646	**30,646**	30,646
Other assets	**63,811**	51,225	**65,982**	54,953
Total Assets	**$ 2,839,908**	$ 2,592,807	**$ 2,899,742**	$ 2,656,645
Liabilities & Shareholders' Equity				
Demand deposits	**$ 301,738**	$ 333,828	**$ 316,488**	$ 351,025
NOW deposits	**618,445**	628,766	**620,135**	595,714
Money market deposits	**208,697**	210,145	**240,874**	193,257
Savings deposits	**339,078**	373,329	**324,384**	381,113
Certificates of deposit	**1,000,370**	659,083	**1,044,609**	750,935
Total deposits	**2,468,328**	2,205,151	**2,546,490**	2,272,044
Borrowed funds – short term	**112,080**	132,533	**92,461**	130,695
Borrowed funds – long term	**—**	85	**—**	85
Dividends payable	**892**	956	**928**	1,226
Other liabilities	**23,776**	16,670	**25,839**	18,832
Total Liabilities	**2,605,076**	2,355,395	**2,665,718**	2,422,882
Shareholders' Equity:				
Common stock	**111**	110	**111**	110
Additional paid-in capital	**68,975**	67,364	**69,381**	67,761
Retained earnings	**208,884**	192,666	**210,148**	198,897
Net unrealized loss on securities available for sale	**(43,293)**	(22,823)	**(46,732)**	(33,249)
Net unrealized loss on securities transferred from available for sale to held to maturity	**(60)**	(77)	**(58)**	(70)
Net unrealized gain (loss) on cash flow hedging derivative instruments	**(58)**	67	**901**	209
Net unrealized gain on postretirement benefit costs	**273**	105	**273**	105
Total Shareholders' Equity	**234,832**	237,412	**234,024**	233,763

Total Liabilities & Shareholders' Equity	**$**	**2,839,908**	$	2,592,807	**$**	**2,899,742**	$	2,656,645

[1]September 30, 2022 had no allowance for credit losses

Dollars in thousands		For the three months ended March 31, 2024		March 31, 2023
Assets				
Cash and cash equivalents	**$**	**23,520**	$	23,122
Interest-bearing deposits in other banks		**5,704**		3,360
Securities available for sale (includes tax exempt securities of $36,490 and $36,636 at March 31, 2024 and 2023, respectively)		**275,897**		287,984
Securities to be held to maturity, net of ACL (included tax exempt securities of $253,412 and $257,279 at March 31, 2024 and 2023, respectively)		**382,899**		393,001
Restricted equity securities, at cost		**5,084**		4,451
Loans held for sale		**16**		28
Loans		**2,150,359**		1,948,353
Allowance for credit losses		**(24,186)**		(17,026)
Net loans		**2,126,173**		1,931,327
Accrued interest receivable		**13,954**		11,812
Premises and equipment		**28,690**		28,204
Goodwill		**30,646**		30,646
Other assets		**62,479**		61,844
Total Assets	**$**	**2,955,062**	$	2,775,779
Liabilities & Shareholders' Equity				
Demand deposits	**$**	**269,671**	$	300,948
NOW deposits		**624,781**		606,145
Money market deposits		**316,140**		194,030
Savings deposits		**288,025**		359,361
Certificates of deposit		**1,057,526**		946,834
Total deposits		**2,556,143**		2,407,318
Borrowed funds – short term		**57,621**		109,209
Borrowed funds – long term		**70,000**		81
Dividends payable		**903**		876
Other liabilities		**26,312**		20,777
Total Liabilities		**2,710,979**		2,538,261
Shareholders' Equity:				
Common stock		**111**		111
Additional paid-in capital		**70,216**		68,573
Retained earnings		**215,529**		209,543
Net unrealized loss on securities available for sale		**(42,476)**		(41,716)
Net unrealized loss on securities transferred from available for sale to held to maturity		**(55)**		(62)
Net unrealized gain on cash flow hedging derivative instruments		**455**		796
Net unrealized gain on postretirement benefit costs		**303**		273
Total Shareholders' Equity		**244,083**		237,518
Total Liabilities & Shareholders' Equity	**$**	**2,955,062**	$	2,775,779

Non-Interest Income

Non-interest income of $11.3 million $3.6 million for the nine three months ended September 30, 2023 March 31, 2024 is a decrease an increase of $1.7 million $71,000 compared to the same period in 2022. 2023. Mortgage Banking banking revenue was down $623,000, $62,000, or 50.5% 32.3%; the decrease is attributable to a year-to-year decrease in mortgage origination activity and marks against mortgage servicing rights. Debit Service charges on deposit accounts were up $62,000, or 14.2%, while debit card revenue was down $1.0 million or 21.3%. Debit card interchange revenue has been reasonably steady year-over-year, and revenue changes are mostly attributable to even with the timing of annual incentive payments. three months ended March 31, 2024. Revenue at First National Wealth Management increased $2,000 $42,000 or 0.1% 3.7% over the same period. Non-interest income of $3.9 million for the quarter ended September 30, 2023 is a decrease of $824,000 compared to the same period in 2022; the decrease is primarily attributable to debit card revenue due to the reasons mentioned above.

Non-Interest Expense

Non-interest expense of $32.6 million $11.8 million for the nine three months ended September 30, 2023 March 31, 2024 is an increase of 1.2% 8.4% or $378,000 $911,000 compared to non-interest expense of $32.2 million $10.9 million for the same period in 2022. 2023. Salaries and employee benefits decreased $672,000 increased $337,000 or 3.9% 5.9%, and other operating expense decreased $74,000 increased $270,000 or 0.9% 10.4%. FDIC insurance premiums increased by $691,000 $220,000 due to a base rate increase impacting all banks. Non-interest expense of $11.0 million for the quarter ended September 30, 2023 is a decrease of 3.2% compared to non-interest expense of $11.4 million for the same period in 2022 due to the reasons mentioned.

Income Taxes

Income taxes on operating earnings were $4.8 million $1.3 million for the nine three months ended September 30, 2023 March 31, 2024, down $1.7 million $422,000 from the same period in 2022. 2023.

Investments

The carrying value of the Company's investment portfolio decreased by $6.1 million $10.8 million between December 31, 2022 December 31, 2023 and September 30, 2023 March 31, 2024 from $682.3 million $670.7 million to $676.2 million $659.8 million. The change in value of the portfolio is attributable to a combination of incoming cash flow from amortizing investments, limited re-investment or new purchases, the effects of interest rate movement on the fair value of AFS holdings, and the establishment impact of an the ACL for HTM securities. As of September 30, 2023 March 31, 2024, mortgage-backed securities had a carrying value of $270.1 million $273.5 million and a fair value of $256.7 million $262.2 million. Of this total, securities with a fair value of $73.6 million $74.8 million or 28.7% of the mortgage-backed portfolio were issued by GNMA and securities with a fair value of $183.1 million $185.7 million or 71.3% of the mortgage-backed portfolio were issued by FHLMC and FNMA.

The Company's investment securities are classified into two categories: securities available for sale and securities to be held to maturity. Securities available for sale consist primarily of debt securities which Management intends to hold for indefinite periods of time. They may be used as part of the Company's funds management strategy, and may be sold in response to changes in interest rates, prepayment risk and liquidity needs, to increase capital ratios, or for other similar reasons. Securities to be held to maturity consist primarily of debt securities that the Company has acquired solely for long-term investment purposes, rather than potential future sale. For securities to be categorized as HTM, Management must have the intent and the Company must have the ability to hold such investments until their respective maturity dates. The Company does not hold trading account securities.

All investment securities are managed in accordance with a written investment policy adopted by the Board of Directors. It is the Company's general policy that investments for either portfolio be limited to government debt obligations, time deposits, and corporate bonds or commercial paper with one of the three highest ratings given by a nationally recognized rating agency. The portfolio is currently invested primarily in U.S. Government agency securities, mortgage-backed securities and tax-exempt obligations of states and political subdivisions. The individual securities have been selected to enhance the portfolio's overall yield while not materially adding to the Company's level of interest rate risk.

During the third quarter of 2014, the Company transferred securities with a total amortized cost of $89,780,000 and a corresponding fair value of $89,757,000 from AFS to HTM. The net unrealized loss, net of taxes, on these securities at the date of the transfer was $15,000. The net unrealized holding loss at the time of transfer continues to be reported in AOCI, net of tax and is amortized over the remaining lives of the securities as an adjustment of the yield. The amortization of the net unrealized loss reported in AOCI will offset the effect on interest income of the discount for the transferred securities. The remaining unamortized balance of the net unrealized losses for the securities transferred from AFS to HTM was $58,000 $54,000 at September 30, 2023 March 31, 2024. This compares to $64,000 $56,000 and $67,000, $60,000, net of taxes, at December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023, respectively. These securities were transferred as a part of the Company's overall investment and balance sheet strategies.

The following table sets forth the Company's investment securities at their carrying amounts as of September 30, 2023 March 31, 2024 and 2022 2023 and December 31, 2022 December 31, 2023.

Dollars in thousands	*Dollars in thousands*	**September 30, 2023**	December 31, 2022	September 30, 2022	*Dollars in thousands*	**March 31, 2024**	December 31, 2023	March 31, 2023
Securities available for sale	**Securities available for sale**							
U.S. Treasury & Agency securities	U.S. Treasury & Agency securities	**$ 38,252**	$ 19,147	$ 19,144				
U.S. Treasury & Agency securities								
U.S. Treasury & Agency securities								
Mortgage-backed securities	Mortgage-backed securities	**212,846**	228,676	229,178				
State and political subdivisions	State and political subdivisions	**30,780**	33,191	31,106				
Asset-backed securities	Asset-backed securities	**3,094**	3,495	3,840				
		$284,972	$284,509	$283,268				
	$							

Securities to be held to maturity	**Securities to be held to maturity**			
U.S. Treasury & Agency securities				
U.S. Treasury & Agency securities				
U.S. Treasury & Agency securities	U.S. Treasury & Agency securities	**$ 40,100**	$ 40,100	$ 38,100
Mortgage-backed securities	Mortgage-backed securities	**57,224**	60,497	56,423
State and political subdivisions	State and political subdivisions	**255,732**	258,549	257,633
Corporate securities	Corporate securities	**34,750**	34,750	29,750
		$387,806	$393,896	$381,906
Corporate securities				
Corporate securities				
	$			
Less allowance for credit losses	Less allowance for credit losses	**(432)**	—	—
Net securities to be held to maturity	Net securities to be held to maturity	**$387,374**	$393,896	$381,906
Restricted equity securities	**Restricted equity securities**			
Federal Home Loan Bank Stock	Federal Home Loan Bank Stock	**$ 2,823**	$ 2,846	$ 3,477
Federal Home Loan Bank Stock				
Federal Home Loan Bank Stock				
Federal Reserve Bank Stock	Federal Reserve Bank Stock	**1,037**	1,037	1,037
		$ 3,860	$ 3,883	$ 4,514
	$			
Total securities	Total securities	**$676,206**	$682,288	$669,688

The Company adopted ASC 326, the CECL standard in the first quarter of 2023. In conjunction with adoption, holdings of AFS Securities and HTM securities were evaluated to determine the need to establish an allowance for credit losses, ACL, if any. The total ACL for HTM securities was $432,000 $182,000 as of September 30, 2023; there was no reserve March 31, 2024, $434,000 as of December 31, 2022 December 31, 2023 and September 30, 2022 $438,000 March 31, 2023. Further details are included in Notes Note 2 and 16 of the accompanying financial statements.

