

REFINITIV

DELTA REPORT

10-Q

BANK OF THE JAMES FINANCI

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

The following comparison report has been automatically generated

TOTAL DELTAS	1924
CHANGES	464
DELETIONS	753
ADDITIONS	707

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

Form 10-Q

(Mark one)

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

For the Quarterly Period Ended **September 30, 2023** **March 31, 2024**

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

For the transition period from

BANK OF THE JAMES FINANCIAL GROUP, INC.
(Exact Name of Registrant as Specified in Its Charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

828 Main Street, Lynchburg, VA
(Address of principal executive offices)

001-35402
(Commission file number)

20-0500300
(I.R.S. Employer
Identification No.)

24504
(Zip Code)

(434) 846-2000

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, 2.14 per share par value	BOTJ	The NASDAQ Stock Market LLC

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 by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 4,543,338 shares of Common Stock, par value \$2.14 per share, were outstanding at **November 13, 2023** **May 17, 2024**.

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Bank of the James Financial Group, Inc. and Subsidiaries

Consolidated Balance Sheets

(dollar amounts in thousands, except per share amounts) **2023** (2024 unaudited)

	September 30, 2023	December 31, 2022
Assets		
Cash and due from banks	\$ 20,105	\$ 30,025
Federal funds sold	79,424	31,737
Total cash and cash equivalents	99,529	61,762
Securities held-to-maturity, at amortized cost (fair value of \$3,028 in 2023 and \$3,135 in 2022) net of allowance for credit loss of \$0 in 2023	3,626	3,639
Securities available-for-sale, at fair value	181,977	185,787
Restricted stock, at cost	1,541	1,387
Loans, net of allowance for credit losses of \$7,320 in 2023 and \$6,259 in 2022	599,585	605,366
Loans held for sale	3,325	2,423
Premises and equipment, net	18,371	17,974
Interest receivable	2,707	2,736
Cash value - bank owned life insurance	21,443	19,237
Other real estate owned	-	566
Customer relationship intangibles	7,425	7,845
Goodwill	2,054	2,054
Other assets	19,304	17,795
Total assets	\$ 960,887	\$ 928,571
Liabilities and Stockholders' Equity		
Deposits		
Noninterest bearing demand	\$ 154,628	\$ 154,884
NOW, money market and savings	524,721	560,479
Time deposits	200,854	132,775
Total deposits	880,203	848,138
Capital notes, net	10,041	10,037
Other borrowings	10,030	10,457
Interest payable	381	89
Other liabilities	10,103	9,624
Total liabilities	\$ 910,758	\$ 878,345
Commitments and Contingencies		
Stockholders' equity		

Preferred stock; authorized 1,000,000 shares; none issued and outstanding	\$	-	\$	-
Common stock \$2.14 par value; authorized 10,000,000 shares; issued and outstanding 4,543,338 as of September 30, 2023 and 4,628,657 as of December 31, 2022		9,723		9,905

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See accompanying notes to these consolidated financial statements

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	March 31, 2024		December 31, 2023	
Assets				
Cash and due from banks	\$	25,428	\$	25,613
Federal funds sold		62,644		49,225
Total cash and cash equivalents		88,072		74,838
Securities held-to-maturity, at amortized cost (fair value of \$3,194 as of March 31, 2024 and \$3,231 as of December 31, 2023) net of allowance for credit loss of \$0 as of March 31, 2024 and December 31, 2023		3,618		3,622
Securities available-for-sale, at fair value		214,822		216,510
Restricted stock, at cost		1,541		1,541
Loans held for sale		4,640		1,258
Loans, net of allowance for credit losses of \$6,920 as of March 31, 2024 and \$7,412 as of December 31, 2023		601,115		601,921
Premises and equipment, net		18,276		18,141
Interest receivable		2,936		2,835
Cash value - bank owned life insurance		22,344		21,586
Customer relationship intangibles		7,145		7,285
Goodwill		2,054		2,054
Other assets		18,328		17,780
Total assets	\$	984,891	\$	969,371
Liabilities and Stockholders' Equity				
Deposits				
Noninterest bearing demand	\$	143,619	\$	134,275
NOW, money market and savings		530,484		538,229
Time deposits		219,391		205,955
Total deposits		893,494		878,459
Capital notes, net		10,044		10,042
Other borrowings		9,741		9,890
Interest payable		522		480
Other liabilities		10,653		10,461
Total liabilities	\$	924,454	\$	909,332
Commitments and Contingencies				
Stockholders' equity				
Preferred stock; authorized 1,000,000 shares; none issued and outstanding	\$	-	\$	-
Common stock \$2.14 par value; authorized 10,000,000 shares; issued and outstanding 4,543,338 as of March 31, 2024 and December 31, 2023		9,723		9,723
Additional paid-in-capital		35,253		35,253
Retained earnings		34,931		31,034
Accumulated other comprehensive (loss)		(29,778)		(26,781)
Accumulated other comprehensive loss				(22,951)
Total stockholders' equity	\$	50,129	\$	50,226
Total liabilities and stockholders' equity	\$	960,887	\$	969,371

See accompanying notes to these consolidated financial statements

[Table of Contents](#)**Bank of the James Financial Group, Inc. and Subsidiaries****Consolidated Statements of Income**

(dollar amounts in thousands, except per share amounts) (unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Interest Income						
Loans	\$ 7,990	\$ 6,830	\$ 23,251	\$ 18,909	\$ 8,024	\$ 7,426
Securities						
U.S. Government and agency obligations	321	331	962	911		
US Government and agency obligations					338	320
Mortgage backed securities	435	437	1,255	1,196	809	414
Municipals - taxable	286	257	853	812	286	282
Municipals - tax exempt	18	32	55	55	18	18
Dividends	8	5	49	36	12	8
Corporates	139	144	423	395	135	143
Interest bearing deposits	134	101	375	135		
Interest-bearing deposits					133	148
Federal Funds sold	812	262	1,601	463	754	339
Total interest income	10,143	8,399	28,824	22,912	10,509	9,098
Interest Expense						
Deposits						
NOW, money market savings	894	133	1,916	374	1,275	360
Time deposits	1,683	143	3,918	467	2,090	861
FHLB borrowings	-	-	31	-	-	31
Finance leases	22	24	66	73	20	23
Other borrowings	98	117	297	339	92	99
Capital notes	82	82	245	245	82	82
Total interest expense	2,779	499	6,473	1,498	3,559	1,456
Net interest income	7,364	7,900	22,351	21,414	6,950	7,642
Recovery of credit losses	(164)	(300)	(278)	(900)		
(Recovery of) provision for credit losses					(553)	140
Net interest income after recovery of credit losses	7,528	8,200	22,629	22,314		
Net interest income after (recovery of) provision for credit losses					7,503	7,502
Noninterest income						
Gain on sales of loans held for sale	989	1,472	3,065	4,675	927	923
Service charges, fees and commissions	1,004	1,313	2,942	2,563	953	983
Wealth management fees	1,050	959	3,098	2,935	1,163	1,006
Life insurance income	139	113	405	338	159	132
Other	19	(3)	179	8	105	-
Total noninterest income	3,201	3,854	9,689	10,519	3,307	3,044
Noninterest expenses						
Salaries and employee benefits	4,683	4,529	13,296	13,051	4,445	4,268
Occupancy	458	445	1,389	1,348	493	472
Equipment	501	647	1,813	1,870	607	676
Supplies	118	116	399	380	145	148
Professional, data processing, and other outside expense	1,371	1,619	4,154	3,544		
Professional and other outside expense					801	678
Data processing					751	693

Marketing	204	222	683	661	30	194
Credit expense	218	244	623	765	188	196
Other real estate expenses, net	3	195	36	207	-	26
FDIC insurance expense	126	121	321	382	109	104
Amortization of intangibles					140	140
Other					379	480
Total noninterest expenses					8,088	8,075
Income before income taxes					2,722	2,471

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See accompanying notes to these consolidated financial statements

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Income tax expense	535	487
Net Income	\$ 2,187	\$ 1,984
Weighted average shares outstanding - basic and diluted	4,543,338	4,618,684
Earnings per common share - basic and diluted	\$ 0.48	\$ 0.43

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See accompanying notes to these consolidated financial statements

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Bank of the James Financial Group, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(dollar amounts in thousands) (unaudited)

Amortization of intangibles	46	140	420	420
Other	412	601	957	1,491
Total noninterest expenses	8,140	8,879	24,091	24,119
Income before income taxes	2,589	3,175	8,227	8,714
Income tax expense	511	601	1,631	1,709
Net Income	\$ 2,078	\$ 2,574	\$ 6,596	\$ 7,005
Weighted average shares outstanding - basic and diluted	4,543,338	4,683,581	4,568,789	4,721,423
Earnings per common share - basic and diluted	\$ 0.46	\$ 0.55	\$ 1.44	\$ 1.48

For the Three Months			
Ended March 31,			
	2024	2023	
Net Income	\$ 2,187	\$ 1,984	
Other comprehensive income (loss):			
Unrealized (loss) gain on securities available-for-sale	(1,691)	3,270	
Tax effect	355	(687)	
Other comprehensive (loss) income, net of tax	(1,336)	2,583	
Comprehensive income	\$ 851	\$ 4,567	

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	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net Income	\$ 2,078	\$ 2,574	\$ 6,596	\$ 7,005
Other comprehensive loss:				
Unrealized (loss) on securities available-for-sale	(5,462)	(7,368)	(3,794)	(32,530)
Tax effect	1,147	1,548	797	6,832
Other comprehensive loss, net of tax	(4,315)	(5,820)	(2,997)	(25,698)
Comprehensive (loss) income	\$ (2,237)	\$ (3,246)	\$ 3,599	\$ (18,693)

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See accompanying notes to these consolidated financial statements

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	For the Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net Income	\$ 6,596	\$ 7,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,079	1,022
Net amortization (accretion) of premiums and discounts on securities	(579)	338
Amortization of debt issuance costs	10	10
(Gain) on sales of loans held for sale	(3,065)	(4,675)
Proceeds from sales of loans held for sale	126,245	176,736
Origination of loans held for sale	(124,082)	(173,732)
Recovery of credit losses	(278)	(900)
Loss on sale of other real estate owned	3	-
Impairment of other real estate owned	23	195
Amortization of intangibles	420	420
Bank owned life insurance income	(405)	(338)
Loss on disposition of equipment	2	-
Decrease (increase) in interest receivable	29	(318)
(Increase) in other assets	(154)	(838)
Increase (decrease) in interest payable	292	(9)
(Decrease) increase in other liabilities	(167)	447
Net cash provided by operating activities	\$ 5,969	\$ 5,363
Cash flows from investing activities		
Purchases of securities available-for-sale	\$ (8,166)	\$ (71,581)
Proceeds from maturities, calls and paydowns of securities available-for-sale	8,775	8,861

Purchases of bank owned life insurance	(1,800)	-
Purchase of Federal Home Loan Bank stock	(154)	(63)
Proceeds from sale of other real estate owned	540	-
Origination of loans, net of principal collected	4,814	(36,748)
Purchases of premises and equipment	(1,478)	(921)
Net cash provided by (used in) investing activities	\$ 2,531	\$ (100,452)
Cash flows from financing activities		
Net increase (decrease) in deposits	\$ 32,065	\$ (3,987)
Principal payments on finance lease obligations	(274)	(267)
Principal payments on other borrowings	(427)	(393)
Repurchase of common stock	(997)	(1,402)
Dividends paid to common stockholders	(1,100)	(995)
Net cash provided by (used in) financing activities	\$ 29,267	\$ (7,044)
Increase (decrease) in cash and cash equivalents	37,767	(102,133)
Cash and cash equivalents at beginning of period	\$ 61,762	\$ 183,153
Cash and cash equivalents at end of period	\$ 99,529	\$ 81,020
Supplemental schedule of noncash investing and financing activities		
Noncash transactions		
Fair value adjustment for securities available-for-sale	\$ (3,793)	\$ (32,530)