The following table sets forth yields and contractual maturities of the Company's investment securities as of September 30, 2023 March 31, 2024. Yields on tax-exempt securities have been computed on a tax-equivalent basis using a tax rate of 21%. Mortgage-backed securities are presented according to their final contractual maturity date, while the calculated yield takes into effect the intermediate cash flows from repayment of principal which results in a much shorter average life.

Dollars in thousands	Available For Sale		Held to Maturity	
	Fair Value	Yield to maturity	Amortized Cost	Yield to maturity
U.S. Treasury & Agency Securities				
Due in 1 year or less	$ 19,819	5.20 %	$ —	0.00 %
Due in 1 to 5 years	2,829	1.83 %	—	0.00 %
Due in 5 to 10 years	7,543	1.17 %	13,500	1.74 %
Due after 10 years	8,061	2.00 %	26,600	1.45 %
Total	38,252	3.48 %	40,100	1.55 %
Mortgage-Backed Securities				
Due in 1 year or less	—	0.00 %	—	0.00 %
Due in 1 to 5 years	274	3.21 %	3	8.87 %
Due in 5 to 10 years	10,286	3.65 %	348	6.13 %
Due after 10 years	202,286	2.29 %	56,873	1.66 %
Total	212,846	2.35 %	57,224	1.69 %
State & Political Subdivisions				
Due in 1 year or less	—	0.00 %	1,408	3.68 %
Due in 1 to 5 years	365	5.06 %	9,777	3.89 %
Due in 5 to 10 years	5,531	2.62 %	50,717	3.20 %
Due after 10 years	24,884	3.28 %	193,830	2.26 %
Total	30,780	3.19 %	255,732	2.51 %

Available For Sale

Dollars in thousands

U.S. Treasury & Agency Securities						
Due in 1 year or less	$ 1,453	1.80	1.80 %	$ —	0.00	0.00 %
Due in 1 to 5 years	1,434	1.86	1.86 %	—	0.00	0.00 %
Due in 5 to 10 years	8,012	1.17	1.17 %	11,500	1.05	1.05 %
Due after 10 years	8,794	2.00	2.00 %	26,600	1.58	1.58 %
Total	19,693	1.64	1.64 %	38,100	1.42	1.42 %
Mortgage-Backed Securities						
Due in 1 year or less	—		0.00 %	—		0.00 %
Due in 1 to 5 years	197	3.25	3.25 %	7	7.08	7.08 %
Due in 5 to 10 years	9,876	3.59	3.59 %	3,966	4.59	4.59 %
Due after 10 years	207,929	2.39	2.39 %	51,510	1.52	1.52 %
Total	218,002	2.44	2.44 %	55,483	1.74	1.74 %
State & Political Subdivisions						
Due in 1 year or less	—	0.00	0.00 %	923	3.71	3.71 %
Due in 1 to 5 years	270	5.06	5.06 %	11,002	3.90	3.90 %
Due in 5 to 10 years	7,072	2.51	2.51 %	58,647	3.40	3.40 %
Due after 10 years	26,608	3.34	3.34 %	183,730	2.48	2.48 %
Total	33,950	3.18	3.18 %	254,302	2.76	2.76 %

Asset-Backed Securities	**Asset-Backed Securities**																	
Due in 1 year or less	Due in 1 year or less	—	0.00	%	—	0.00	%											
Due in 1 year or less																		
Due in 1 year or less									—		0.00	%		—		0.00	%	
Due in 1 to 5 years	Due in 1 to 5 years	—	0.00	%	—	0.00	%	Due in 1 to 5 years	—	0.00	0.00	%	%	—	0.00	0.00	%	%
Due in 5 to 10 years	Due in 5 to 10 years	—	0.00	%	—	0.00	%	Due in 5 to 10 years	—	0.00	0.00	%	%	—	0.00	0.00	%	%
Due after 10 years	Due after 10 years	3,094	6.57	%	—	0.00	%	Due after 10 years	2,806	6.51	6.51	%	%	—	0.00	0.00	%	%
Total	Total	3,094	6.57	%	—	0.00	%	Total	2,806	6.51	6.51	%	%	—	0.00	0.00	%	%
Corporate Securities	**Corporate Securities**																	
Due in 1 year or less	Due in 1 year or less	—	0.00	%	750	1.50	%											
Due in 1 year or less																		
Due in 1 year or less									—		0.00	%		750		1.50	%	
Due in 1 to 5 years	Due in 1 to 5 years	—	0.00	%	6,000	4.75	%	Due in 1 to 5 years	—	0.00	0.00	%	%	6,000	4.88	4.88	%	%
Due in 5 to 10 years	Due in 5 to 10 years	—	0.00	%	28,000	4.59	%	Due in 5 to 10 years	—	0.00	0.00	%	%	25,000	4.69	4.69	%	%
Due after 10 years	Due after 10 years	—	0.00	%	—	0.00	%	Due after 10 years	—	0.00	0.00	%	%	—	0.00	0.00	%	%
Total	Total	—	0.00	%	34,750	4.55	%	Total	—	0.00	0.00	%	%	31,750	4.65	4.65	%	%
		$284,972	2.64	%	$387,806	2.48	%											
		$																
		$																
		$							274,451		2.52	%	$	379,635		2.64	%	

AFS Debt Securities in an Unrealized Loss Position

The securities portfolio contains certain AFS securities where the amortized cost of which exceeds fair value, which at September 30, 2023 March 31, 2024 amounted to $144.1 million $54.3 million, or 20.00% 16.35% of the amortized cost of the total securities portfolio. At December 31, 2022 December 31, 2023, this amount was $111.7 million $50.4 million, or 15.65% 15.18% of the amortized cost of total securities portfolio.

The Company's evaluation of securities for impairment is a quantitative and qualitative process intended to determine whether declines in the fair value of investment securities should be recognized as a charge against the allowance for credit losses. ACL. The primary factors considered in evaluating whether a loss should be recognized include: (a) the length of time and extent to which the fair value has been less than cost or amortized cost and the expected recovery period of the security, (b) the financial condition, credit rating and future prospects of the issuer, (c) whether the debtor is current on contractually obligated interest and principal payments, (d) the volatility of the securities market price, (e) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for recovery, which may be at maturity, and (f) any other information and observable data considered relevant in determining whether full collection of amounts contractually due will be realized.

The Company's best estimate of cash flows uses severe economic recession assumptions due to market uncertainty. The Company's assumptions include but are not limited to delinquencies, foreclosure levels and constant default rates on the underlying collateral, loss severity ratios, and constant prepayment rates. If the Company does not expect to receive 100% of future contractual principal and interest, a charge against the allowance for credit losses ACL is recognized. Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third party sources along with certain internal assumptions and judgments regarding the future performance of the underlying collateral.

As of September 30, 2023 March 31, 2024, the Company had AFS debt securities in an unrealized loss position with a fair value of $550.2 million $260.7 million and unrealized losses of $144.1 million $54.3 million, as identified in the table below. AFS Securities in a continuous unrealized loss position more than twelve months amounted to a fair value $453.7 million of $251.6 million as of September 30, 2023 March 31, 2024, compared with $310.2 million $257.7 million at December 31, 2022 December 31, 2023. The Company has concluded that these securities are fully collectible and that no charge against the allowance is required. This conclusion was based on the issuer's continued satisfaction of the securities obligations in accordance with their contractual terms and the expectation that the issuer will continue to do so, Management's intent and ability to hold these securities for a period of time sufficient to allow for any anticipated recovery in fair value which may be at maturity, the expectation that the Company will receive 100% of future contractual cash flows, as well as the evaluation of the fundamentals of the issuer's financial condition and other objective evidence. The following table summarizes AFS debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses ACL has not been recorded at September 30, 2023 March 31, 2024:

		Less than 12 months		12 months or more		Total	
Dollars in thousands	*Dollars in thousands*	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses
U.S. Treasury & Agency securities	U.S. Treasury & Agency securities	$ 11,842	$ (40)	$ 44,577	$ (19,555)	$ 56,419	$ (19,595)
Mortgage-backed securities	Mortgage-backed securities	18,017	(441)	238,150	(63,825)	256,167	(64,266)
State and political subdivisions	State and political subdivisions	66,583	(6,675)	147,818	(49,769)	214,401	(56,444)
Asset-backed securities		—	—	1,510	(4)	1,510	(4)
Corporate Securities		—	—	21,677	(3,823)	21,677	(3,823)
		$ 96,442	$ (7,156)	$453,732	$(136,976)	$550,174	$(144,132)

Less than 12 months	*Dollars in thousands*	Fair Value (Estimated)	Less than 12 months		12 months or more		Total
			Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses
$							
$							
$							

For AFS securities with unrealized losses, the following information was considered in determining that no charge against the allowance for decline in fair value was required in the current reporting period:

AFS Securities issued by the U.S. Treasury and U.S. Government-sponsored agencies & enterprises. As of September 30, 2023 March 31, 2024, there were $19.6 million $6.3 million of unrealized losses on these securities compared to $17.4 million unrealized losses as of December 31, 2022 $6.2 million at December 31, 2023. All of these securities were credit rated "AAA" or "AA+" by the major credit rating agencies. Management believes that securities issued by the U.S. Treasury and U.S. Government-sponsored agencies and enterprises carry zero or near-zero credit risk, and that 100% of the amounts contractually due will be collected.

AFS Mortgage-backed securities issued by U.S. Government agencies and U.S. Government-sponsored enterprises. As of September 30, 2023 March 31, 2024, there were $64.3 million $41.6 million of unrealized losses on these securities compared with $53.8 million $38.5 million at December 31, 2022 December 31, 2023. All of these securities were credit rated "AAA" or "AA+" by the major credit rating agencies. Management believes that securities issued by U.S. Government agencies bear no credit risk because they are backed by the full faith and credit of the United States and that securities issued by U.S. Government-sponsored enterprises have minimal credit risk, as these agencies and enterprises play a vital role in the nation's financial markets. Management believes that the unrealized losses at September 30, 2023 March 31, 2024 were attributable to changes in current market yields and spreads since the date the underlying securities were purchased, and that 100% of the amounts contractually due will be realized. The Company also has the ability and intent to hold these securities until a recovery of their amortized cost, which may be at maturity.

AFS Obligations of state and political subdivisions. As of September 30, 2023 March 31, 2024, there were $56.4 million $6.3 million of unrealized losses on these securities compared to $38.0 million $5.7 million at December 31, 2022 December 31, 2023. Municipal securities are supported by the general taxing authority of the municipality or a dedicated revenue stream, and, in the case of school districts, are generally supported by state aid. At September 30, 2023 March 31, 2024, all municipal bond issuers were current on contractually obligated interest and principal payments. The Company attributes the unrealized losses at September 30, 2023 March 31, 2024 to changes in prevailing market yields and pricing spreads since the date the underlying securities were purchased, combined with current market liquidity conditions and disruption in the financial markets in general. The Company has the ability and intent to hold these securities until a recovery of their amortized cost, which may be at maturity, and believes that 100% of the amounts contractually due will be realized.

AFS Asset-backed securities. As of September 30, 2023 March 31, 2024, there were $4,000 of no unrealized losses on these securities compared to $53,000 $9,000 at December 31, 2022 December 31, 2023. These securities consist of U.S. Government backed student loans along with other credit enhancements. Management believes that the unrealized losses at September 30, 2023 were attributable to changes in current market yields and spreads since the date the underlying securities were purchased, and that 100% of the amounts contractually due will be realized.

Corporate securities. As of September 30, 2023, there were $3.8 million of unrealized losses on these securities compared to $2.5 million at December 31, 2022. Corporate securities are dependent on the operating performance of the issuers. At September 30, 2023, all corporate bond issuers were current on contractually obligated interest and principal payments. Management believes that the unrealized losses at September 30, 2023 March 31, 2024 were attributable to changes in current market yields and spreads since the date the underlying securities were purchased, and that 100% of the amounts contractually due will be realized.

FHLBB and FRBB Stock

The Bank is a member of the FHLBB, a cooperatively owned wholesale bank for housing and finance in the six New England States. As a requirement of membership in the FHLBB, the Bank must own a minimum required amount of FHLBB stock, calculated periodically based primarily on its level of borrowings from the FHLBB. The Bank uses the FHLBB for a portion of its wholesale funding needs. As of September 30, 2023 March 31, 2024, the Bank's investment in FHLBB stock totaled $2.8 million $4.9 million. This compares to $2.3

million as of December 31, 2023 and $2.8 million as of December 31, 2022 and $3.5 million as of September 30, 2022 March 31, 2023. FHLBB stock is a non-marketable equity security and therefore is reported at cost, subject to adjustments for any observable market transactions on the same or similar instruments of the investee. No impairment losses have been recorded through September 30, 2023 March 31, 2024.

The Bank is also a member of the FRBB. As a requirement for membership in the FRBB, the Bank must own a minimum required amount of FRBB stock. The Bank uses FRBB for certain correspondent banking services and maintains borrowing capacity at its discount window. The Bank's investment in FRBB stock totaled $1.0 million at September 30, 2023 March 31, 2024 and 2022 2023, and December 31, 2022 December 31, 2023.

The Company periodically evaluates its investment in FHLBB and FRBB stock for impairment based on, among other factors, the capital adequacy of the Banks and their overall financial condition. No impairment losses have been recorded through September 30, 2023 March 31, 2024. The Bank will continue to monitor its investment in these restricted equity securities.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or market value. As of September 30, 2023, the Bank had $268,000 in loans held for sale. This compares to $275,000 in loans held for sale at December 31, 2022 and There were no loans held for sale at September 30, 2022 as of March 31, 2024 and 2023 and December 31, 2023.

Loans

The Company provides loans to customers within our market area, the State of Maine, with very limited exposures outside of Maine. Loans are originated primarily via our network of branch offices, along with an online channel for residential mortgage loans.

The loan portfolio increased during the first nine three months of 2023, 2024, with total loans at $2.08 billion $2.17 billion at September 30, 2023 March 31, 2024, up $165.2 million $44.3 million or 8.6% 2.1% from total loans of $1.91 billion $2.13 billion at December 31, 2022 December 31, 2023. Commercial loans increased $98.4 million $34.0 million or 14.7% 2.8% between December 31, 2022 December 31, 2023 and September 30, 2023 March 31, 2024, municipal loans increased $17.8 million $3.3 million or 43.9% 6.5%, residential term loans increased $62.6 million $3.2 million, residential construction decreased $20.9 million increased $2.5 million, and home equity lines of credit increased $8.9 million $1.8 million.

The loan portfolio is segmented into ten eleven classes. Commercial loans comprise five six of the classes: commercial real estate owner occupied, commercial real estate non-owner occupied, commercial construction, C&I, multifamily and multifamily. agriculture. Residential mortgage loans comprise two of the classes: residential real estate term and residential real estate construction. The remaining classes are municipal loans, home equity loans, and consumer loans. Further descriptions of each class, and the risk factors associated with each, are included in Note 4 of the accompanying financial statements.

The following table summarizes the loan portfolio, by class, at September 30, 2023 March 31, 2024 and 2022 2023 and December 31, 2022 December 31, 2023.

Dollars in thousands	*Dollars in thousands*	**September 30, 2023**		December 31, 2022		September 30, 2022										
Commercial	Commercial															
Commercial																
Commercial																
Real estate owner occupied																
Real estate owner occupied																
Real estate owner occupied	Real estate owner occupied	**$ 299,943**	**14.4 %**	$ 256,623	13.4 %	$ 251,410	13.6 %		**$ 327,496**	**15.1**	**15.1**	**%**	**%**	$314,819	14.8	14.8 % %
Real estate non-owner occupied	Real estate non-owner occupied	**397,024**	**19.1 %**	363,660	19.0 %	315,514	17.0 %	Real estate non-owner occupied	**399,658**	**18.4**	**18.4**	**%**	**%**	390,167	18.3	18.3 %
Construction	Construction	**72,424**	**3.5 %**	93,907	4.9 %	129,036	6.9 %	Construction	**85,817**	**3.9**	**3.9**	**%**	**%**	88,673	4.2	4.2 %
C&I	C&I	**350,596**	**16.9 %**	319,359	16.7 %	310,110	16.7 %	C&I	**321,855**	**14.8**	**14.8**	**%**	**%**	315,026	14.8	14.8 %
Multifamily	Multifamily	**91,041**	**4.4 %**	79,057	4.1 %	71,784	3.9 %	Multifamily	**101,344**	**4.7**	**4.7**	**%**	**%**	93,476	4.4	4.4 %
Agriculture								Agriculture	**45,064**		**2.1**	**%**		45,230		2.1 %
Municipal	Municipal	**58,447**	**2.8 %**	40,619	2.1 %	48,702	2.6 %	Municipal	**54,746**	**2.5**	**2.5**	**%**	**%**	51,423	2.4	2.4 %
Residential	Residential															
Term																
Term																
Term	Term	**660,049**	**31.7 %**	597,404	31.2 %	581,066	31.3 %		**678,093**	**31.1**	**31.1**	**%**	**%**	674,855	31.7	31.7 % %
Construction	Construction	**28,986**	**1.4 %**	49,907	2.6 %	41,631	2.2 %	Construction	**34,824**	**1.6**	**1.6**	**%**	**%**	32,358	1.5	1.5 %
Home Equity	Home Equity															
Revolving and term	Revolving and term	**101,980**	**4.9 %**	93,075	4.9 %	87,903	4.7 %									

Revolving and term														
Revolving and term									**105,814**		**4.9 %**	104,026		4.9 %
Consumer	Consumer	**19,370**	**0.9 %**	21,063	1.1 %	20,819	1.1 %	Consumer	**19,035**	**0.9**	**0.9 % %**	19,401	0.9	0.9 %
Total loans	Total loans	**$2,079,860**	**100.0 %**	$1,914,674	100.0 %	$1,857,975	100.0 %	Total loans	**$2,173,746**	**100.0**	**100.0 % %**	$2,129,454	100.0	100.0 %

The following table sets forth certain information regarding the contractual maturities of the Bank's loan portfolio as of September 30, 2023 March 31, 2024.

Dollars in thousands	*Dollars in thousands*	< 1 Year	1 - 5 Years	5 - 10 Years	> 10 Years	Total	*Dollars in thousands*	< 1 Year	1 - 5 Years	5 - 10 Years	> 10 Years	Total
Commercial	Commercial											
Real estate owner occupied												
Real estate owner occupied												
Real estate owner occupied	Real estate owner occupied	$ 201	$ 13,166	$ 30,298	$ 256,278	$ 299,943						
Real estate non-owner occupied	Real estate non-owner occupied	—	17,606	59,813	319,605	397,024						
Construction	Construction	7	5,068	9,301	58,048	72,424						
C&I	C&I	584	164,368	82,441	103,203	350,596						
Multifamily	Multifamily	—	1,162	331	89,548	91,041						
Agriculture												
Municipal	Municipal	—	17,609	10,573	30,265	58,447						
Residential	Residential											
Term												
Term												
Term	Term	—	7,018	36,517	616,514	660,049						
Construction	Construction	62	1,026	—	27,898	28,986						
Home Equity	Home Equity											
Revolving and term	Revolving and term	1,095	6,104	5,437	89,344	101,980						
Revolving and term												
Revolving and term												
Consumer	Consumer	5,764	7,577	2,706	3,323	19,370						
Total loans	Total loans	$7,713	$240,704	$237,417	$1,594,026	$2,079,860						

The following table provides a listing of loans by class, between variable and fixed rates as of September 30, 2023 March 31, 2024.

		Fixed-Rate		Adjustable-Rate		Total	
	Fixed-Rate						
Dollars in thousands							
Dollars in thousands							
Dollars in thousands	*Dollars in thousands*	Amount	% of total	Amount	% of total	Amount	% of total
Commercial	Commercial						
Commercial							
Commercial							
Real estate owner occupied							
Real estate owner occupied							

Real estate owner occupied	Real estate owner occupied	$ 19,717	0.9	%	$ 280,226	13.5	%	$ 299,943	14.4	%	$	29,553	1.4	1.4	%	%	$297,943	13.7	13.7	%	%	$327,496
Real estate non-owner occupied	Real estate non-owner occupied	95,580	4.6	%	301,444	14.5	%	397,024	19.1	%	Real estate non-owner occupied	100,455	4.6	4.6	%	%	299,203	13.8	13.8	%	%	
Construction	Construction	22,517	1.1	%	49,907	2.4	%	72,424	3.5	%	Construction	21,675	1.0	1.0	%	%	64,142	2.9	2.9	%	%	
C&I	C&I	133,381	6.5	%	217,215	10.4	%	350,596	16.9	%	C&I	121,053	5.6	5.6	%	%	200,802	9.2	9.2	%	%	
Multifamily	Multifamily	694	0.0	%	90,347	4.4	%	91,041	4.4	%	Multifamily	4,326	0.2	0.2	%	%	97,018	4.5	4.5	%	%	
Agriculture											Agriculture	8,118		0.4	%		36,946		1.7	%		
Municipal	Municipal	58,201	2.8	%	246	0.0	%	58,447	2.8	%	Municipal	54,513	2.5	2.5	%	%	233	0.0	0.0	%	%	
Residential	Residential																					
Term																						
Term																						
Term	Term	460,759	22.1	%	199,290	9.6	%	660,049	31.7	%		458,056	21.0	21.0	%	%	220,037	10.1	10.1	%	%	678,093
Construction	Construction	13,101	0.6	%	15,885	0.8	%	28,986	1.4	%	Construction	11,314	0.5	0.5	%	%	23,510	1.1	1.1	%	%	
Home Equity	Home Equity																					
Revolving and Term	Revolving and Term	12,359	0.6	%	89,621	4.3	%	101,980	4.9	%												
Revolving and Term																						
Revolving and Term												15,383		0.7	%		90,431		4.2	%		
Consumer	Consumer	13,688	0.6	%	5,682	0.3	%	19,370	0.9	%	Consumer	13,411	0.6	0.6	%	%	5,624	0.3	0.3	%	%	
Total loans	Total loans	$829,997	39.8	%	$1,249,863	60.2	%	$2,079,860	100.0	%	Total loans	$837,857	38.5	38.5	%	%	$1,335,889	61.5	61.5	%	%	