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See accompanying notes to these consolidated financial statements

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	For the Three Months Ended March	
	31,	
	2024	2023
Cash flows from operating activities		
Net Income	\$ 2,187	\$ 1,984
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	344	491
Net amortization and accretion of premiums and discounts on securities	105	104
Amortization of debt issuance costs	2	3
(Gain) on sales of loans held for sale	(927)	(923)
Proceeds from sales of loans held for sale	34,043	34,744
Origination of loans held for sale	(36,498)	(32,646)
(Recovery of) provision for credit losses	(553)	140
Impairment of other real estate owned	-	26
Amortization of intangibles	140	140
Bank owned life insurance income	(159)	(132)
(Increase) decrease in interest receivable	(101)	162
Decrease (increase) in other assets	178	(168)
Increase in interest payable	42	129
Increase in other liabilities	(33)	769
Net cash (used in) provided by operating activities	\$ (1,230)	\$ 4,823
Cash flows from investing activities		
Purchases of securities available-for-sale	\$ (8,162)	\$ (2,780)
Proceeds from maturities, calls and paydowns of securities available-for-sale	8,058	2,151
Purchases of bank owned life insurance	(600)	(1,800)

Origination of loans, net of principal collected		1,307	(14,242)
Purchases of premises and equipment		(479)	(189)
Net cash provided by (used in) investing activities		\$ 124	\$ (16,860)
Cash flows from financing activities			
Net increase in deposits	\$	15,035	\$ 16,299
Principal payments on finance lease obligations		(93)	(90)
Principal payments on other borrowings		(149)	(144)
Repurchase of common stock		-	(813)
Dividends paid to common stockholders		(453)	(370)
Net cash provided by financing activities		\$ 14,340	\$ 14,882
Increase in cash and cash equivalents		13,234	2,845
Cash and cash equivalents at beginning of period		\$ 74,838	\$ 61,762
Cash and cash equivalents at end of period		\$ 88,072	\$ 64,607
Supplemental schedule of noncash investing and financing activities			
Noncash transactions			
Fair value adjustment for securities available-for-sale	\$	(1,691)	\$ 3,270
Supplemental disclosures of cash flow information			
Cash transactions			
Cash paid for interest	\$	6,181	\$ 1,507
Cash paid for income taxes		1,465	1,430

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See accompanying notes to these consolidated financial statements

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Bank of the James Financial Group, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

(dollars in thousands, except per share amounts) (unaudited)

	Shares	Common	Additional	Retained	Accumulated	
	Outstanding	Stock	Paid-in	Earnings	Other	Total
			Capital		Comprehensive	
					(Loss)	
Balance at December 31, 2021	<u>4,740,657</u>	<u>\$ 10,145</u>	<u>\$ 37,230</u>	<u>\$ 23,440</u>	<u>\$ (1,386)</u>	<u>\$ 69,429</u>
Net Income	-	-	-	2,139	-	2,139
Dividends paid on common stock (\$0.07 per share)	-	-	-	(332)	-	(332)
Other comprehensive (loss)	-	-	-	-	(10,657)	(10,657)
Balance at March 31, 2022	<u>4,740,657</u>	<u>\$ 10,145</u>	<u>\$ 37,230</u>	<u>\$ 25,247</u>	<u>\$ (12,043)</u>	<u>\$ 60,579</u>
Net Income	-	-	-	2,292	-	2,292
Dividends paid on common stock (\$0.07 per share)	-	-	-	(332)	-	(332)
Other comprehensive (loss)	-	-	-	-	(9,221)	(9,221)
Balance at June 30, 2022	<u>4,740,657</u>	<u>\$ 10,145</u>	<u>\$ 37,230</u>	<u>\$ 27,207</u>	<u>\$ (21,264)</u>	<u>\$ 53,318</u>
Net Income	-	-	-	2,574	-	2,574
Dividends paid on common stock (\$0.07 per share)	-	-	-	(331)	-	(331)

Repurchase of common stock	(112,000)	(240)	(1,162)	-	-	(1,402)
Other comprehensive (loss)	-	-	-	-	(5,820)	(5,820)
Balance at September 30, 2022	4,628,657	\$ 9,905	\$ 36,068	\$ 29,450	\$ (27,084)	\$ 48,339
Balance at December 31, 2022	4,628,657	\$ 9,905	\$ 36,068	\$ 31,034	\$ (26,781)	\$ 50,226
Net Income	-	-	-	1,984	-	1,984
Dividends paid on common stock (\$0.08 per share)	-	-	-	(370)	-	(370)
Repurchase of common stock	(68,619)	(147)	(666)	-	-	(813)
Adoption of ASU 2016-13	-	-	-	(1,599)	-	(1,599)

	Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
Balance at December 31, 2022	4,628,657	\$ 9,905	\$ 36,068	\$ 31,034	\$ (26,781)	\$ 50,226
Adoption of ASU 2016-13	-	-	-	(1,599)	-	(1,599)
Net Income	-	-	-	1,984	-	1,984
Dividends paid on common stock (\$0.08 per share)	-	-	-	(370)	-	(370)
Repurchase of common stock	(68,619)	(147)	(666)	-	-	(813)
Other comprehensive income	-	-	-	-	2,583	2,583
Balance at March 31, 2023	4,560,038	\$ 9,758	\$ 35,402	\$ 31,049	\$ (24,198)	\$ 52,011
Balance at December 31, 2023	4,543,338	\$ 9,723	\$ 35,253	\$ 36,678	\$ (21,615)	\$ 60,039
Net Income	-	-	-	2,187	-	2,187
Dividends paid on common stock (\$0.10 per share)	-	-	-	(453)	-	(453)
Other comprehensive loss	-	-	-	-	(1,336)	(1,336)
Balance at March 31, 2024	4,543,338	\$ 9,723	\$ 35,253	\$ 38,412	\$ (22,951)	\$ 60,437

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See accompanying notes to these consolidated financial statements

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Other comprehensive income	-	-	-	-	2,583	2,583
Balance at March 31, 2023	4,560,038	\$ 9,758	\$ 35,402	\$ 31,049	\$ (24,198)	\$ 52,011
Net Income	-	-	-	2,534	-	2,534
Dividends paid on common stock (\$0.08 per share)	-	-	-	(364)	-	(364)

Repurchase of common stock	(16,700)	(35)	(149)	-	-	(184)
Other comprehensive (loss)	-	-	-	-	(1,265)	(1,265)
Balance at June 30, 2023	4,543,338	\$ 9,723	\$ 35,253	\$ 33,219	\$ (25,463)	\$ 52,732
Net Income	-	-	-	2,078	-	2,078
Dividends paid on common stock (\$0.08 per share)	-	-	-	(366)	-	(366)
Other comprehensive (loss)	-	-	-	-	(4,315)	(4,315)
Balance at September 30, 2023	4,543,338	\$ 9,723	\$ 35,253	\$ 34,931	\$ (29,778)	\$ 50,129

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See accompanying notes to these consolidated financial statements

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Notes to Consolidated Financial Statements

Note 1 – Basis of Presentation

Bank of the James Financial Group, Inc.'s ("Financial" or the "Company") primary market area consists of the area commonly referred to as Region 2000 which encompasses the seven jurisdictions of the Town of Altavista, Amherst County, Appomattox County, the Town of Bedford, Bedford County, Campbell County, and the City of Lynchburg. Within the last several years, the Company expanded into Charlottesville, Roanoke, Blacksburg, Harrisonburg, Lexington, Rustburg, and Wytheville.

The unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. In management's opinion the accompanying financial statements, which unless otherwise noted are unaudited, reflect all adjustments, consisting solely of normal recurring accruals, necessary for a fair presentation of the financial information as of **September 30, 2023** **March 31, 2024** and for the **three three-months ended March 31, 2024** and **nine months ended September 30, 2023 and 2022** in conformity with accounting principles generally accepted in the United States of America. Additional information concerning the organization and business of Financial, accounting policies followed, and other related information is contained in Financial's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. These financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the year ended **December 31, 2022** **December 31, 2023** included in Financial's Annual Report on Form 10-K. Results for the **three and nine month periods** **three-month period ended September 30, 2023** **is March 31, 2024** are not necessarily indicative of the results that may be expected for the year ending **December 31, 2023** **December 31, 2024**.

Note 2 – Significant Accounting Policies and Estimates

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for credit losses **for loans on loans ("ACLL")**.

Significant Accounting Policies and Estimates

Application of the principles of GAAP and practices within the banking industry requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements may reflect different estimates, assumptions, and judgments. Certain policies inherently rely more extensively on the use of estimates, assumptions, and judgments and as such may have a greater possibility of producing results that could be materially different than originally reported.

The Company's significant accounting policies followed in the preparation of the unaudited consolidated financial statements are disclosed in Note **12** of the audited financial statements and notes for the year ended **December 31, 2022** **December 31, 2023** and are contained in the Company's **2022** **2023** Annual Report on Form 10-K. There have been no significant changes to the application of significant accounting policies since **December 31, 2022**, except for the following:

Accounting Standards Adopted in 2023

ASU 2016-13: On January 1, 2023, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 326") **December 31, 2023**. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The CECL methodology requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost are presented at the net amount expected to be collected by using an allowance for credit losses.

In addition, CECL 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 if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell.

The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. At adoption, the after

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Note 2 – Significant Accounting Policies and Estimates (continued)

tax impact to retained earnings was an approximate reduction of \$1.6 million based on our evaluation as of that date. This adjustment consisted of increases to the allowance for credit losses on loans, as well as the Company's allowance for unfunded loan commitments.

The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. The Company did not record an allowance for credit losses for securities classified as available-for-sale or held-to-maturity upon adoption.

The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest.

Allowance for Credit Losses - Held-to-Maturity Securities

The primary indicators of credit quality for the Company's held-to-maturity portfolio are security type and credit rating, which are influenced by a number of factors including obligor cash flow, geography, seniority, among other factors. Currently, the Company's held-to-maturity securities consist completely of securities covered by the explicit or implied guarantee of the United States government or one of its agencies.

Changes in the allowance for credit loss are recorded as provision for (or recovery of) credit losses in the Consolidated Statements of Income. The Company did not have an allowance for credit losses on held-to-maturity securities as of September 30, 2023 March 31, 2024 or upon adoption of ASC 326.

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Note 2 – Significant Accounting Policies and Estimates (continued)

Allowance for Credit Losses - Available-for-Sale Securities

Management evaluates all available-for-sale securities in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specific to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any deficiency is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as a provision for (or recovery of) credit losses in the Consolidated Statements of Income. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At September 30, 2023 March 31, 2024, there was no allowance for credit loss related to the available-for-sale portfolio.

As set forth under "Interest receivable" on the Company's Consolidated Balance Sheets, accrued interest receivable on available-for-sale securities totaled approximately \$1.09 million \$1.23 million at September 30, 2023 March 31, 2024 and was excluded from the estimate of credit losses.