Loan Concentrations

As of September 30, 2023 and 2022, March 31, 2024, the Bank had one two concentration of loans in two particular industries that exceeded 10% of its total loan portfolio. Loans portfolio: (1) loans to hotels (except Casino hotels) and motels, totaled $226.4 totaling $231.5 million, or 10.88% 10.65% of total loans; and $201.5 (2) loans to lessors of residential buildings and dwellings, totaling $229.5 million, or 10.84% 10.56% of total loans. This compares to one concentration of loans in one particular industry that exceeded 10% of its total loan portfolio, hotels (except Casino hotels) and motels, totaling $223.5 million, or 11.27% of total loans, respectfully. as of March 31, 2023.

Credit Risk Management and Allowance for Credit Losses on Loans

Upon adoption of the CECL standard, in the first quarter of 2023, the Company replaced the incurred loss model that recognized loan losses when it became probable that a credit loss would be incurred, with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. The ACL is a valuation amount that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the allowance when they are deemed uncollectible. The ACL consists of three elements: (1) specific reserves for loans individually analyzed; (2) general reserves for each portfolio segment; and, (3) qualitative reserves. All outstanding loans are considered in evaluating the appropriateness of the allowance with similar risk characteristics in the portfolio. Prior to adoption of ASC 326, under the incurred loss methodology, the Company evaluated portfolio risk characteristics largely on loan purpose.

The Company provides for loan losses through the ACL which represents an estimated reserve for losses in the loan portfolio. To determine an appropriate level for general reserves, a discounted cash flow approach is applied to each portfolio segment implementing a probability of default and loss given default estimate based upon a number of factors including historical losses over an economic cycle, economic forecasts, loan prepayment speeds and curtailment rates. To determine an appropriate level for qualitative reserves various factors are considered including underwriting policies, credit administration practices, experience, ability and depth of lending management, and economic factors not captured in the general reserve calculation. Adoption of ASC 326 added $6.2 million to the ACL on loans, recorded as a charge to retained earnings.

The ACL is increased by provisions charged against current earnings. Loan losses are charged against the allowance when Management believes that the collectibility of the loan principal is unlikely. Recoveries on loans previously charged off are credited to the allowance. The adequacy of the ACL is overseen by the ACL Committee whose membership includes senior level personnel from the Executive, Lending, Credit Administration, and Finance functions of the Bank. While Management uses available information to assess possible losses on loans, future additions to the allowance may be necessary based on increases in non-performing loans, changes in economic conditions or outlook, growth in loan portfolios, or for other reasons. Any future additions to the allowance would be recognized in the period in which they were determined to be necessary. In addition, various regulatory agencies periodically review the Company's ACL as an integral part of their examination process. Such agencies may require the Company to record additions to the allowance based on judgments different from those of Management.

The ACL includes reserve amounts assigned to individually analyzed loans. IAL. This includes loans placed on non-accrual and loans reported as TDR prior to adoption of ASU 2022-02, with balances of $250,000 or more. A specific reserve is allocated to an individual loan when the amount of a probable loss is estimable on the basis of its collateral value, the present value of anticipated future cash flows, or its net realizable value. At September 30, 2023 March 31, 2024, individually analyzed loans IAL with specific reserves totaled $929,000 $606,000 and the amount of such reserves was $266,000. $243,000. This compares to individually analyzed loans IAL with specific reserves of $1.8 million $919,000 at December 31, 2022 December 31, 2023 and the amount of such reserves was $398,000. Additional detail on individually analyzed loans may be found in Note 3 of the financial statements. $264,000.

The total ACL on loans at September 30, 2023 March 31, 2024 is considered by Management to be appropriate to address the potential for credit losses inherent in the loan portfolio at that date. However, determination of the appropriate allowance level is based upon a number of assumptions made about future events, which we believe are reasonable, but which may or may not prove valid. Thus, there can be no assurance charge-offs in future periods will not exceed the ACL or that additional increases in the ACL will not be necessary.

The following table summarizes the allocation of allowance by loan class as of September 30, 2023 March 31, 2024 and 2022 2023 and December 31, 2022 December 31, 2023. The percentages are the portion of each loan class to total loans.

Dollars in thousands	*Dollars in thousands*	**September 30, 2023**		December 31, 2022		September 30, 2022								
Commercial	Commercial													
Commercial														
Commercial														
Real estate owner occupied														
Real estate owner occupied														
Real estate owner occupied	Real estate owner occupied	**$ 4,511**	**14.4 %**	$ 6,116	36.5 %	$ 5,575	34.5 %	**$ 5,180**	**15.1**	**15.1**	**% %**	$4,633	14.8	14.8 % % $
Real estate non-owner occupied	Real estate non-owner occupied	**4,429**	**19.1 %**	—	— %	—	— %	Real estate non-owner occupied	**4,265**	**18.4**	**18.4 % %**	4,285	18.5	18.5 % %
Construction	Construction	**1,602**	**3.5 %**	821	4.9 %	1,121	6.9 %	Construction	**820**	**3.9**	**3.9 % %**	1,978	4.2	4.2 % %
C&I	C&I	**4,797**	**16.9 %**	3,097	16.7 %	3,014	16.7 %	C&I	**5,083**	**14.8**	**14.8 % %**	5,001	16.8	16.8 % %
Multifamily	Multifamily	**1,277**	**4.4 %**	—	— %	—	— %	Multifamily	**1,507**	**4.7**	**4.7 % %**	1,318	4.4	4.4 % %
Agriculture								Agriculture	**392**	**2.1**	**%**	—	—	%
Municipal	Municipal	**376**	**2.8 %**	162	2.1 %	160	2.6 %	Municipal	**194**	**2.5**	**2.5 % %**	334	2.4	2.4 % %
Residential	Residential													
Term														
Term														
Term	Term	**4,886**	**31.7 %**	2,559	32.1 %	2,547	32.0 %		**5,354**	**31.1**	**31.1 % %**	4,991	31.6	31.6 % %
Construction	Construction	**576**	**1.4 %**	199	2.6 %	168	2.2 %	Construction	**562**	**1.6**	**1.6 % %**	618	1.5	1.5 % %
Home Equity	Home Equity													
Revolving and term	Revolving and term	**617**	**4.9 %**	1,029	4.0 %	993	4.0 %							
Revolving and term														
Revolving and term									**677**	**4.9**	**%**	626		4.9 %
Consumer	Consumer	**251**	**0.9 %**	1,062	1.1 %	872	1.1 %	Consumer	**173**	**0.9**	**0.9 % %**	246	0.9	0.9 % %
Unallocated		**—**	**— %**	1,678	— %	1,937	— %							
Total	Total	**$23,322**	**100.0 %**	$16,723	100.0 %	$16,387	100.0 %	Total	**$24,207**	**100.0**	**100.0 % %**	$24,030	100.0	100.0 % %

The ACL totaled $23.3 million $24.2 million at September 30, 2023 March 31, 2024, compared to $16.7 million $24.0 million as of December 31, 2022 December 31, 2023 and $16.4 million $23.5 million as of September 30, 2022 March 31, 2023. The increase in the total allowance from December 31, 2022 to September 30, 2023 is attributable to the adoption of CECL, along with normal provision and loan charge-off activity.

A breakdown of the ACL on loans as of September 30, 2023 March 31, 2024, by loan class and allowance element, is presented in the following table:

Dollars in thousands	*Dollars in thousands*	Specific Reserves on Loans Evaluated Individually	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Total Reserves
Dollars in thousands					
Dollars in thousands		Specific Reserves on Loans Evaluated Individually	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Total Reserves
Commercial	Commercial				

Real estate owner occupied					
Real estate owner occupied					
Real estate owner occupied	Real estate owner occupied	$ —	$ 3,731	$ 780	$ 4,511
Real estate non-owner occupied	Real estate non-owner occupied	—	3,855	574	4,429
Construction	Construction	—	1,445	157	1,602
C&I	C&I	225	3,909	663	4,797
Multifamily	Multifamily	—	1,184	93	1,277
Agriculture					
Municipal	Municipal	—	332	44	376
Residential	Residential				
Term					
Term					
Term	Term	41	4,020	825	4,886
Construction	Construction	—	602	(26)	576
Home Equity	Home Equity				
Revolving and term	Revolving and term	—	442	175	617
Revolving and term					
Revolving and term					
Consumer	Consumer	—	219	32	251
		$ 266	$ 19,739	$ 3,317	$23,322
	$				

Based upon Management's evaluation, provisions are made to maintain the allowance as a best estimate of expected losses within the portfolio. The provision for credit losses to maintain the allowance was $419,000 $99,000 for the first nine three months of 2023 2024 and $1.3 million $550,000 the first nine three months of 2022. A reversal in the provision for credit losses on loans of $161,000 was recorded in the third quarter of 2023 under CECL methodology. 2023. Net charge-offs recoveries were $30,000 $78,000 in the first nine three months of 2023, down from $434,000 2024, compared to net charge-offs of $25,000 in the first nine three months of 2022. 2023. The ACL as a percentage of outstanding loans was 1.12% 1.11% as of September 30, 2023 March 31, 2024, up down from 0.87% 1.13% as of December 31, 2022 December 31, 2023, and up down from 0.88% 1.18% as of September 30, 2022 March 31, 2023.