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Note 2 – Significant Accounting Policies and Estimates (continued)
Allowance for Credit Losses - Loans

The allowance for loan credit losses represents an amount which, in management's judgment, is adequate to absorb the lifetime expected losses that may be sustained on outstanding loans at the balance sheet date based on the evaluation of the size and current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions, and prepayment experience. The allowance for loan credit losses is measured and recorded upon the initial recognition of a financial asset. The allowance for loan credit losses is reduced by charge-offs, net of recoveries of previous losses, and is increased or decreased by a provision for (or recovery of) credit losses, which is recorded in the Consolidated Statements of Income.

The With the exception of loans related to agriculture, the Company is utilizing a discounted cash flow model to estimate its current expected credit losses. For the purposes of calculating its quantitative reserves, the Company has segmented its loan portfolio based on loans which share similar risk characteristics. Within the quantitative portion of the calculation, the Company utilizes at least one or a combination of loss drivers, which may include unemployment rates and/or gross domestic product ("GDP"), to adjust its loss rates over a reasonable and supportable forecast period of one year. A straight-line reversion technique is used for the following four quarters, at which time the Company reverts to historical averages. To further adjust the allowance for credit losses for expected losses not already included within the quantitative component of the calculation, the Company may consider qualitative factors, including but not limited to: variability in the economic forecast, changes in volume and severity of adversely classified loans, changes in concentrations of credit, changes in the nature and volume of the loan segments, factors related to credit administration, and other idiosyncratic risks not embedded in the data used in the model.

Loans that do not share risk characteristics are evaluated on an individual basis. The Company designates individually evaluated loans on nonaccrual status as collateral dependent loans, as well as other loans that management of the Company designates as having higher risk and loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral dependent loans, the Company has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The adoption of CECL did not result in a significant change to any other credit risk management and monitoring processes, including identification of past due or delinquent borrowers, nonaccrual practices or charge-off policy.

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Note 2 – Significant Accounting Policies and Estimates (continued)
Allowance for Credit Losses – Unfunded Commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for (or recovery of) credit losses in the Consolidated Statements of Income. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodology as the loan portfolio, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the Company's consolidated balance sheets.

Accrued Interest Receivable

The Company has elected to exclude accrued interest from the amortized cost basis in its determination of the allowance for credit losses for both loans and held-to-maturity securities, as well as elected the policy to write-off accrued interest receivable directly through the reversal of interest income. Accrued interest totaled approximately \$1.62 million \$1.69 million on loans and \$16 thousand on held-to-maturity securities at September 30, 2023 March 31, 2024, and is included in "Interest Receivable" on the Company's Consolidated Balance Sheets.

ASU 2022-02: Revenue Recognition

On January 1, 2023, the Company adopted ASU 2022-02, "Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures." ASU 2022-02 addresses areas identified by the FASB as part of its post-implementation review All of the credit losses standard (ASU 2016-13) that introduced Company's revenue from contracts with customers within the CECL model. The amendments eliminate scope of Accounting Standards Codification (ASC) 606 is recognized in non-interest income as presented in its

consolidated statements of income. ASC 606 is applicable to noninterest revenue streams such as deposit related fees, interchange fees, merchant income, wealth management fees, and annuity and insurance commissions. For a more detailed discussion of noninterest revenue streams within the accounting guidance for troubled debt restructurings ("TDRs") by creditors that have adopted the CECL model and enhance the disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. In addition, the amendments require that the Company disclose current-period gross write-offs for financing receivables and net investment in leases by year scope of origination ASC 606, see "Note 22 – Revenue Recognition" in the vintage disclosures. The Company adopted Company's Annual Report on Form 10-K for the standard prospectively year ended December 31, 2023.

Goodwill

Goodwill arises from business combinations and it did is generally determined as the excess of fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquired entity, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not have amortized, but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a material impact on the financial statements. goodwill impairment test should be performed.

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Note 3 – Earnings Per Common Share (EPS)

The following is a summary of the earnings per share calculation for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,		Three-months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net income	\$ 2,078,000	\$ 2,574,000	\$ 6,596,000	\$ 7,005,000	\$ 2,187,000	\$ 1,984,000
Weighted average number of shares outstanding - basic and diluted	4,543,338	4,683,581	4,568,789	4,721,423	4,543,338	4,618,684
Earnings per common share - basic and diluted	\$ 0.46	\$ 0.55	\$ 1.44	\$ 1.48	\$ 0.48	\$ 0.43

In 2022, all restricted stock units (RSUs) were excluded from calculating diluted earnings per share as the Company elected to settle units vesting in 2022 wholly in cash. There are currently no outstanding RSUs as of September 30, 2023. There were no potentially dilutive shares outstanding in 2023 2024 and 2022, 2023. Consequently, the weighted average shares and weighted average diluted shares were identical.

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Note 4 – Stock Based Compensation

Accounting standards require companies to recognize the cost of employee services received in exchange for awards of equity instruments, such as stock options and restricted stock, based on the fair value of those awards.

At the annual meeting of shareholders held on May 15, 2018, the shareholders approved the Bank of the James Financial Group, Inc. 2018 Equity Incentive Plan (the "2018 Incentive Plan"). The 2018 Incentive Plan permits the issuance of up to 250,000 shares of common stock (as may be adjusted for stock dividends, stock splits, mergers, recapitalizations, and certain other transactions) for awards to key employees of the Company and its subsidiaries in the form of stock options, restricted stock, restricted stock units, stock awards and performance units.

On January 2, 2019, the The Company granted its first block of equity compensation did not make any grants or awards under the 2018 Incentive Plan consisting in 2023 or the first quarter of 24,500 restricted stock units. The recipients of restricted stock units do not receive shares of the Company's stock immediately, but instead may receive shares, cash in lieu of shares, or a combination thereof upon satisfying the requisite service period specified by the terms and conditions of the grant. Additionally, the recipients of restricted stock units do not enjoy the rights of holder of the Company's common stock until the units have vested 2024 and as such, they do not have voting rights of March 31, 2024 and 2023 there were no grants or rights to nonforfeitable dividends. The related compensation expense is based on awards outstanding under the fair value of the Company's stock. The RSUs granted in 2019 vested over 3 years in thirds. The first one-third vested on January 2, 2020, the second one-third vested on January 2, 2021 and the final one-third vested January 2, 2022. The value of all of the vested portions of the grant were settled with cash payments and no shares were issued. 2018 Incentive Plan.

The total expense recognized for the three and nine months ended September 30, 2023 and 2022 in connection with the restricted stock unit awards was \$0. At September 30, 2023, there is no further unrecognized stock-based compensation expense related to the restricted stock units granted on January 2, 2019 as all units have vested and have been settled.

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Note 5 – Fair Value Measurements

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic of FASB ASC, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market and in an orderly transaction between market participants at the measurement date. 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. 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.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in the principal or most advantageous market and in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured 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.

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair Value on a Recurring Basis

Securities Available-for-Sale

Fair values of securities available-for sale are based on quoted prices available in an active market. If quoted prices are available, these securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, mortgage products and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow.

Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Currently, all of the Company's securities are considered to be Level 2 securities.

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Note 5 – Fair Value Measurements (continued)

Derivatives Assets/Liabilities – Interest Rate Lock Commitments (IRLCs)

The Company recognizes IRLCs at fair value based on the price of the underlying loans obtained from an investor for loans that will be delivered on a best efforts basis while taking into consideration the probability that the rate lock commitments will close. All of the Company's IRLCs are classified as Level 3.

The below tables summarize the Company's financial assets that were measured at fair value on a recurring basis during the period.

Description	Carrying Value at September 30, 2023 (in thousands)				Carrying Value at March 31, 2024 (in thousands)			
	Balance as of September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of Mar 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasuries	\$ 4,884	\$ —	\$ 4,884	\$ —				
U.S. agency obligations	59,528	—	59,528	—				
US agency obligations					\$ 64,776	\$ -	\$ 64,776	\$ -
Mortgage-backed securities	65,285	—	65,285	—	94,825	-	94,825	-
Municipals	37,780	—	37,780	—	40,455	-	40,455	-

Corporates	14,500	—	14,500	—	14,766	-	14,766	-
Total available-for-sale securities	\$ 181,977	\$ —	\$ 181,977	\$ —	\$ 214,822	\$ -	\$ 214,822	\$ -
IRLCs - asset	50	—	—	50	142	-	-	142
Total assets at fair value	\$ 182,027	\$ —	\$ 181,977	\$ 50	\$ 214,964	\$ -	\$ 214,822	\$ 142

Carrying Value at December 31, 2023 (in thousands)								
Description	Quoted Prices in Active Markets for Identical Assets				Significant Other Observable Inputs			
	Balance as of Dec 31, 2023				Significant Unobservable Inputs			
	(Level 1)				(Level 2)			
	(Level 3)				(Level 3)			
US Treasuries	\$ 4,947	\$ -	\$ 4,947	\$ -				
US agency obligations	60,955	-	60,955	-				
Mortgage-backed securities	95,079	-	95,079	-				
Municipals	40,789	-	40,789	-				
Corporates	14,740	-	14,740	-				
Total available-for-sale securities	\$ 216,510	\$ -	\$ 216,510	\$ -				
IRLCs - asset	129	-	-	129				
Total assets at fair value	\$ 216,639	\$ -	\$ 216,510	\$ 129				

Carrying Value at December 31, 2022 (in thousands)				
Description	Quoted Prices in Active Markets for Identical Assets			
	Balance as of December 31, 2022			
	(Level 1)			
	(Level 2)			
U.S. Treasuries	\$ 4,741	\$ —	\$ 4,741	\$ —
U.S. agency obligations	59,273	—	59,273	—
Mortgage-backed securities	67,842	—	67,842	—
Municipals	37,855	—	37,855	—
Corporates	16,076	—	16,076	—
Total available-for-sale securities	\$ 185,787	\$ —	\$ 185,787	\$ —
IRLCs – asset	91	—	—	91
Total assets at fair value	\$ 185,878	\$ —	\$ 185,787	\$ 91

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Note 5 – Fair Value Measurements (continued)

The following table provides additional quantitative information about assets measured at fair value on a recurring basis and for which we have utilized Level 3 inputs to determine fair value:

	Quantitative information about Level 3 Fair Value Measurements for September 30, 2023				Quantitative information about Level 3 Fair Value Measurements for March 31, 2024			
	(dollars in thousands)				(dollars in thousands)			
					Range (Weighted Average)			
	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average) (1)	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average) (1)
Assets								

IRLCs – asset	\$ 50	Market approach	Range of pull through rate	70% - 100% (85%)	\$ 142	Market approach	Range of pull through rate	70% - 100% (85%)
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(1) Weighted based on the relative value of the instruments

	Quantitative information about Level 3 Fair Value Measurements for December 31, 2022 (dollars in thousands)				Quantitative information about Level 3 Fair Value Measurements for December 31, 2023 (dollars in thousands)			
	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average) (1)	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average) (1)
Assets								
IRLCs - asset	\$ 91	Market approach	Range of pull through rate	70% - 100% (85%)	\$ 129	Market approach	Range of pull through rate	70% - 100% (85%)

(1) Weighted based on the relative value of the instruments

Fair Value on a Non-recurring Basis

Collateral Dependent Loans with an ACLL

In accordance with ASC 326, **we the Company** may determine that an individual loan exhibits unique risk characteristics which differentiate it from other loans within our loan pools. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Specific allocations of the allowance for credit losses are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other things. A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In such cases, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. **We reevaluate The Company reevaluates** the fair value of collateral supporting collateral dependent loans on a quarterly basis. The fair value of real estate collateral supporting collateral dependent loans is evaluated by appraisal services using a methodology that is consistent with the Uniform Standards of Professional Appraisal Practice. **As of September 30, 2023, we had no collateral dependent loans with an ACLL.**

Loans held Held for sale Sale

Loans held for sale are carried at cost which approximates estimated fair value. These loans currently consist of one-to-four family residential loans originated for sale in the secondary market. Fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, the Company records fair value adjustments on a nonrecurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale during the period ended **September 30, 2023 March 31, 2024**. Gains and losses on the sale of loans are recorded within gains on sales of loans held for sale on the Consolidated Statements of Income.