The following table summarizes the activities in our allowance for credit losses ACL for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 and for the year ended December 31, 2022 December 31, 2023:

Dollars in thousands	*Dollars in thousands*	**September 30, 2023**	December 31, 2022	September 30, 2022
Balance at the beginning of period	Balance at the beginning of period	**$ 16,723**	$ 15,521	$ 15,521
Balance at the beginning of period				
Balance at the beginning of period				
Loans charged off:				
Loans charged off:				
Loans charged off:	Loans charged off:			
Commercial	Commercial			
Commercial				
Commercial				

Real estate owner occupied				
Real estate owner occupied				
Real estate owner occupied	Real estate owner occupied	**40**	—	—
Real estate non-owner occupied	Real estate non-owner occupied	**—**	—	—
Real estate non-owner occupied				
Real estate non-owner occupied				
Construction				
Construction				
Construction	Construction	**—**	—	—
C&I	C&I	**16**	309	272
C&I				
C&I				
Multifamily	Multifamily	**—**	—	—
Multifamily				
Multifamily				
Agriculture				
Agriculture				
Agriculture				
Municipal				
Municipal				
Municipal	Municipal	**—**	—	—
Residential	Residential			
Residential				
Residential				
Term				
Term				
Term	Term	**—**	8	—
Construction	Construction	**—**	—	—
Construction				
Construction				
Home Equity				
Home Equity				
Home Equity	Home Equity			
Revolving and term	Revolving and term	**—**	29	29
Revolving and term				
Revolving and term				
Consumer				
Consumer				
Consumer	Consumer	**152**	412	318
Total	Total	**208**	758	619
Total				
Total				

Recoveries on loans previously charged off				
Recoveries on loans previously charged off				
Recoveries on loans previously charged off	Recoveries on loans previously charged off			
Commercial	Commercial			
Commercial				
Commercial				
Real estate owner occupied				
Real estate owner occupied				
Real estate owner occupied	Real estate owner occupied	**2**	20	16
Real estate non-owner occupied	Real estate non-owner occupied	**75**	—	—
Real estate non-owner occupied				
Real estate non-owner occupied				
Construction				
Construction				
Construction	Construction	**—**	—	—
C&I	C&I	**3**	13	11
C&I				
C&I				
Multifamily	Multifamily	**—**	—	—
Multifamily				
Multifamily				
Agriculture				
Agriculture				
Agriculture				
Municipal				
Municipal				
Municipal	Municipal	**—**	—	—
Residential	Residential			
Residential				
Residential				
Term				
Term				
Term	Term	**10**	29	27
Construction	Construction	**—**	—	—
Construction				
Construction				
Home Equity				
Home Equity				
Home Equity	Home Equity			

Revolving and term	Revolving and term	**10**	4	3				
Revolving and term								
Revolving and term								
Consumer								
Consumer								
Consumer	Consumer	**78**	144	128				
Total	Total	**178**	210	185				
Net loans charged off		**30**	548	434				
Total								
Total								
Net loans (recovered) charged off								
Net loans (recovered) charged off								
Net loans (recovered) charged off								
Provision for credit losses								
Provision for credit losses								
Provision for credit losses	Provision for credit losses	**419**	1,750	1,300				
Adoption of ASU No. 2016-13	Adoption of ASU No. 2016-13	**6,210**	—	—				
Adoption of ASU No. 2016-13								
Adoption of ASU No. 2016-13								
Balance at end of period	Balance at end of period	**$ 23,322**	$ 16,723	$ 16,387				
Ratio of net loans charged off to average loans outstanding[1]		**0.002 %**	0.030 %	0.030 %				
Balance at end of period								
Balance at end of period								
Ratio of net loans (recovered) charged off to average loans outstanding[1]								
Ratio of net loans (recovered) charged off to average loans outstanding[1]								
Ratio of net loans (recovered) charged off to average loans outstanding[1]						**(0.015) %**	0.011 %	0.010 %
Ratio of allowance for credit losses to total loans outstanding	Ratio of allowance for credit losses to total loans outstanding	**1.12 %**	0.87 %	0.88 %	Ratio of allowance for credit losses to total loans outstanding	**1.11 % %**	1.13 % %	1.18 % %

[1] *Annualized using a 366-day basis in 2024 and a 365-day basis for both 2023 and 2022. in 2023.*

ACL for Unfunded Commitments

Adoption of CECL resulted in an increase in the Company's ACL for unfunded commitments. Our modeling methodology applies the same class level credit loss factors used in the ACL for loans model to applicable classes of unfunded commitments to determine an appropriate ACL level. Utilization assumptions are based upon an independent analysis of the Bank's historical data. The ACL for unfunded commitments is reported on the Company's consolidated balance sheets within other liabilities and totaled $1.5 million $895,000 as of September 30, 2023 March 31, 2024.

Nonperforming Loans

Nonperforming loans are comprised of loans, for which based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement or when principal and interest is 90 days or more past due unless the loan is both well secured and in the process of collection (in which case the loan may continue to accrue interest in spite of its past due status). A loan is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt including accrued interest) in full, or (2) by the guarantee of a financially responsible party. A loan is "in the process of collection" if collection of the loan is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

Generally, when a loan becomes 90 days past due it is evaluated for collateral dependency based upon the most recent appraisal or other evaluation method. If the collateral value is lower than the outstanding loan balance plus accrued interest and estimated selling costs, the loan is placed on non-accrual status, all accrued interest is reversed from interest income, and a specific reserve is established for the difference between the loan balance and the collateral value less selling costs, or, in certain situations, the difference between the loan balance and the collateral value less selling costs is written off. Concurrently, a new appraisal or valuation may be ordered, depending on collateral type, currency of the most recent valuation, the size of the loan, and other factors appropriate to the loan. Upon receipt and acceptance of the new valuation, the loan may have an additional specific reserve or write down based on the updated collateral value. On an ongoing basis, appraisals or valuations may be done periodically on collateral dependent nonperforming loans and an additional specific reserve or write down will be made, if appropriate, based on the new collateral value.

Once a loan is placed on nonaccrual, it remains in nonaccrual status until the loan is current as to payment of both principal and interest and the borrower demonstrates the ability to pay and remain current. All payments made on nonaccrual loans are applied to the principal balance of the loan.

Nonperforming loans, expressed as a percentage of total loans, totaled 0.12% at September 30, 2023 March 31, 2024 compared to 0.10% at December 31, 2023 and 0.09% at December 31, 2022 and 0.10% at September 30, 2022 March 31, 2023. The following table shows the distribution of nonperforming loans by class as of September 30, 2023 March 31, 2024 and 2022 2023 and December 31, 2022 December 31, 2023:

Dollars in thousands	*Dollars in thousands*	**September 30, 2023**	December 31, 2022	September 30, 2022	*Dollars in thousands*	**March 31, 2024**	December 31, 2023	March 31, 2023
Commercial	Commercial							
Real estate owner occupied								
Real estate owner occupied								
Real estate owner occupied	Real estate owner occupied	**$ —**	$ 193	$ 195				
Real estate non-owner occupied	Real estate non-owner occupied	**—**	—	—				
Construction	Construction	**29**	23	25				
C&I	C&I	**714**	663	756				
Multifamily	Multifamily	**—**	—	—				
Agriculture								
Municipal	Municipal	**—**	—	—				
Residential	Residential							
Term								
Term								
Term	Term	**1,320**	572	637				
Construction	Construction	—	—	—				
Home Equity	Home Equity							
Revolving and term	Revolving and term	**490**	304	247				
Revolving and term								
Revolving and term								
Consumer	Consumer	**—**	—	—				
Total nonperforming loans	Total nonperforming loans	**$ 2,553**	$1,755	$1,860				

Allowance for credit losses as a percentage of nonperforming loans	**913.5 %**	952.9 %	881.0 %

Allowance for credit losses on loans as a percentage of nonperforming loans	Allowance for credit losses on loans as a percentage of nonperforming loans	**893.2 %**	1103.3 %	1303.2 %

The amounts shown for total nonperforming loans do not include loans 90 or more days past due and still accruing interest. These are loans for which we expect to collect all amounts due, including past-due interest. As of September 30, 2023 March 31, 2024, loans 90 days or more day past due and still accruing interest totaled $11,000, $50,000, compared to $241,000 $429,000 at December 31, 2022 December 31, 2023 and none $208,000 at September 30, 2022 March 31, 2023.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

The Company adopted ASU 2022-02 effective January 1, 2023. Reporting of loan modifications subject to ASU 2022-02 may be found in Note 3 of the accompanying financial statements.

Past Due Loans

The Bank's overall loan delinquency ratio was 0.09% at March 31, 2024 compared to 0.18% at December 31, 2023 and 0.10% at September 30, 2023 compared to 0.08% at December 31, 2022 and 0.08% at September 30, 2022 March 31, 2023. Loans 90 days delinquent and accruing decreased from $241,000 $429,000 at December 31, 2022 December 31, 2023 to $11,000 $50,000 as of September 30, 2023 March 31, 2024. The following table sets forth loan delinquencies as of September 30, 2023 March 31, 2024 and 2022 2023 and December 31, 2022 December 31, 2023:

Dollars in thousands	*Dollars in thousands*	**September 30, 2023**	December 31, 2022	September 30, 2022
Commercial	Commercial			
Commercial				
Commercial				
Real estate owner occupied				
Real estate owner occupied				
Real estate owner occupied	Real estate owner occupied	$ —	$ 193	$ 195
Real estate non-owner occupied	Real estate non-owner occupied	**—**	—	—
Real estate non-owner occupied				
Real estate non-owner occupied				
Construction				
Construction				
Construction	Construction	**15**	—	—
C&I	C&I	**670**	226	271
C&I				
C&I				
Multifamily	Multifamily	**—**	—	—
Multifamily				
Multifamily				
Agriculture				
Agriculture				
Agriculture				
Municipal				
Municipal				

Municipal	Municipal	**—**	—	—									
Residential	Residential												
Residential													
Residential													
Term													
Term													
Term	Term	**723**	452	322									
Construction	Construction	**62**	—	—									
Construction													
Construction													
Home Equity													
Home Equity													
Home Equity	Home Equity												
Revolving and term	Revolving and term	**258**	421	502									
Revolving and term													
Revolving and term													
Consumer													
Consumer													
Consumer	Consumer	**260**	167	171									
Total	Total	**$ 1,988**	$ 1,459	$ 1,461									
Total													
Total													
Loans 30-89 days past due to total loans													
Loans 30-89 days past due to total loans													
Loans 30-89 days past due to total loans	Loans 30-89 days past due to total loans	**0.048 %**	0.039 %	0.055 %		**0.058**	**%**	**%**	0.139	%	%	0.060 %	%
Loans 90+ days past due and accruing to total loans	Loans 90+ days past due and accruing to total loans	**0.001 %**	0.013 %	0.000 %	Loans 90+ days past due and accruing to total loans	**0.002**	**%**	**%**	0.020	%	%	0.010 %	%
Loans 90+ days past due on non-accrual to total loans	Loans 90+ days past due on non-accrual to total loans	**0.047 %**	0.025 %	0.024 %	Loans 90+ days past due on non-accrual to total loans	**0.034**	**%**	**%**	0.024	%	%	0.030 %	%
Total past due loans to total loans	Total past due loans to total loans	**0.096 %**	0.077 %	0.079 %	Total past due loans to total loans	**0.094**	**%**	**%**	0.183	%	%	0.100 %	%

Potential Problem Loans and Loans in Process of Foreclosure

Potential problem loans consist of classified, accruing commercial and commercial real estate loans that were between 30 and 89 days past due. Such loans are characterized by weaknesses in the financial condition of borrowers or collateral deficiencies. Based on historical experience, the credit quality of some of these loans may improve due to improvements in the economy as well as changes in collateral values or the financial condition of the borrowers, while the credit quality of other loans may deteriorate, resulting in some amount of loss. At September 30, 2023 and December 31, 2022 March 31, 2024, there were no potential problem loans reported. This compares to report. three potential problem loans with a balance of $180,000 or 0.01% of total loans at December 31, 2023.