Other real estate owned Real Estate Owned

Certain assets such as other real estate owned (OREO) are measured at fair value less cost to sell. **We believe The Company believes** that the fair value component in its valuation follows the provisions of ASC 820.

Real estate acquired through foreclosure is transferred to OREO. The measurement of loss associated with OREO is based on the fair value of the collateral compared to the unpaid loan balance and anticipated costs to sell the property. The value of OREO property is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of **Bank of the Bank James (the "Bank")** using observable market data (Level 2).

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Note 5 – Fair Value Measurements (continued)

Any fair value adjustments are recorded in the period incurred and expensed against current earnings. However, in situations where the collateral is a house or building in the process of construction, the appraisal is more than 12 months old, management has determined the fair value of the collateral is further impaired below the appraised value, or the appraisal is not based solely on market comparables adjusted for observable inputs, the value is considered Level 3.

There was no OREO as of **September 30, 2023.**

The following table summarizes the Company's collateral dependent loans both March 31, 2024 and OREO measured at fair value on a nonrecurring basis as of December 31, 2022 (in thousands):

Carrying Value at December 31, 2022

Description	Balance as of December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans*	\$ 854	\$ —	\$ —	\$ 854
Other real estate owned	566	—	—	566

* Includes loans charged down to the net realizable value of the collateral.

The following table sets forth information regarding the quantitative inputs used to value assets classified as Level 3:

Quantitative information about Level 3 Fair Value Measurements for December 31, 2022				
(dollars in thousands)				
Assets	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average) (1)
Impaired loans	\$ 854	Discounted appraised value	Selling cost	0% - 10% (8%)
			Discount for lack of marketability and age of appraisal	0% - 20% (6%)
OREO	566	Discounted appraised value	Selling cost	10%
			Discount for lack of marketability and age of appraisal	0% - 27% (26%)

(1) Weighted based on the relative value of the instruments, December 31, 2023.

Financial Instruments

FASB ASC 825, Financial Instruments, requires disclosure about fair value of financial instruments, including those financial assets and financial liabilities that are not required to be measured and reported at fair value on a recurring or nonrecurring basis. ASC 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. The carrying amounts and estimated fair values of the Company's financial instruments are presented in the following tables whether or not recognized on the Consolidated Balance Sheets at fair value.

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Note 5 – Fair Value Measurements (continued)

The estimated fair values, and related carrying or notional amounts, of Financial's financial instruments and their placement in the fair value hierarchy at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was as follows (in thousands):

	Fair Value Measurements at September 30, 2023 using					Fair Value Measurements at March 31, 2024 using				
	Carrying Amounts	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance	Carrying Amounts	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Assets										
Cash and due from banks	\$ 20,105	\$ 20,105	\$ -	\$ -	20,105	\$ 25,428	\$ 25,428	\$ -	\$ -	25,428
Federal funds sold	79,424	79,424	-	-	79,424	62,644	62,644	-	-	62,644
Securities Available-for-sale	181,977	-	181,977	-	181,977	214,822	-	214,822	-	214,822
Held-to-maturity, net	3,626	-	3,028	-	3,028	3,618	-	3,194	-	3,194
Restricted stock	1,541	-	1,541	-	1,541	1,541	-	1,541	-	1,541
Loans, net (1)	599,585	-	-	561,420	561,420	601,115	-	-	572,478	572,478

Loans held for sale	3,325	-	3,325	-	3,325	4,640	-	4,640	-	4,640
Interest receivable	2,707	-	2,707	-	2,707	2,936	-	2,936	-	2,936
BOLI	21,443	-	21,443	-	21,443	22,344	-	22,344	-	22,344
Derivatives - IRLCs	50	-	-	50	50	142	-	-	142	142
Liabilities										
Deposits	\$ 880,203	\$ -	\$ 876,005	\$ -	\$ 876,005	\$ 893,494	\$ -	\$ 803,646	\$ -	\$ 803,646
Capital notes	10,041	-	9,411	-	9,411	10,044	-	9,846	-	9,846
Other borrowings	10,030	-	9,532	-	9,532	9,741	-	9,667	-	9,667
Interest payable	381	-	381	-	381	522	-	522	-	522
	Fair Value Measurements at December 31, 2022 using					Fair Value Measurements at December 31, 2023 using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Assets	Carrying Amounts					Carrying Amounts				
Cash and due from banks	30,025	\$ 30,025	\$ -	\$ -	30,025	25,613	\$ 25,613	\$ -	\$ -	25,613
Federal funds sold	31,737	31,737	-	-	31,737	49,225	49,225	-	-	49,225
Securities Available-for-sale	185,787	-	185,787	-	185,787	216,510	-	216,510	-	216,510
Held-to-maturity	3,639	-	3,135	-	3,135	3,622	-	3,231	-	3,231
Restricted stock	1,387	-	1,387	-	1,387	1,541	-	1,541	-	1,541
Loans, net (1)	605,366	-	—	564,802	564,802	601,921	-	-	566,655	566,655
Loans held for sale	2,423	-	2,423	-	2,423	1,258	-	1,258	-	1,258
Interest receivable	2,736	-	2,736	-	2,736	2,835	-	2,835	-	2,835
BOLI	19,237	-	19,237	-	19,237	21,586	-	21,586	-	21,586
Derivatives - IRLCs	91	-	—	91	91	129	-	-	129	129
Liabilities										
Deposits	\$ 848,138	\$ -	\$ 850,102	\$ -	\$ 850,102	\$ 878,459	\$ -	\$ 876,846	\$ -	\$ 876,846
Capital notes	10,037	-	9,200	-	9,200	10,042	-	9,854	-	9,854
Other borrowings	10,457	-	9,438	-	9,438	9,890	-	9,861	-	9,861
Interest payable	89	-	89	-	89	480	-	480	-	480

(1) Carrying amount is net of unearned income and the Allowance. ACLL.

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Note 6 – Securities

The following tables summarize the Bank's holdings for both securities held-to-maturity and securities available-for-sale as of **September 30, 2023**, **March 31, 2024** and **December 31, 2022**, **December 31, 2023** (amounts in thousands):

	September 30, 2023				March 31, 2024			
	Amortized Cost	Gross Unrealized		Fair Value	Gross			Fair Value
		Gains	Losses		Amortized Cost	Unrealized Gains	Unrealized Losses	
Held-to-maturity								
U.S. agency obligations	\$ 3,626	\$ —	\$ (598)	\$ 3,028	\$ 3,618	\$ —	\$ (424)	\$ 3,194
Available-for-sale								
U.S. Treasuries	\$ 4,967	\$ —	\$ (83)	\$ 4,884				
U.S. agency obligations	69,591	—	(10,063)	59,528	72,610	15	(7,849)	64,776
Mortgage-backed securities	78,702	—	(13,417)	65,285	104,916	350	(10,441)	94,825
Municipals	50,884	—	(13,104)	37,780	50,828	—	(10,373)	40,455
Corporates	15,527	—	(1,027)	14,500	15,520	—	(754)	14,766
	\$ 219,671	\$ —	\$ (37,694)	\$ 181,977	\$ 243,874	\$ 365	\$ (29,417)	\$ 214,822
	December 31, 2022				December 31, 2023			
	Amortized Cost	Gross Unrealized		Fair Value	Gross			Fair Value
		Gains	Losses		Amortized Cost	Unrealized Gains	Unrealized Losses	
Held-to-maturity								
U.S. agency obligations	\$ 3,639	\$ —	\$ (504)	\$ 3,135	\$ 3,622	\$ —	\$ (391)	\$ 3,231
Available-for-sale								
U.S. Treasuries	\$ 4,912	\$ —	\$ (171)	\$ 4,741	\$ 4,985	\$ —	\$ (38)	\$ 4,947
U.S. agency obligations	68,833	—	(9,560)	59,273	68,515	—	(7,560)	60,955
Mortgage-backed securities	78,955	—	(11,113)	67,842	103,992	608	(9,521)	95,079
Municipals	49,951	—	(12,096)	37,855	50,856	—	(10,067)	40,789
Corporates	17,037	—	(961)	16,076	15,523	—	(783)	14,740
	\$ 219,688	\$ —	\$ (33,901)	\$ 185,787	\$ 243,871	\$ 608	\$ (27,969)	\$ 216,510

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Note 6 – Securities (continued)

The following tables summarize the fair value of securities **available for sale**, **available-for-sale** as of **September 30, 2023**, **March 31, 2024** and **securities available for sale and held-to-maturity** as of **December 31, 2022**, **December 31, 2023** and the corresponding amounts of unrealized losses. Management uses the valuation as of month-end in determining when securities are in an unrealized loss position (amounts in thousands):

September 30, 2023	Less than 12 months	More than 12 months	Total						
March 31, 2024				Less than 12 months		More than 12 months		Total	
				Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale									
U.S. agency obligations				\$2,048	\$ 42	\$ 60,629	\$ 7,807	\$ 62,677	\$ 7,849
Mortgage-backed securities				1,311	6	59,671	10,435	60,982	10,441
Municipals				—	—	40,455	10,373	40,455	10,373
Corporates				—	—	6,766	754	6,766	754
				\$3,359	\$ 48	\$ 167,521	\$ 29,369	\$ 170,880	\$ 29,417
December 31, 2023				Less than 12 months		More than 12 months		Total	
				Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses

	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale												
U.S. Treasuries	\$ —	\$ —	\$ 4,884	\$ 83	\$ 4,884	\$ 83	—	—	4,947	38	4,947	38
U.S. agency obligations	996	1	58,532	10,062	59,528	10,063	—	—	60,955	7,560	60,955	7,560
Mortgage-backed securities	5,154	120	60,131	13,297	65,285	13,417	—	—	62,242	9,521	62,242	9,521
Municipals	1,638	183	36,142	12,921	37,780	13,104	1,799	25	38,990	10,042	40,789	10,067
Corporates	—	—	6,500	1,027	6,500	1,027	—	—	6,740	783	6,740	783
Total	\$ 7,788	\$ 304	\$ 166,189	\$ 37,390	\$ 173,977	\$ 37,694						
							\$1,799	\$ 25	\$173,874	\$ 27,944	\$175,673	\$ 27,969

December 31, 2022	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-maturity						
U.S. agency obligations	\$ 3,135	\$ 504	\$ —	\$ —	\$ 3,135	\$ 504
Available-for-sale						
U.S. Treasuries	4,741	171	—	—	4,741	171
U.S. agency obligations	27,708	2,838	31,565	6,722	59,273	9,560
Mortgage-backed securities	42,024	5,656	25,818	5,457	67,842	11,113
Municipals	10,847	2,245	27,008	9,851	37,855	12,096
Corporates	6,568	469	1,508	492	8,076	961
Total temporarily impaired securities	\$ 95,023	\$ 11,883	\$ 85,899	\$ 22,522	\$ 180,922	\$ 34,405

As of September 30, 2023 March 31, 2024, the Bank Company owned 121 117 securities in an unrealized loss position. Of the securities, 51 28 were S&P rated AAA, 63 82 were rated AA, five three were rated A, one was three were rated BBB, and one was non-rated. As of September 30, 2023 March 31, 2024, 53 of these securities were municipal issues, 60 56 were backed directly or indirectly by the U.S. government, and eight were issues of publicly traded domestic corporations. The Company monitors its municipal and corporate securities by periodically reviewing the issuer's cash-flow and revenue streams, as well as other economic factors that could affect the issuer's ability to service and/or repay the debt.