As of September 30, 2023 March 31, 2024, there were four residential loans in the process of foreclosure totaling $459,000. $510,000. The Bank's residential foreclosure process begins when a loan becomes 75 days past due at which time a Demand/Breach Letter is sent to the borrower. If the loan becomes 120 days past due, copies of the promissory note and mortgage deed are forwarded to the Bank's attorney for review and a complaint for foreclosure is then prepared. An authorized Bank officer signs the affidavit certifying the validity of the documents and verification of the past due amount which is then forwarded to the court. Once a Motion for Summary Judgment is granted, a POR begins which gives the customer 90 days to cure the default. A foreclosure auction date is then set 30 days from the POR expiration date if the default is not cured.

As of September 30, 2023 March 31, 2024, there were no commercial loans in the process of foreclosure. The Bank's commercial foreclosure process begins when a loan becomes 60 days past due, at which time a default letter is issued. At expiration of the period to cure default, which lasts 12 days after the issuing of the default letter, copies of the promissory note and mortgage deed are forwarded to the Bank's attorney for review. A Notice of Statutory Power of Sale is then prepared. This notice must be published for three consecutive weeks in a newspaper located in the county in which the property is located. A notice also must be issued to the mortgagor and all parties of interest 21 days prior to the sale. The foreclosure auction occurs and the Affidavit of Sale is recorded within the appropriate county within 30 days of the sale.

The Bank's written policies and procedures for foreclosures, along with implementation of same, are subject to annual review by its internal audit provider. The scope of this review includes loans held in portfolio and loans serviced for others. There were no issues requiring management attention in the most recent review. Servicing for others includes loans sold to FHLMC, FNMA, and the FHLBB through its MPF program. The Bank follows the published guidelines of each investor. Loans serviced for FHLMC and FNMA have been sold without recourse, and the Bank has no liability for these loans in the event of foreclosure. A de minimis volume of loans has been sold to and serviced for MPF to date. The Bank retains a second loss layer credit enhancement obligation; no losses have been recorded on this credit enhancement obligation since the Bank started selling loans to MPF in 2013.

Other Real Estate Owned

OREO and repossessed assets are comprised of properties or other assets acquired through a foreclosure proceeding, or acceptance of a deed or title in lieu of foreclosure. Real estate acquired through foreclosure is carried at the lower of fair value less estimated cost to sell or the cost of the asset and is not included as part of the ACL totals. At September 30, 2023, 2022 March 31, 2024 and December 31, 2022 2023, and December 31, 2023, there were no OREO properties and no allowance for losses.

Liquidity

Liquidity is the ability of a financial institution to meet maturing liability obligations, depositor withdrawal requests, and customer loan demand. The Bank's lead source of liquidity is deposits, including brokered deposits, which funded 86.9% 86.5% of total average assets in the first nine three months of 2023, up 2024, down slightly from 85.0% 86.7% a year ago. Other sources of funding include discretionary use of purchased liabilities (e.g., FHLBB term or overnight advances, and other borrowings), cash flows from the securities portfolio and loan repayments. Securities designated as available for sale may also be sold in response to short-term or long-term liquidity needs, although Management has no intention to do so at this time. While the generally preferred funding strategy is to attract and retain low cost deposits, our ability to do so is affected by competitive interest rates and terms in the marketplace.

The Bank has a detailed liquidity funding policy and a contingency funding plan that provide for prompt and comprehensive responses to unexpected demands for liquidity. Management has developed quantitative models to estimate needs for contingent funding that could result from unexpected outflows of funds in excess of "business as usual" cash flows. In Management's estimation, risks are concentrated amongst several major categories: runoff of in-market deposit balances, an inability to renew wholesale sources of funding, and materially increased utilization of available credit lines by borrowers. Of these, potential runoff of deposit balances would have the most significant impact on contingent liquidity. Our modeling attempts to quantify deposits at risk over selected time horizons. In addition to these outflow risks, several other "business as usual" factors enter into the calculation of the adequacy of contingent liquidity, including payment proceeds from loans and investment securities, maturing debt obligations and maturing time deposits. Stress testing analysis of liquidity resources under various scenarios is conducted no less than quarterly and results are reported to the ALCO. Borrowings supplement deposits as a source of liquidity; our borrowings typically consist of customer repurchase agreements and FHLBB advances. The Bank tests its borrowing capacity with the FRBB, the FHLBB and Fed Funds lines with other correspondents no less than annually; each has been tested within the past nine five months.

The Company defines its primary sources of contingent liquidity as cash & equivalents, unencumbered U.S. Government or Agency bond collateral, available capacity at FHLBB, and available authorized brokered deposit issuance capacity. As of September 30, 2023 March 31, 2024, the Bank had primary sources of contingent liquidity of $891.0 million $804.0 million or 30.6% 27.3% of its total assets. It is Management's opinion that this is an appropriate level. In addition, the Bank has $169.0 million $201.0 million in borrowing capacity at FRBB under the FRBB's Borrower in Custody program $51.0 million as well as securities available as collateral, $76.0 million in credit lines with correspondent banks, and $152.0 million $166.0 million in other unencumbered securities available as collateral for borrowing. These bring the Bank's total sources of liquidity to $1.263 billion $1.247 billion or 43.4% 42.3% of its total assets. The Bank established borrowing capacity of $47.1 million at the FRBB under the BTFP introduced in March 2023, which is included in the primary sources of contingent liquidity total above. To date, no advances have been made under BTFP.

The ALCO establishes guidelines for liquidity in its Asset/Liability policy and monitors internal liquidity measures to manage liquidity exposure. Based on its assessment of the liquidity considerations described above, Management believes the Company's sources of funding will meet anticipated funding needs.

The Company is dependent upon the payment of cash dividends by the Bank to service its commitments. As the sole shareholder of the Bank, the Company is entitled to such dividends when and as declared by the Bank's Board of Directors from legally available funds. For the nine-months three-months periods ended September 30, 2023 March 31, 2024 and 2022 2023 the Bank declared dividends to the

Company of $11.0 million $3.9 million and $10.4 million $3.8 million, respectively. The Bank's regulator, the OCC, may limit the amount of dividends declared and paid in a calendar year based upon certain factors. Further discussion may be found in Shareholder's Equity below.

Deposits

During the first nine three months of 2023, 2024, total deposits increased decreased by $221.1 million $50.7 million or 9.3% 1.9% from December 31, 2022 December 31, 2023 levels. Low-cost deposits (demand, NOW, and savings accounts) increased decreased by $1.1 million $61.7 million or 0.1% 5.0% in the first nine three months of 2023. 2024. Money market deposits increased $78.4 million $15.9 million or 40.7% 5.2%, and certificates of deposit increased $141.5 million decreased $4.8 million or 16.3% 0.5% as depositors shifted balances to higher cost product types and brokered certificates of deposit were issued to support earning asset growth. The decrease in total deposits for the period was consistent with Management's estimates based upon historical seasonal deposit behaviors.

Between September 30, 2022 March 31, 2023 and September 30, 2023 March 31, 2024, total deposits increased by $230.0 million $82.3 million or 9.7% 3.3%. Low-cost deposits decreased by $75.3 million $101.1 million or 5.4% 8.0%, money market accounts increased $82.3 million $127.6 million or 43.6% 65.7%, and certificates of deposit increased $223.0 million $55.8 million or 28.4% 5.5%.

Estimated uninsured deposits totaled $480.5 $417.2 million or 18.5% 16.4% of total deposits as of September 30, 2023 March 31, 2024, and $501.6 $407.4 million or 21.1% 15.7% of total deposits as of December 31, 2022 December 31, 2023. The company has pledged assets as collateral covering certain deposits; these amounts were $383.9 million $314.2 million and $350.4 million $340.5 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Borrowed Funds

The Company uses funding from the FHLBB, the FRBB and customer repurchase agreements enabling it to grow its balance sheet and its revenues. This funding may also be used to balance seasonal deposit flows or to carry out interest rate risk management strategies, and may be used to replace or supplement other sources of funding, including core deposits and certificates of deposit. During the nine three months ended September 30, 2023 March 31, 2024, borrowed funds decreased $20.5 million increased $85.1 million or 19.8% 122.2% from December 31, 2022, split nearly evenly between FHLB December 31, 2023. This included a $61.9 million increase in FHLBB advances, and customer repurchase agreements . a $25.0 million advance under the FRBB's BTFP, both at rates more favorable than other funding alternatives. Between September 30, 2022 March 31, 2023 and September 30, 2023 March 31, 2024, borrowed funds decreased increased by $35.4 million $70.9 million or 29.9%; a majority of this reduction was in FHLB advances. 84.5%.

Capital Resources

Shareholders' equity as of September 30, 2023 March 31, 2024 was $226.7 million $242.6 million, compared to $228.9 million $243.1 million as of December 31, 2022 December 31, 2023 and $219.9 million $228.5 million as of September 30, 2022 March 31, 2023. The Company's earnings in the first nine three months of 2023, 2024, net of dividends declared, added $11.3 million $2.1 million to shareholders' equity. The net unrealized loss on AFS securities, net of tax, presented in accordance with FASB ASC Topic 320 "Investments – Debt and Equity Securities" stands at $53.9 million $42.8 million as of September 30, 2023 March 31, 2024 and was $44.7 million $39.6 million as of December 31, 2022 December 31, 2023. Additional information about the net unrealized loss on AFS securities was provided in Note 2 of the Consolidated Financial Statements and in the AFS Debit Securities section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

A cash dividend of $0.35 per share was declared in the third first quarter of 2023. 2024. The dividend payout ratio, which is calculated by dividing dividends declared per share by basic earnings per share, was 50.00% 63.64% for the first nine three months of 2023 2024 compared to 36.63% 46.58% for the same period in 2022. 2023. In determining future dividend payout levels, the Board of Directors carefully analyzes capital requirements and earnings retention, as set forth in the Company's Dividend Policy. The ability of the Company to pay cash dividends to its shareholders depends on receipt of dividends from its subsidiary, the Bank. The subsidiary may pay dividends to its parent out of so much of its net profits as the Bank's directors deem appropriate, subject to the limitation that the total of all dividends declared by the Bank in any calendar year may not exceed the total of its net profits of that year combined with its retained net profits of the preceding two years. The amount available for dividends in 2023 2024 is this year's net income plus $49.6 million $41.5 million.

Financial institution regulators have established guidelines for minimum capital ratios for banks and bank holding companies. The net unrealized gain or loss on AFS securities is generally not included in computing regulatory capital. During the first quarter of 2015, the Company adopted the new Basel III regulatory capital framework as approved by the federal banking agencies. In order to avoid limitations on capital distributions, including dividend payments, the Company must hold a capital conservation buffer of 2.5% above the adequately capitalized risk-based capital ratios.

The Company met each of the well-capitalized ratio guidelines at September 30, 2023 March 31, 2024.

The following tables indicate the capital ratios for the Bank and the Company at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

As of September 30, 2023	Leverage		Common Equity Tier 1		Tier 1		Total Risk-Based	
Bank	8.48	%	12.47	%	12.47	%	13.72	%
Company	8.65	%	12.52	%	12.52	%	13.76	%
Adequately capitalized ratio	4.00	%	4.50	%	6.00	%	8.00	%
Adequately capitalized ratio plus capital conservation buffer	n/a	%	7.00	%	8.50	%	10.50	%
Well capitalized ratio (Bank only)	5.00	%	6.50	%	8.00	%	10.00	%

As of March 31, 2024	*As of March 31, 2024*	Leverage			Common Equity Tier 1			Tier 1			Total Risk-Based		
Bank	Bank	8.52	%	%	12.27	%	%	12.27	%	%	13.49	%	%
Company	Company	8.67	%	%	12.31	%	%	12.31	%	%	13.54	%	%
Adequately capitalized ratio	Adequately capitalized ratio	4.00	%	%	4.50	%	%	6.00	%	%	8.00	%	%
Adequately capitalized ratio plus capital conservation buffer	Adequately capitalized ratio plus capital conservation buffer	n/a		%	7.00	%	%	8.50	%	%	10.50	%	%
Well capitalized ratio (Bank only)	Well capitalized ratio (Bank only)	5.00	%	%	6.50	%	%	8.00	%	%	10.00	%	%

As of December 31, 2022	Leverage		Common Equity Tier 1		Tier 1		Total Risk-Based	
Bank	8.81	%	12.64	%	12.64	%	13.52	%
Company	9.01	%	12.70	%	12.70	%	13.58	%

As of December 31, 2023	*As of December 31, 2023*	Leverage			Common Equity Tier 1			Tier 1			Total Risk-Based		
Bank	Bank	8.43	%	%	12.37	%	%	12.37	%	%	13.62	%	%
Company	Company	8.61	%	%	12.42	%	%	12.42	%	%	13.66	%	%

Adequately capitalized ratio	Adequately capitalized ratio	4.00	%	4.50	%	6.00	%	8.00	%	Adequately capitalized ratio	4.00	%	%	4.50	%	%	6.00	%	%	8.00	%	%
Adequately capitalized ratio plus capital conservation buffer	Adequately capitalized ratio plus capital conservation buffer	n/a	%	7.00	%	8.50	%	10.50	%	Adequately capitalized ratio plus capital conservation buffer	n/a		%	7.00	%	%	8.50	%	%	10.50	%	%
Well capitalized ratio (Bank only)	Well capitalized ratio (Bank only)	5.00	%	6.50	%	8.00	%	10.00	%	Well capitalized ratio (Bank only)	5.00	%	%	6.50	%	%	8.00	%	%	10.00	%	%

The Bank maintains and annually updates a capital plan over a five year horizon; the capital plan was last updated in the third quarter of 2023. Based upon reasonable assumptions of growth and operating performance, the base capital plan model projects that the Bank will be well capitalized throughout the five year period. The base model is also stress tested for interest rate risk from increasing and decreasing rates, credit risk in normal, elevated and severe loss scenarios, and combinations of interest rate and credit risk. In each stress scenario, the Bank maintained well capitalized status. To further validate its internal results, the Bank engaged a third party consultant during the first quarter of 2023 to conduct credit stress tests on its loan portfolio under six scenarios. Three of the scenarios emulated the Federal Reserve's DFAST, and three were developed by a leading forecasting firm. The consultant's report applied projected credit losses over a thirteen quarter horizon to the Bank's capital position as of March 31, 2023 with immediate effect. In each of the six scenarios the Bank remained well capitalized.

Off-Balance Sheet Financial Credit Exposures and Contractual Obligations

Derivative Financial Instruments Designated as Hedges

As part of its overall asset and liability management strategy, the Bank periodically uses derivative instruments to minimize significant unplanned fluctuations in earnings and cash flows caused by interest rate volatility. The Bank's interest rate risk management strategy involves modifying the re-pricing characteristics of certain assets and/or liabilities so that change in interest rates does not have a significant to mitigate adverse effect on impacts upon net interest income. income resulting from interest rate changes. Derivative instruments that Management periodically uses as part of its interest rate risk management strategy may include interest rate swap agreements, interest rate floor agreements, and interest rate cap agreements.

At September 30, 2023 March 31, 2024, the Bank had four two outstanding off-balance sheet, derivative instruments, designated as cash flow hedges and four off-balance sheet, derivative instruments, designated as fair value hedges. These derivative instruments were interest rate swap agreements, with notional principal amounts totaling $105.0 $85.0 million and $150.0 million, respectively, and an unrealized gain of $2.0 million, $488,000, net of taxes. The notional amounts and net unrealized gain (loss) of the financial derivative instruments do not represent exposure to credit loss. The Bank is exposed to credit loss only to the extent the counterparty defaults in its responsibility to pay interest under the terms of the agreements. The credit risk in derivative instruments is mitigated by entering into transactions with highly-rated counterparties that Management believes to be creditworthy and by limiting the amount of exposure to each counter-party. At September 30, 2023 March 31, 2024, the Bank's derivative instrument counterparties had a composite credit rating of “A-” based upon the ratings of several major credit rating agencies. The interest rate swap agreements were entered into by the Bank to limit its exposure to rising interest rates.

The Bank also enters into swap arrangements with qualified loan customers as a means to provide these customers with access to long-term fixed interest rates for borrowings, and simultaneously enters into a swap contract with an approved third- party financial institution. The terms of the contracts are designed to offset one another resulting in there being neither a net gain or a loss. The notional amounts of the financial derivative instruments do not represent exposure to credit loss. The Bank is exposed to credit loss only to the extent that either counter-party defaults in its responsibility to pay interest under the terms of the agreements. Credit risk is mitigated by prudent underwriting of the loan customer and financial institution counterparties. As of September 30, 2023 March 31, 2024, the Bank had six seven loan swap agreements in place with a total notional value of $73.1 million $81.2 million.

Contractual Obligations

The following table sets forth the contractual obligations of the Company as of September 30, 2023 March 31, 2024:

Dollars in thousands	*Dollars in thousands*	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**	*Dollars in thousands*	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Borrowed funds	Borrowed funds	**$ 82,993**	$ 82,993	$ —	$ —	$ —						
Operating leases	Operating leases	**778**	106	195	67	410						
Certificates of deposit	Certificates of deposit	**1,009,166**	608,788	339,093	61,285	—						
Total	Total	**$1,092,937**	$691,887	$339,288	$61,352	$410						

Total loan commitments and unused lines of credit	Total loan commitments and unused lines of credit	**$ 334,148**	$334,148	$ —	$ —	$ —

<u>**Item 3 – Quantitative and Qualitative Disclosures About Market Risk**</u>

Market-Risk Management

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates. The First Bancorp, Inc.'s market risk is composed primarily of interest rate risk. The Bank's ALCO is responsible for reviewing the interest rate sensitivity position of the Company and establishing policies to monitor and limit exposure to interest rate risk. All guidelines and policies established by the ALCO have been approved by the Board of Directors.

Asset/Liability Management

The primary goal of asset/liability management is to maximize net interest income within the interest rate risk limits set by the ALCO. Interest rate risk is monitored through the use of two complementary measures: static gap analysis and earnings simulation modeling. While each measurement has limitations, taken together they represent a reasonably comprehensive view of the magnitude of interest rate risk in the Company, the level of risk through time, and the amount of exposure to changes in certain interest rate relationships.

Static gap analysis measures the amount of repricing risk embedded in the balance sheet at a point in time. It does so by comparing the differences in the repricing characteristics of assets and liabilities. A gap is defined as the difference between the principal amount of assets and liabilities that reprice within a specified time period. The Company's cumulative one-year gap at September 30, 2023 March 31, 2024 was (9.47) (19.87)% of total assets compared to (5.60) (11.54)% of total assets at December 31, 2022 December 31, 2023. Core deposits with non-contractual maturities are presented based upon historical patterns of balance attrition and pricing behavior, which are reviewed at least annually.

The gap repricing distributions include principal cash flows from residential mortgage loans and mortgage-backed securities in the time frames in which they are expected to be received. Mortgage prepayments are estimated by applying industry median projections of prepayment speeds to portfolio segments based on coupon range and loan age.

A summary of the Company's static gap, as of September 30, 2023 March 31, 2024, is presented in the following table:

		0-90	90-365	1-5	5+
	0-90				
Dollars in thousands					
Dollars in thousands					
Dollars in thousands	*Dollars in thousands*	**Days**	**Days**	**Years**	**Years**
Investment securities at amortized cost (HTM) and fair value (AFS)	Investment securities at amortized cost (HTM) and fair value (AFS)	$ 45,117	$ 24,676	$ 151,747	$ 450,806
Investment securities at amortized cost (HTM) and fair value (AFS)					
Investment securities at amortized cost (HTM) and fair value (AFS)					
Restricted stock, at cost					
Restricted stock, at cost					
Restricted stock, at cost	Restricted stock, at cost	2,823	—	—	1,037
Loans held for sale	Loans held for sale	—	—	—	268
Loans held for sale					
Loans held for sale					
Loans					

Loans					
Loans	Loans	482,344	230,027	1,056,092	311,396
Other interest-earning assets	Other interest-earning assets	—	26,511	—	—
Other interest-earning assets					
Other interest-earning assets					
Non-rate-sensitive assets					
Non-rate-sensitive assets					
Non-rate-sensitive assets	Non-rate-sensitive assets	52,843	—	—	108,452
Total assets	**Total assets**	583,127	281,214	1,207,839	871,959
Total assets					
Total assets					
Interest-bearing deposits					
Interest-bearing deposits					
Interest-bearing deposits	Interest-bearing deposits	690,724	422,421	402,343	817,348
Borrowed funds	Borrowed funds	30,000	78	—	—
Borrowed funds					
Borrowed funds					
Non-rate-sensitive liabilities and equity					
Non-rate-sensitive liabilities and equity					
Non-rate-sensitive liabilities and equity	Non-rate-sensitive liabilities and equity	—	—	—	581,225
Total liabilities and equity	**Total liabilities and equity**	720,724	422,499	402,343	1,398,573
Total liabilities and equity					
Total liabilities and equity					
Period gap	**Period gap**	$(137,597)	$(141,285)	$ 805,496	$(526,614)
Period gap					
Period gap					
Percent of total assets					
Percent of total assets					

Percent of total assets	Percent of total assets	(4.67) %	(4.80) %	27.36 %	(17.89) %	(12.01)	%	%	(7.85)	%	%	26.81	%	%	(6.94)	%	%
Cumulative gap (current)	Cumulative gap (current)	$(137,597)	$(278,882)	$ 526,614	$ —												
Percent of total assets	Percent of total assets	(4.67) %	(9.47) %	17.89 %	— %												
Percent of total assets																	
Percent of total assets						(12.01)	%		(19.87)	%		6.94	%		—	%	

The earnings simulation model forecasts capture the impact of changing interest rates on one-year and two-year net interest income. The modeling process calculates changes in interest income received and interest expense paid on all interest-earning assets and interest-bearing liabilities reflected on the Company's consolidated balance sheet. None of the assets used in the simulation are held for trading purposes. The modeling is done for a variety of scenarios that incorporate changes in the absolute level of interest rates as well as basis risk, as represented by changes in the shape of the yield curve and changes in interest rate relationships. Management evaluates the effects on income of alternative interest rate scenarios against earnings in a stable interest rate environment. This analysis is also most useful in determining the short-run earnings exposures to changes in customer behavior involving loan payments and deposit additions and withdrawals.