The Company has evaluated available for sale available-for-sale securities in an unrealized loss position for credit related impairment at September 30, 2023 March 31, 2024 and concluded no impairment existed based on a combination of factors, which included: (1) the securities are of high credit quality (2) unrealized losses are primarily the result of market volatility and increases in market interest rates, (3) the contractual terms of the investments do not permit the issuers to settle the securities at a price less than the par value of each investment, (4) issuers continue to make timely principal and interest payments, and (5) the Company does not intend to sell any of the investments before recovery of its amortized cost basis, nor is it likely that management will be required to sell the securities. As such, there was not an allowance for credit losses on available-for-sale securities at September 30, 2023 March 31, 2024.

The Company's held-to-maturity portfolio is covered by the explicit or implied guarantee of the United States government or one of its agencies and rated investment grade or higher. As a result, the Company did not have an allowance for credit losses on held-to-maturity securities as of September 30, 2023 March 31, 2024 or upon adoption of ASC 326. December 31, 2023.

All held-to-maturity and available for sale available-for-sale securities were current with no securities past due or on nonaccrual as of September 30, 2023 March 31, 2024.

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Note 6 – Securities (continued)

There were no sales of available-for-sale securities during the three three-months ended March 31, 2024 and nine months ended September 30, 2023 and 2022. 2023. As of March 31, 2024, the Company had \$41,865 pledged as collateral for public deposits.

The amortized costs and fair values of securities at September 30, 2023 March 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

September 30, 2023		March 31, 2024	
Amortized Costs	Fair Value	Amortized Costs	Fair Value

Held-to-maturity:				
Due in one year or less	\$ -	\$ -	\$ -	\$ -
Due after one year through five years	-	-	-	-
Due after five years through ten years	2,422	2,079	2,421	2,177
Due after ten years	1,204	949	1,197	1,017
Total securities Held-to-maturity	\$ 3,626	\$ 3,028	\$ 3,618	\$ 3,194
	Amortized Costs	Fair Value	Amortized Costs	Fair Value
Available-for-sale:				
Due in one year or less	\$ 5,963	\$ 5,879	\$ 10,502	\$ 10,203
Due after one year through five years	43,680	39,461	37,477	34,286
Due after five years through ten years	66,288	56,046	64,722	56,765
Due after ten years	103,740	80,591	131,173	113,568
Total securities Available-for-sale	\$ 219,671	\$ 181,977	\$ 243,874	\$ 214,822

Note 7 – Business Segments

The Company has three reportable business segments: (i) a traditional full-service community banking segment, (ii) a mortgage loan origination business, and (iii) a registered investment advisory business (sometimes referred to as the wealth management business). The community banking business segment includes Bank of the James which provides loans, deposits, investments and insurance to retail and commercial customers throughout Region 2000 and other areas within Central Virginia. The mortgage segment provides a variety of mortgage loan products principally within Region 2000. Mortgage loans are originated and sold in the secondary market through purchase commitments from investors with servicing released. Because of the pre-arranged purchase commitments, there is minimal risk to the Company. The investment advisory business offers investment advisory services through Financial's wholly-owned subsidiary, Pettyjohn, Wood & White, Inc.

All of the Company's reportable segments are **service based**. The mortgage business is a gain on sale business and the investment advisory business is fee for service based, while the Bank's primary source of revenue is net interest income. The Bank also provides a referral network for the mortgage origination business and the investment advisory business. The mortgage business may also be in a position to refer its customers to the Bank for banking services when appropriate.

Information about reportable business segments and reconciliation of such information to the consolidated financial statements for the **three months ended March 31, 2024** and **nine months ended September 30, 2023 and 2022** was as follows (dollars in thousands):

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Note 7 – Business Segments (continued)

Business Segments	Community Banking	Mortgage	Investment Advisory Services	Total	Community Banking	Investment Advisory Services	Total
For the three months ended September 30, 2023							
For the three-months ended March 31, 2024							
Net interest income	\$ 7,364	\$ -	\$ -	\$ 7,364	\$ 6,950	\$ -	\$ 6,950
Recovery of credit losses	(164)	-	-	(164)	(553)	-	(553)
Net interest income after recovery of credit losses	7,528	-	-	7,528			
Noninterest income	1,162	989	1,050	3,201			
Noninterest expenses	6,661	1,073	406	8,140			
Income (loss) before income taxes	2,029	(84)	644	2,589			
Income tax expense (benefit)	393	(17)	135	511			
Net income (loss)	\$ 1,636	\$ (67)	\$ 509	\$ 2,078			
Total assets	\$ 945,407	\$ 3,781	\$ 11,699	\$ 960,887			
For the three months ended September 30, 2022							
Net interest income	\$ 7,900	\$ -	\$ -	\$ 7,900			
Recovery of credit losses	(300)	-	-	(300)			
Net interest income after recovery of credit losses	8,200	-	-	8,200			
Net interest income after provision for credit losses					7,503	-	7,503

Noninterest income	1,423	1,472	959	3,854	1,217	927	1,163	3,307
Noninterest expenses	7,095	1,280	504	8,879	6,722	682	684	8,088
Income before income taxes	2,528	192	455	3,175	1,998	245	479	2,722
Income tax expense	505	40	56	601	382	52	101	535
Net income	\$ 2,023	\$ 152	\$ 399	\$ 2,574	\$ 1,616	\$ 193	\$ 378	\$ 2,187
Total assets	\$ 944,890	\$ 4,081	\$ 13,599	\$ 962,570	\$ 968,847	\$ 5,140	\$ 10,904	\$ 984,891
	Community		Investment					
	Banking	Mortgage	Advisory					
			Services	Total				
For the nine months ended September 30, 2023								
For the three-months ended March 31, 2023								
Net interest income	\$ 22,351	\$ -	\$ -	\$ 22,351	\$ 7,642	\$ -	\$ -	\$ 7,642
Recovery of credit losses	(278)	-	-	(278)				
Net interest income after recovery of credit losses	22,629	-	-	22,629				
Provision for credit losses					140	-	-	140
Net interest income after provision for credit losses					7,502	-	-	7,502
Noninterest income	3,526	3,065	3,098	9,689	1,115	923	1,006	3,044
Noninterest expenses	19,751	2,705	1,635	24,091	6,728	756	591	8,075
Income before income taxes	6,404	360	1,463	8,227	1,889	167	415	2,471
Income tax expense	1,248	76	307	1,631	365	35	87	487
Net income	\$ 5,156	\$ 284	\$ 1,156	\$ 6,596	\$ 1,524	\$ 132	\$ 328	\$ 1,984
Total assets	\$ 945,407	\$ 3,781	\$ 11,699	\$ 960,887	\$ 934,789	\$ 1,674	\$ 11,638	\$ 948,101
For the nine months ended September 30, 2022								
Net interest income	\$ 21,414	\$ -	\$ -	\$ 21,414				
Recovery of credit losses	(900)	-	-	(900)				
Net interest income after recovery of credit losses	22,314	-	-	22,314				
Noninterest income	2,909	4,675	2,935	10,519				
Noninterest expenses	18,596	3,889	1,634	24,119				
Income before income taxes	6,627	786	1,301	8,714				
Income tax expense	1,310	165	234	1,709				
Net income	\$ 5,317	\$ 621	\$ 1,067	\$ 7,005				
Total assets	\$ 944,890	\$ 4,081	\$ 13,599	\$ 962,570				

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Note 8 – Loans and allowance for credit losses and OREO

On January 1, 2023, the Company adopted the amendments within ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Accordingly, the Company's financials results for reporting periods beginning after January 1, 2023 are presented in accordance with ASC 326 while prior period amounts have not been adjusted and continue to be reported with legacy GAAP. For a detailed discussion of the impact of the adoption of ASU 2016-13 and information related to loans and credit quality, including accounting policies and methodologies used to estimate the allowance for credit losses, see Note 1.

The Company's primary portfolio segments have changed to align with the methodology applied in estimating the allowance for credit losses under CECL and are reflected as such in the disclosures as of and for the period ended **September 30, 2023** **March 31, 2024** as provided below.

Previously, management's established methodology used to determine the adequacy of the allowance for credit losses that assessed the risks and losses expected in the loan portfolio. For purposes of determining the allowance for credit losses prior to the adoption of CECL, the Bank segmented certain loans in the portfolio by product type. Within these segments, the Bank sub-segmented its portfolio into classes, based on the associated risks. The classifications set forth below for December 31, 2022 and prior periods do not correspond directly to the classifications set forth in the call report (Form FFIEC 041). Management determined that after the adoption of CECL that the classifications set forth below were more appropriate for use in identifying and managing risk in the loan portfolio.

Loan Segments After CECL Adoption: Segments:	Loan Classes After CECL Adoption: Classes:
Commercial	Commercial and Industrial Loans
Commercial Real Estate	Commercial Mortgages – Owner Occupied
	Commercial Mortgages – Non-Owner Occupied
	Commercial Construction/Land
Consumer	Consumer Open-End
	Consumer Closed-End
Residential	Residential Mortgages
	Residential Consumer Construction/Land

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Note 8 – Loans and allowance for credit losses and OREO (continued)

A summary of loans, net (1) of deferred costs of \$923 and \$961 as of March 31, 2024 and December 31, 2023, respectively, is as follows (dollars in thousands):

	As of September 30, 2023
Commercial	\$ 65,827
Commercial Real Estate:	
Commercial Mortgages-Owner Occupied	128,646
Commercial Mortgages-Non-Owner Occupied	177,073
Commercial Construction/Land	23,745
Consumer	
Consumer Open-End	52,023
Consumer Closed-End	25,908
Residential:	
Residential Mortgages	103,273
Residential Consumer Construction/Land	30,410
Total loans	\$ 606,905
Less allowance for credit losses	7,320
Net loans	\$ 599,585
	As of December 31, 2022
Commercial	\$ 95,885
Commercial Real Estate:	
Commercial Mortgages-Owner Occupied	135,189
Commercial Mortgages-Non-Owner Occupied	206,701
Commercial Construction	12,135
Consumer	
Consumer Unsecured	2,828
Consumer Secured	95,131
Residential:	
Residential Mortgages	43,049
Residential Consumer Construction	20,707
Total loans	\$ 611,625
Less allowance for credit losses	6,259
Net loans	\$ 605,366

Includes net deferred costs of \$982 and \$1,114 as of September 30, 2023 and December 31, 2022, respectively.