The Company's most recent simulation model calculates projected impact on net interest income in scenarios where short-term interest rates gradually decrease by two percentage points, gradually decreases by one percentage point, and where short-

term rates gradually increase by two percentage points. The Company's modeling as of September 30, 2023 March 31, 2024 projects net interest income would increase by approximately 2.8% 4.1% if short-term rates affected by FOMC actions fall gradually by two percentage points over the next year, and would increase by approximately 1.7% 1.9% if short term rates gradually fall by one percentage point over the next year; net interest income would decrease by approximately 4.8% 7.3% if rates rise gradually by two percentage points over the next year. Each scenario is well within the ALCO's policy limit of a decrease in net interest income of no more than 10.0% given a 2.0% move in interest rates, up or down. Management believes this reflects a reasonable interest rate risk position. In year two, and assuming no additional movement in rates, the model forecasts that net interest income would be higher than that earned in the first year of a stable rate environment by 18.5% 25.3% in the two percentage point falling-rate scenario, and higher by 16.1% 21.2% in the one percentage point falling rate scenario; net interest income would be lower than that earned in a stable rate environment by 1.0% 2.0% in a two percentage point rising rate scenario, when compared to the year-one base scenario. Each year two scenario is well within the ALCO's policy limit of a decrease of no more than 20% given a 2.0% move in interest rates, up or down. A summary of the Bank's interest rate risk simulation modeling, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 is presented in the following table:

Changes in Net Interest Income	**Changes in Net Interest Income**	**September 30, 2023**	December 31, 2022	**Changes in Net Interest Income**	**March 31, 2024**	December 31, 2023
Year 1	**Year 1**					
Projected change if rates decrease by 1.0%						
Projected change if rates decrease by 1.0%						
Projected change if rates decrease by 1.0%	Projected change if rates decrease by 1.0%	**1.7%**	0.2%	**1.9%**		2.0%
Projected change if rates decrease by 2.0%	Projected change if rates decrease by 2.0%	**2.8%**	0.0%	Projected change if rates decrease by 2.0%	**4.1%**	3.7%
Projected change if rates increase by 2.0%	Projected change if rates increase by 2.0%	**(4.8)%**	(3.8)%	Projected change if rates increase by 2.0%	**(7.3)%**	(6.0)%
Year 2	**Year 2**					

Projected change if rates decrease by 1.0%	Projected change if rates decrease by 1.0%	**16.1%**	6.8%			
Projected change if rates decrease by 1.0%						
Projected change if rates decrease by 1.0%					**21.2%**	20.8%
Projected change if rates decrease by 2.0%	Projected change if rates decrease by 2.0%	**18.5%**	5.7%	Projected change if rates decrease by 2.0%	**25.3%**	23.8%
Projected change if rates increase by 2.0%	Projected change if rates increase by 2.0%	**(1.0)%**	(3.4)%	Projected change if rates increase by 2.0%	**(2.0)%**	0.7%

This dynamic simulation model includes assumptions about how the balance sheet is likely to evolve through time and in different interest rate environments. Loans and deposits are projected to maintain stable balances. All maturities, calls and prepayments in the securities portfolio are assumed to be reinvested in similar assets. Mortgage loan prepayment assumptions are developed from industry median estimates of prepayment speeds for portfolios with similar coupon ranges and seasoning. Non-contractual deposit volatility and pricing are assumed to follow historical patterns. The sensitivities of key assumptions are analyzed annually and reviewed by the ALCO.

This sensitivity analysis does not represent a Company forecast and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions including, among others, the nature and timing of interest rate levels, yield curve shape, prepayments on loans and securities, pricing decisions on loans and deposits, and reinvestment/ replacement of asset and liability cash flows. While assumptions are developed based upon current economic and local market conditions, the Company cannot make any assurances as to the predictive ability of these assumptions, including how customer preferences or competitor influences might change.

Interest Rate Risk Management

A variety of financial instruments can be used to manage interest rate sensitivity. These may include investment securities, interest rate swaps, and interest rate caps and floors. Frequently called interest rate derivatives, interest rate swaps, caps and floors have characteristics similar to securities but possess the advantages of customization of the risk-reward profile of the instrument, minimization of balance sheet leverage and improvement of liquidity. As of September 30, 2023 March 31, 2024, the Company was using interest rate swaps for interest rate risk management.

The Company engages an independent consultant to periodically review its interest rate risk position, as well as the effectiveness of simulation modeling and reasonableness of assumptions used. As of September 30, 2023 March 31, 2024, there were no significant differences between the views of the independent consultant and Management regarding the Company's interest rate risk exposure. Management expects interest rates will increase slightly in the next year and believes that the current level of interest risk is acceptable.

Cessation of LIBOR

The Company adopted SOFR as its replacement reference rate index for each of the customer loan interest rate swap contracts that were tied to a LIBOR tenor. The six contracts have maturity dates of December 19, 2029, August 21, 2030, April 1, 2031, July 1, 2035, October 1, 2035 and October 1, 2039. The necessary actions to amend these legacy contracts to incorporate the new replacement reference rate index was completed in the second quarter 2023.

Item 4: Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of September 30, 2023 March 31, 2024, the end of the quarter covered by this report, the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and the Company's management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. There was no change in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2023 March 31, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company reviews its disclosure controls and procedures, which may include its internal controls over financial reporting on an ongoing basis, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that the Company's systems evolve with its business.

Part II – Other Information

Item 1 – Legal Proceedings

The Company was not involved in any legal proceedings requiring disclosure under Item 103 of Regulation S-K during the reporting period.

Item 1A – Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company's Form 10-K for the year ended December 31, 2022 December 31, 2023.

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

a. None

b. None

c. The Company made the following repurchases of its common stock in the nine three months ended September 30, 2023 March 31, 2024:

Month	Shares Purchased	Average Price Per Share	Total shares purchased as part of publicly announced repurchase plans	Maximum number of shares that may be purchased under the plans
January 2023	8,090	$ 29.41	—	—
February 2023	—	—	—	—
March 2023	—	—	—	—
April 2023	—	—	—	—
May 2023	555	23.22	—	—
June 2023	—	—	—	—
July 2023	—	—	—	—
August 2023	—	—	—	—
September 2023	—	—	—	—
	8,645	$ 26.32		—

Month	Shares Purchased	Average Price Per Share	Total shares purchased as part of publicly announced repurchase plans	Maximum number of shares that may be purchased under the plans
January 2024	8,031	$ 26.39	—	—
February 2024	—	—	—	—
March 2024	—	—	—	—
	8,031	$ 26.39		—

Item 3 – Default Upon Senior Securities

None.

Item 4 – Mine Safety Disclosures

Not applicable.

Item 5 - Other Information

None.

Item 6 – Exhibits

Exhibit 3.2 Amendment to the Registrant's Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on May 1, 2008).

Exhibit 3.3 Amendment to the Registrant's Articles of Incorporation (incorporated by reference to the Definitive Proxy Statement for the Company's 2008 Annual Meeting filed on March 14, 2008).

Exhibit 3.4 Amendment to the Registrant's Articles of Incorporation authorizing issuance of preferred stock (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on December 29, 2008).

Exhibit 3.5 Conformed Copy of the Company's Bylaws (incorporated by reference to Exhibit 3.5 to the Company's Form 10-K filed March 10, 2017).

Exhibit 3.6 Amendment to the Company Bylaws (incorporated by reference to Exhibit 3.6 to the Company's Form 8-K filed under item 5.03 on December 20, 2019.

Exhibit 23.1 Consent of Independent Registered Public Accounting Firm (incorporated by reference to Exhibit 2.3 to the Company's Form 10-K filed March 10, 2023 March 8, 2024).

Exhibit 31.1 Certification of Chief Executive Officer Pursuant to Rule 13A-14(A) of The Securities Exchange Act of 1934, furnished within.

Exhibit 31.2 Certification of Chief Financial Officer Pursuant to Rule 13A-14(A) of The Securities Exchange Act of 1934, furnished within.

Exhibit 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, furnished within.

Exhibit 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, furnished within.

Exhibit 101.INS XBRL Instance Document

Exhibit 101.SCH XBRL Taxonomy Extension Schema Document

Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit 101.DEF XBRL Taxonomy Extension Definitions Linkbase

Exhibit 104.Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

Signatures

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

THE FIRST BANCORP, INC.

/s/ Tony C. McKim

Tony C. McKim

President & Chief Executive Officer

Date: November 3, 2023 May 7, 2024

/s/ Richard M. Elder

Richard M. Elder

Executive Vice President & Chief Financial Officer

Date: November 3, 2023 May 7, 2024

Exhibit 31.1

Certification of Chief Executive Officer Under Section 302 of the Sarbanes-Oxley Act of 2002

I, Tony C. McKim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The First Bancorp, Inc.;

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

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

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of 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: November 3, 2023 May 7, 2024

/s/ Tony C. McKim
Tony C. McKim
President & Chief Executive Officer
The First Bancorp, Inc.

Exhibit 31.2

Certification of Chief Financial Officer Under Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard M. Elder, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The First Bancorp, Inc.;

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

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

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of 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: November 3, 2023 May 7, 2024

/s/ Richard M. Elder
Richard M. Elder
Executive Vice President & Chief Financial Officer
The First Bancorp, Inc.

Exhibit 32.1

Certification of Chief Executive Officer Under Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned officer of The First Bancorp, Inc. (the "Company") hereby certifies that the Company's quarterly report on Form 10-Q for the period ended September 30, 2023 March 31, 2024 to which this certification is being furnished as an exhibit (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: November 3, 2023 May 7, 2024

/s/ Tony C. McKim
Tony C. McKim
President & Chief Executive Officer
The First Bancorp, Inc.

Exhibit 32.2

Certification of Chief Financial Officer Under Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned officer of The First Bancorp, Inc. (the "Company") hereby certifies that the Company's quarterly report on Form 10-Q for the period ended September 30, 2023 March 31, 2024 to which this certification is being furnished as an exhibit (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: November 3, 2023 May 7, 2024

/s/ Richard M. Elder
Richard M. Elder
Executive Vice President & Chief Financial Officer
The First Bancorp, Inc.

DISCLAIMER

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