	As of March 31, 2024	As of December 31, 2023
Commercial	\$ 68,257	\$ 65,324
Commercial Real Estate:		
Commercial Mortgages-Owner Occupied	133,346	131,519
Commercial Mortgages-Non-Owner Occupied	172,178	175,344
Commercial Construction/Land	22,364	21,966
Consumer:		
Consumer Open-End	48,073	50,282
Consumer Closed-End	26,691	26,235
Residential:		
Residential Mortgages	105,417	106,990
Residential Consumer Construction/Land	31,709	31,673
Total loans	\$ 608,035	\$ 609,333
Less allowance for credit losses	6,920	7,412
Net loans	\$ 601,115	\$ 601,921

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Note 8 – Loans and allowance for credit losses and OREO (continued)

The following table presents the amortized cost basis of collateral dependent loans by loan segment:

Collateral Dependent Loans (dollars in thousands)	September 30, 2023	
	Business/Other Assets	Real Estate
Commercial	\$ 394	\$ -
Commercial Real Estate	-	3,736
Consumer	-	307
Residential	-	1,114
Total	\$ 394	\$ 5,157

Impaired loans by class as of and for the period ended December 31, 2022 were as follows:

Impaired Loans (dollars in thousands)					
As of and For the Year Ended December 31, 2022					
	Recorded Investment (1)	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
2022					
With No Related Allowance Recorded:					
Commercial	\$ -	\$ -	\$ -	9	-
Commercial Real Estate					
Commercial Mortgages-Owner Occupied	554	581	-	1,573	48
Commercial Mortgage Non-Owner Occupied	518	526	-	310	23
Commercial Construction	-	-	-	-	-
Consumer					
Consumer Unsecured	-	-	-	-	-
Consumer Secured	249	249	-	154	12
Residential					
Residential Mortgages	1,345	1,428	-	1,331	54

Residential Consumer Construction	-	-	-	-	-
With an Allowance Recorded:					
Commercial	\$ -	\$ -	\$ -	-	-
Commercial Real Estate					
Commercial Mortgages-Owner Occupied	-	-	-	-	-
Commercial Mortgage Non-Owner Occupied	-	-	-	-	-
Commercial Construction	-	-	-	-	-
Consumer					
Consumer Unsecured	-	-	-	-	-
Consumer Secured	-	-	-	-	-
Residential					
Residential Mortgages	-	-	-	-	-
Residential Consumer Construction	-	-	-	-	-
Totals:					
Commercial	\$ -	\$ -	\$ -	9	\$ -
Commercial Real Estate					
Commercial Mortgages-Owner Occupied	554	581	-	1,573	48
Commercial Mortgage Non-Owner Occupied	518	526	-	310	23
Commercial Construction	-	-	-	-	-
Consumer					
Consumer Unsecured	-	-	-	-	-
Consumer Secured	249	249	-	154	12
Residential					
Residential Mortgages	1,345	1,428	-	1,331	54
Residential Consumer Construction	-	-	-	-	-
	<u>\$ 2,666</u>	<u>\$ 2,784</u>	<u>\$ -</u>	<u>\$ 3,377</u>	<u>\$ 137</u>

Collateral Dependent Loans (dollars in thousands)	March 31, 2024	
	Business/Other Assets	Real Estate
Commercial	\$ 3,969	\$ -
Commercial Real Estate	-	7,524
Consumer	-	327
Residential	-	1,101
Total	<u>\$ 3,969</u>	<u>\$ 8,952</u>

Collateral Dependent Loans (dollars in thousands)	December 31, 2023	
	Business/Other Assets	Real Estate
Commercial	\$ 313	\$ -
Commercial Real Estate	-	3,566
Consumer	-	329
Residential	-	1,105
Total	<u>\$ 313</u>	<u>\$ 5,000</u>

(1) Recorded Investment is net of charge-offs and interest paid while a loan is in nonaccrual status.

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Note 8 – Loans, allowance for credit losses and OREO (continued)

The following tables present the activity in the allowance for credit losses for the year-to-date periods ended and the distribution of the allowance by segment as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Allowance for Credit Losses and Recorded Investment in Loans

(dollars in thousands)					
As of and For the Nine Months Ended September 30, 2023					
2023	Commercial				
	Commercial	Real Estate	Consumer	Residential	Total
Allowance for Credit Losses:					
Beginning Balance, December 31, 2022	\$ 1,102	\$ 2,902	\$ 904	\$ 1,351	\$ 6,259
Adoption of ASU 2016-13	(526)	1,157	257	357	1,245
Charge-Offs	(137)	-	(56)	(3)	(196)
Recoveries	50	91	42	17	200
Provision (Recovery of)	23	(187)	(41)	17	(188)
Ending Balance, September 30, 2023	512	3,963	1,106	1,739	7,320
Ending Balance: Individually evaluated	-	-	-	-	-
Ending Balance: Collectively evaluated	512	3,963	1,106	1,739	7,320
Totals:	\$ 512	\$ 3,963	\$ 1,106	\$ 1,739	\$ 7,320
Financing Receivables:					
Ending Balance: Individually evaluated	\$ 394	\$ 3,736	\$ 307	\$ 1,114	\$ 5,551
Ending Balance: Collectively evaluated	65,433	325,728	77,624	132,569	601,354
Totals:	\$ 65,827	\$ 329,464	\$ 77,931	\$ 133,683	\$ 606,905

Allowance for Credit Losses and Recorded Investment in Loans					
(dollars in thousands)					
As of and For the Three Months Ended March 31, 2024					
2024	Commercial				
	Commercial	Real Estate	Consumer	Residential	Total
Allowance for Credit Losses:					
Beginning Balance, December 31, 2023	\$ 514	\$ 3,985	\$ 1,093	\$ 1,820	\$ 7,412
Charge-Offs	(8)	-	(57)	-	(65)
Recoveries	65	1	7	1	74
Provision for (recovery of)	73	(344)	(159)	(71)	(501)
Ending Balance, March 31, 2024	\$ 644	\$ 3,642	\$ 884	\$ 1,750	\$ 6,920

Note 8 – Loans, allowance for credit losses and OREO (continued)

As of and For the Year Ended December 31, 2022					
2022	Commercial				
	Commercial	Real Estate	Consumer	Residential	Total
Allowance for Credit Losses:					

Beginning Balance	\$ 1,471	\$ 3,637	\$ 860	\$ 947	\$ 6,915
Charge-Offs	-	(137)	(25)	-	(162)
Recoveries	104	212	18	72	406
Provision (Recovery of)	(473)	(810)	51	332	(900)
Ending Balance	1,102	2,902	904	1,351	6,259
Ending Balance: Individually evaluated for impairment	-	-	-	-	-
Ending Balance: Collectively evaluated for impairment	1,102	2,902	904	1,351	6,259
Totals:	\$ 1,102	\$ 2,902	\$ 904	\$ 1,351	\$ 6,259
Financing Receivables:					
Ending Balance: Individually evaluated for impairment	\$ -	\$ 1,072	\$ 249	\$ 1,345	\$ 2,666
Ending Balance: Collectively evaluated for impairment	95,885	352,953	97,710	62,411	608,959
Totals:	\$ 95,885	\$ 354,025	\$ 97,959	\$ 63,756	\$ 611,625

As of and For the Three Months Ended March 31, 2023					
2023	Commercial				
	Commercial	Real Estate	Consumer	Residential	Total
Allowance for Credit Losses:					
Beginning Balance, December 31, 2022	\$ 1,102	\$ 2,902	\$ 904	\$ 1,351	\$ 6,259
Adoption of ASU 2016-13	(526)	1,157	257	357	1,245
Charge-Offs	(17)	-	(16)	-	(33)
Recoveries	9	88	5	2	104
Provision for (recovery of)	33	(52)	11	148	140
Ending Balance, March 31, 2023	\$ 601	\$ 4,095	\$ 1,161	\$ 1,858	\$ 7,715

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Note 8 – Loans and allowance for credit losses and OREO (continued)

Credit Quality Indicators

The Bank's internal risk rating system is in place to grade commercial and commercial real estate loans. Category ratings are reviewed periodically by lenders and the credit review area of the Bank based on the borrower's individual situation. Additionally, internal and external monitoring and review of credits are conducted on an annual basis.

Below is a summary and definition of the Bank's risk rating categories:

RATING 1	Excellent
RATING 2	Above Average
RATING 3	Satisfactory
RATING 4	Acceptable / Low Satisfactory
RATING 5	Monitor
RATING 6	Special Mention
RATING 7	Substandard
RATING 8	Doubtful
RATING 9	Loss

- ☐ "Pass." These are loans having risk ratings of 1 through 4. Pass loans are to persons or business entities with an acceptable financial condition, appropriate collateral margins, appropriate cash flow to service the existing loan, and an appropriate leverage ratio. The borrower has paid all obligations as agreed and it is expected that this type of payment history will continue. When necessary, acceptable personal guarantors support the loan.
- ☐ "Monitor." These are loans having a risk rating of 5. Monitor loans have currently acceptable risk but may have the potential for a specific defined weakness in the borrower's operations and the borrower's ability to generate positive cash flow on a sustained basis. The borrower's recent payment history may currently or in the future be characterized by late payments. The Bank's risk exposure is mitigated by collateral supporting the loan. The collateral is considered to be well-margined, well maintained, accessible and readily marketable.
- ☐ "Special Mention." These are loans having a risk rating of 6. Special Mention loans have weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the bank's credit position at some future date. Special Mention loans are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. These loans do warrant more than routine monitoring due to a weakness caused by adverse events.
- ☐ "Substandard." These are loans having a risk rating of 7. Substandard loans are considered to have specific and well-defined weaknesses that jeopardize the viability of the Bank's credit extension. The payment history for the loan has been inconsistent and the expected or projected primary repayment source may be inadequate to service the loan. The estimated net liquidation value of the collateral pledged and/or ability of the personal guarantor(s) to pay the loan may not adequately protect the Bank. There is a distinct possibility that the Bank will sustain some loss if the deficiencies associated with the loan are not corrected in the near term. A substandard loan would not automatically meet our definition of impaired unless the loan is significantly past due and the borrower's performance and financial condition provides evidence that it is probable that the Bank will be unable to collect all amounts due.
- ☐ "Doubtful." These are loans having a risk rating of 8. Doubtful rated loans have all the weaknesses inherent in a loan that is classified substandard but with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high.
- ☐ "Loss." These are loans having a risk rating of 9. Loss rated loans are not considered collectible under normal circumstances and there is no realistic expectation for any future payment on the loan. Loss rated loans are fully charged off.

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The table below details the amortized cost of the classes of loans by credit quality indicator and year of origination as of September 30, 2023 March 31, 2024

	2024	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total	
Commercial:										
Risk Rating										
Pass	\$ 5,114,486	\$ 4,921,458	\$ 9,499,401	\$ 7,010,889	\$ 2,974,198	\$ 19,014,037	\$ 16,426,18,579	\$ 64,958,63,819	\$ 43,35	
Special Mention	-80	-	-	134	-128	-	269,159	403,367	-	
Substandard	-	19,954	233,17	230	7	207,124	2,530	466,3,855	180,181	
Total	\$ 5,114,498	\$ 4,940,541	\$ 9,732,401	\$ 7,144,912	\$ 2,981,211	\$ 19,221,21,161	\$ 16,695,21,268	\$ 65,827,68,041	\$ 223,216	
Commercial Real Estate:										
Commercial Mort.										
- Owner Occupied										
Risk Rating										
Pass	\$ 6,944,582	\$ 22,122,9,248	\$ 46,430,22,450	\$ 8,181,42,190	\$ 9,141,7,661	\$ 32,094,39,290	\$ 1,115,1,418	\$ 126,027,127,739	\$ 162,158	
Special Mention	-	-	-	-	-	462,449	-	462,449	-	
Substandard	94.00	107,94	-	46,3,036	290,45	1,620,1,825	-	2,157,5,000	-	
Total	\$ 7,038,582	\$ 22,229,9,342	\$ 46,430,22,450	\$ 8,227,45,226	\$ 9,431,7,706	\$ 34,176,41,564	\$ 1,115,1,418	\$ 128,646,133,188	\$ 162,158	

Commercial Mort.

- Non-Owner

Occupied

Risk Rating																											
Pass	\$	11,874	905	\$	52,960	12,577	\$	35,694	51,521	\$	10,344	34,246	\$	4,466	10,076	\$	54,146	55,672	\$	6,416	6,008	\$	175,900	171,005	\$	-	
Special Mention		-			-			-			-				-			-				-				-	
Substandard		-			-			-			-			1,173			-					-			1,173		-
Total	\$	11,874	905	\$	52,960	12,577	\$	35,694	51,521	\$	10,344	34,246	\$	5,639	11,249	\$	54,146	55,672	\$	6,416	6,008	\$	177,073	172,178	\$	-	

Commercial

Construction/Land

Risk Rating																										
Pass	\$	553	1,721	\$	6,290	2,247	\$	9,935	787	\$	3,096	9,753	\$	635	2,780	\$	473	1,074	\$	2,357	2,650	\$	23,339	21,012	\$	-
Special Mention																										-
Substandard																										-
Total	\$	553	1,721	\$	6,290	2,247	\$	10,341	1,757	\$	3,096	10,135	\$	635	2,780	\$	473	1,074	\$	2,357	2,650	\$	23,745	22,364	\$	-

Consumer:

Consumer - Open-

End

Risk Rating																			
Pass	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	51,804	\$	51,804	\$	1,081	\$
Special Mention		<div></div>		-		<div></div>		<div></div>		<div></div>		<div></div>		<div></div>		-		-	
Substandard		-		-		-		-		-		-		219	241		219	241	
Total	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	52,023	\$	52,023	\$	1,081	\$

Consumer -

Closed-End

Risk Rating																								
Pass	\$	4,128	1,828	\$	11,680	5,162	\$	675	10,725	\$	562	518	\$	8,034	494	\$	665	\$	-7,742	\$	25,744	\$	26,469	
Special Mention		-			-			-			15			-13			-			-		15	13	-
Substandard		-			-			-			-			32			117	209		-		149	209	-
Total	\$	4,128	1,828	\$	11,680	5,162	\$	675	10,725	\$	577	518	\$	8,066	507	\$	782	\$	-7,951	\$	25,908	\$	26,691	

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Residential:																				
Residential																				
Mortgages																				
Risk Rating																				
Pass	\$	22,245 \$	24,834 \$	10,276 \$	9,110 \$	7,260 \$	26,378 \$	- \$	100,103 \$	- \$	2,544 \$	26,225 \$	24,277 \$	9,517 \$	8,861 \$	32,200 \$				
Special																				
Mention		-	-	-	-	-	1,716	-	1,716	-	-	-	-	-	-	40				
Substandard		-	-	-	105	56	1,293	-	1,454	-	-	-	-	-	104	1,270				
Total	\$	22,245 \$	24,834 \$	10,276 \$	9,215 \$	7,316 \$	29,387 \$	- \$	103,273 \$	- \$	2,544 \$	26,225 \$	24,277 \$	9,517 \$	8,965 \$	33,880 \$				
Residential																				
Consumer																				
Constr./Land																				
Risk Rating																				
Pass	\$	6,116 \$	10,745 \$	6,270 \$	2,520 \$	2,173 \$	2,586 \$	- \$	30,410 \$	- \$	1,351 \$	13,009 \$	8,882 \$	3,112 \$	1,186 \$	4,160 \$				
Special																				
Mention		-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Substandard		-	-	-	-	-	-	-	-	-	-	-	-	-	-					

Total	\$	6,116 \$	10,745 \$	6,270 \$	2,520 \$	2,173 \$	2,586 \$	- \$	30,410 \$	- \$	1,351 \$	13,009 \$	8,882 \$	3,112 \$	1,186 \$	4,16
Totals:																
Risk Rating																
Pass	\$	56,974 \$	133,552 \$	118,779 \$	40,823 \$	34,683 \$	135,356 \$	78,118 \$	598,285 \$	1,286 \$	18,699 \$	72,926 \$	122,643 \$	108,228 \$	33,042 \$	161,19
Special																
Mention		-	-	-	149	-	2,178	269	2,596	-	80	-	-	-	141	85
Substandard		94	126	639	151	1,558	3,237	219	6,024	180	-	1,048	987	3,648	1,322	3,43
Total	\$	57,068 \$	133,678 \$	119,418 \$	41,123 \$	36,241 \$	140,771 \$	78,606 \$	606,905 \$	1,466 \$	18,779 \$	73,974 \$	123,630 \$	111,876 \$	34,505 \$	165,48

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Note 8 – Loans and allowance for credit losses (continued)

The table below details the amortized cost of the classes of loans by credit quality indicator and OREO year of origination as of December 31 31, 2023.

Term Loans Amortized Cost Basis by Origination Year

	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total	Revolving Loans Converted to Term
Commercial									
Risk Rating									
Pass	\$ 6,724	\$ 4,559	\$ 9,091	\$ 6,067	\$ 2,754	\$ 18,429	\$ 16,703	\$ 64,327	\$ 39
Special Mention	100	-	-	132	-	-	382	614	-
Substandard	-	18	232	-	6	127	-	383	181
Total	\$ 6,824	\$ 4,577	\$ 9,323	\$ 6,199	\$ 2,760	\$ 18,556	\$ 17,085	\$ 65,324	\$ 220
Commercial Real Estate:									
Commercial Mort. - Owner Occupied									
Risk Rating									
Pass	\$ 10,260	\$ 23,120	\$ 45,838	\$ 7,972	\$ 8,988	\$ 31,254	\$ 1,630	\$ 129,062	\$ 159
Special Mention	-	-	-	-	-	456	-	456	-
Substandard	94	-	-	45	283	1,579	-	2,001	-
Total	\$ 10,354	\$ 23,120	\$ 45,838	\$ 8,017	\$ 9,271	\$ 33,289	\$ 1,630	\$ 131,519	\$ 159
Commercial Mort. - Non-Owner Occupied									
Risk Rating									
Pass	\$ 13,069	\$ 52,341	\$ 35,419	\$ 10,210	\$ 4,397	\$ 52,583	\$ 6,152	\$ 174,171	\$ -
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	1,173	-	-	-	1,173	-
Total	\$ 13,069	\$ 52,341	\$ 35,419	\$ 11,383	\$ 4,397	\$ 52,583	\$ 6,152	\$ 175,344	\$ -
Commercial Construction/Land									
Risk Rating									
Pass	\$ 1,848	\$ 3,157	\$ 9,869	\$ 2,842	\$ 628	\$ 463	\$ 2,768	\$ 21,575	\$ -
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	391	-	-	-	-	391	-
Total	\$ 1,848	\$ 3,157	\$ 10,260	\$ 2,842	\$ 628	\$ 463	\$ 2,768	\$ 21,966	\$ -
Consumer:									
Consumer - Open-End									
Risk Rating									
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,042	\$ 50,042	\$ 1,466
Special Mention	-	-	-	-	-	-	-	-	-

Substandard	-	-	-	-	-	-	240	240	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,282	\$ 50,282	\$ 1,466

Consumer - Closed-End

Risk Rating									
Pass	\$ 5,587	\$ 11,121	\$ 588	\$ 529	\$ 7,647	\$ 601	\$ -	\$ 26,073	\$ -
Special Mention	-	-	-	14	-	-	-	14	-
Substandard	-	-	-	-	32	116	-	148	-
Total	\$ 5,587	\$ 11,121	\$ 588	\$ 543	\$ 7,679	\$ 717	\$ -	\$ 26,235	\$ -

Residential:

Residential Mortgages

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Risk Rating									
Pass	\$ 26,854	\$ 24,740	\$ 10,220	\$ 9,007	\$ 7,161	\$ 25,935	\$ -	\$ 103,917	\$ -
Special Mention	-	-	-	-	-	1,687	-	1,687	-
Substandard	-	-	-	105	54	1,227	-	1,386	-
Total	\$ 26,854	\$ 24,740	\$ 10,220	\$ 9,112	\$ 7,215	\$ 28,849	\$ -	\$ 106,990	\$ -

Residential Consumer Construction/Land

Risk Rating									
Pass	\$ 10,762	\$ 11,341	\$ 3,821	\$ 1,414	\$ 1,896	\$ 2,417	\$ -	\$ 31,651	\$ -
Special Mention	-	-	22	-	-	-	-	22	-
Substandard	-	-	-	-	-	-	-	-	-
Total	\$ 10,762	\$ 11,341	\$ 3,843	\$ 1,414	\$ 1,896	\$ 2,417	\$ -	\$ 31,673	\$ -

Totals:

Risk Rating									
Pass	\$ 75,104	\$ 130,379	\$ 114,846	\$ 38,041	\$ 33,471	\$ 131,682	\$ 77,295	\$ 600,818	\$ 1,664
Special Mention	100	-	22	146	-	2,143	382	2,793	-
Substandard	94	18	623	1,323	375	3,049	240	5,722	181
Total	\$ 75,298	\$ 130,397	\$ 115,491	\$ 39,510	\$ 33,846	\$ 136,874	\$ 77,917	\$ 609,333	\$ 1,845

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Note 8 – Loans and allowance for credit losses (continued)

The following table details the current period gross charge-offs of loans by year of origination as of **September 30, 2023** **March 31, 2024** and **December 31, 2023**.

	Revolving Loans Amortized							Revolving Loans Converted to							Revolving Loans Amortized		
	2023	2022	2021	2020	2019	Prior	Cost Basis	Total	Term	2024	2023	2022	2021	2020	Prior	Cost Basis	
Commercial	\$ -	\$ -	\$ -	\$ 17	\$ -	\$ 120	\$ -	\$ 137	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note 8 – Loans and allowance for credit losses and OREO (continued)

The following tables present credit quality nonaccrual information by class of loans as of December 31, 2022, March 31, 2024 and December 31, 2023.

Credit Quality Information - by Class						
December 31, 2022						
2022	Pass	Monitor	Special Mention	Substandard	Doubtful	Totals
Commercial	\$ 89,889	\$ 4,418	\$ 1,465	\$ 113	\$ —	\$ 95,885
Commercial Real Estate:						
Commercial Mortgages-Owner Occupied	132,686	1,931	—	572	—	135,189
Commercial Mortgages-Non-Owner Occupied	204,810	—	1,182	709	—	206,701
Commercial Construction	12,126	9	—	—	—	12,135
Consumer						
Consumer Unsecured	2,809	—	19	—	—	2,828
Consumer Secured	94,788	—	—	343	—	95,131
Residential:						
Residential Mortgages	41,591	—	—	1,458	—	43,049
Residential Consumer Construction	19,178	1,529	—	—	—	20,707
Totals	\$ 597,877	\$ 7,887	\$ 2,666	\$ 3,195	\$ —	\$ 611,625

Loans on Non-Accrual Nonaccrual Status
(dollars in thousands)

	CECL September 30, 2023 Nonaccrual Loans			Incurred Loss December 31, 2022 Nonaccrual Loans	CECL March 31, 2024 Nonaccrual Loans		
	With No Allowance	With an Allowance	Total		With No Allowance	With an Allowance	Total
Commercial	\$ 72	\$ -	\$ 72	\$ -			
Commercial Real Estate:							
Commercial Mortgages – Owner Occupied	107	-	107	-			
Commercial Mortgages-Non-Owner Occupied	-	-	-	518			
Commercial Construction/Land	406	-	406	-	\$ 382	- \$	382
Consumer							
Consumer Open-End	-	-	-	-	24	-	24
Consumer Closed-End	-	-	-	20	152	-	152
Residential:							
Residential Mortgages	-	-	-	95			
Residential Consumer Construction	-	-	-	-			
Total	\$ 585	\$ -	\$ 585	\$ 633	\$ 558	- \$	558
					CECL December 31, 2023 Nonaccrual Loans		
					With No Allowance	With an Allowance	Total
Commercial Real Estate:							
Commercial Construction/Land					\$ 391	- \$	391

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Note 8 – Loans and allowance for credit losses and OREO (continued)

The following tables present an aging analysis of the loan portfolio by class and past due as of **September 30, 2023**, **March 31, 2024** and **December 31, 2023**.

Age Analysis of Past Due Loans as of September 30, 2023																
Age Analysis of Past Due Loans as of March 31, 2024								Age Analysis of Past Due Loans as of March 31, 2024								
	Greater							Recorded Investment	Greater							Recorded Investment
	30-59	60-89	Greater	Total												
2023	Days	Days	than	Past	Total	Total	> 90 Days &									
2024									60-30-59	89	than	Total	Total	> 90 Days		
	Past Due	Past Due	90 Days	Due	Current	Loans	Accruing		Past Due	Past Due	90	Due	Current	Loans	Accruing	
Commercial	\$ 72	\$ —	\$ —	\$ 72	\$ 65,755	\$ 65,827	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 68,257	\$ 68,257	\$ —	
Commercial Real Estate:																
Commercial Mortgages-Owner Occupied	—	107	—	107	128,539	128,646	—	199	—	—	—	199	133,147	133,346	—	
Commercial Mortgages-Non-Owner Occupied	—	—	—	—	177,073	177,073	—	—	—	—	—	—	172,178	172,178	—	
Commercial Construction/Land	—	—	—	—	23,745	23,745	—	—	—	—	—	—	22,364	22,364	—	
Consumer:																
Consumer Open-End	175	—	—	175	51,848	52,023	—	193	—	24	217	47,856	48,073	—	—	
Consumer Closed-End	162	—	—	162	25,746	25,908	—	19	—	86	105	26,586	26,691	—	—	
Residential:																
Residential Mortgages	595	—	—	595	102,678	103,273	—	1,105	74	—	1,179	104,238	105,417	—	—	
Residential Consumer Construction/Land	—	—	—	—	30,410	30,410	—	6	—	—	6	31,703	31,709	—	—	
Total	\$ 1,004	\$ 107	\$ —	\$ 1,111	\$ 605,794	\$ 606,905	\$ —	\$ 1,522	\$ 74	\$ 110	\$ 1,706	\$ 606,329	\$ 608,035	\$ —	—	
Age Analysis of Past Due Loans as of December 31, 2022																
Age Analysis of Past Due Loans as of December 31, 2023								Age Analysis of Past Due Loans as of December 31, 2023								
2022	Greater							Investment	Greater							Investment
2023																
	30-59	60-89	Greater	Total					30-59	60-89	Greater	Total	Total	> 90 Days		
	Days	Days	than	Past	Total	Total	> 90 Days &		Days	Days	than	Past	Total	&		
	Past Due	Past Due	90 Days	Due	Current	Loans	Accruing		Past Due	Past Due	90	Due	Current	Loans	Accruing	
Commercial	\$ 52	\$ 194	\$ —	\$ 246	\$ 95,639	\$ 95,885	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 65,324	\$ 65,324	\$ —	
Commercial Real Estate:																
Commercial Mortgages-Owner Occupied	—	—	—	—	135,189	135,189	—	91	—	—	—	91	131,428	131,519	—	
Commercial Mortgages-Non-Owner Occupied	55	—	—	55	206,646	206,701	—	—	—	—	—	—	175,344	175,344	—	
Commercial Construction	—	397	—	397	11,738	12,135	—	—	—	—	—	—	—	—	—	
Commercial Construction/Land	—	—	—	—	—	—	—	—	—	—	—	—	21,966	21,966	—	
Consumer:																
Consumer Unsecured	15	—	—	15	2,813	2,828	—	357	—	—	357	49,925	50,282	—	—	
Consumer Secured	62	—	13	75	95,056	95,131	—	126	89	—	215	26,020	26,235	—	—	
Consumer Open-End	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Consumer Closed-End	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	

Residential:														
Residential Mortgages	139	—	95	234	42,815	43,049	—	396	—	—	396	106,594	106,990	—
Residential Consumer Construction	—	—	—	—	20,707	20,707	—							
Residential Consumer Construction/Land								—	—	—	—	31,673	31,673	—
Total	\$ 323	\$ 591	\$ 108	\$ 1,022	\$ 610,603	\$ 611,625	\$ —	\$ 970	\$ 89	\$ —	\$ 1,059	\$ 608,274	\$ 609,333	\$ —

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Note 8 – Loans and allowance for credit losses and OREO (continued)

Occasionally, the Bank modifies loans to borrowers experiencing financial difficulties by providing principal forgiveness, term extensions, interest rate reductions or payment deferrals. As the effect of most modifications is already included in the allowance for credit losses due to the measurement methodologies used in its estimate, the allowance for credit losses is typically not adjusted upon modification. When principal forgiveness is provided at modification, the amount forgiven is charged against the allowance for credit losses.

There were no loan modifications to borrowers experiencing financial difficulty during the three and nine months three-months ended September 30, 2023 March 31, 2024 or March 31, 2023.

Troubled Debt Restructurings (TDR)

There were As of March 31, 2024, no loan modifications that would previously modified loans have been classified as TDRs during the three and nine months ended September 30, 2022.

There were no loan modifications classified as TDRs within defaulted in the last twelve months that defaulted during the three and nine months ended September 30, 2022.

The Company adopted ASU 2022-02 on January 1, 2023, which eliminated the accounting guidance for TDRs.

months.

ACL on Unfunded Commitments

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable by the Company. The allowance for off-balance sheet credit exposures is adjusted as a provision for (or recovery of) credit losses in the Consolidated Statements of Income. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for loan credit losses. The allowance for credit losses for unfunded loan commitments of \$690,000 \$613,000 at September 30, 2023 March 31, 2024, is separately classified within Other Liabilities on the Consolidated Balance Sheets.

The following table presents the balance and activity in the ACL for unfunded commitments for the nine months three-months ended September 30, 2023 March 31, 2024 and March 31, 2023:

Allowance for Credit Losses on Unfunded Commitments

Balance, December 31, 2023	\$	665
Recovery of credit losses		(52)
Balance March 31, 2024	\$	613
Balance, December 31, 2022	\$	-
Adoption of ASU 2016-13		779
Recovery of Provision for credit losses		(89) 30
Balance September 30, 2023 March 31, 2023	\$	690 809

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Note 8 – Loans and allowance for credit losses and OREO (continued)

Other Real Estate Owned

We also classify other real estate owned (OREO) as a nonperforming asset. OREO represents real property owned by the Bank which was acquired through purchase at foreclosure or from the borrower through a deed in lieu of foreclosure. There were no OREO decreased to \$0 properties on September 30, 2023 from \$566 on March 31, 2024 and December 31, 2022 2023. The decrease was a result of the sale of two OREO properties for a total of \$540, one of which had previously been written down by \$26. The following table represents the changes in OREO balance during the nine months three-months ended September 30, 2023 March 31, 2024 and year ended December 31, 2022 December 31, 2023.

OREO Changes
(dollars in thousands)

	Nine Months Ended Year Ended		Three-months Ended Year Ended	
	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Balance at the beginning of the year (net)	\$ 566	\$ 761	\$ —	\$ 566
Transfers from loans	—	—	—	—
Capitalized costs	—	—	—	—
Valuation adjustments	(23)	(195)	—	(23)
Sales proceeds	(540)	—	—	(540)
Loss on disposition	(3)	—	—	(3)
Balance at the end of the period (net)	\$ —	\$ 566	\$ —	\$ —

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had no consumer mortgage loans secured by residential real estate for which foreclosure was in process. The Company held no residential real estate properties in other real estate owned as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Note 9 – Revenue Recognition

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to noninterest revenue streams such as deposit related fees, interchange fees, merchant income, and annuity and insurance commissions. Noninterest revenue streams in-scope of Topic 606 are discussed below.

Service Charges

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business checking accounts), monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or at the end of the month through a direct charge to customers' accounts.

Fees and Commissions

Fees, exchange, and other service charges are primarily comprised of debit and credit card income, ATM fees, merchant services income, treasury services income and other service charges. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as Visa. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees. Treasury services income primarily represents fees charged to customers for sweep, positive pay and lockbox services. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or at the end of the month.

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Note 9 – Revenue Recognition (continued)

Wealth Management Fees

The Company earns fees from its contracts with its investment advisory clients to manage client assets and for the provision of miscellaneous services. These fees are primarily earned over time as the Company charges its clients on a quarterly (which may not be a calendar quarter) basis in accordance with its investment advisory agreements. Fees are generally assessed based on a tiered scale of the market value of the client's assets under management at quarter end.

Other

Other noninterest income consists of other recurring revenue streams such as commissions from sales of mutual funds and other investments, safety deposit box rental fees, and other miscellaneous revenue streams. Commissions from the sale of mutual funds and other investments are recognized on trade date, which is when the Company has satisfied its performance obligation. The Company

also receives periodic service fees (i.e., trailers) from mutual fund companies typically based on a percentage of net asset value. Trailer revenue is recorded over time, usually monthly or quarterly, as net asset value is determined. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation.

Note 10 – Acquisitions

Goodwill arises from business combinations and is generally determined as the excess of fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquired entity, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed.

On December 31, 2021, Financial completed its acquisition of all the outstanding shares of Pettyjohn, Wood & White, Inc. ("PWW"), a Lynchburg, Virginia-based investment advisory firm with approximately \$650 million in assets under management and advisement at the time of the acquisition. The acquisition was undertaken to enhance Financial's service line offerings as well as augment its noninterest income streams. Following the acquisition, PWW operates as a subsidiary of Financial. The transaction was accounted for using the acquisition method of accounting, and accordingly, assets acquired, liabilities assumed, and consideration transferred were recorded at their estimated fair values on the acquisition date. The fair values were subject to refinement for up to one year after the closing date of the acquisition.

The acquisition date fair value of the consideration transferred upon closing on December 31, 2021 totaled \$10.5 million, which was paid in cash. The preliminary fair values of the assets acquired and liabilities assumed were \$9.3 million and \$1.8 million, respectively, resulting in an acquisition date balance of goodwill totaling approximately \$3.0 million. The principal component of the assets acquired was \$8.4 million of amortizable intangible assets, which primarily relate to the value of customer relationships acquired with the acquisition of PWW. The Company is amortizing these intangible assets over a 15-year period using the straight-line method. The Company has selected September 1 of each year as the date to perform the annual impairment test. The Company performed a qualitative assessment of goodwill at September 1, 2022, and concluded that no impairment existed. Intangible assets with definite useful lives are amortized over estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

In accordance with the acquisition agreement, a working capital adjustment was paid in 2022 totaling approximately \$818 thousand to the former owners of PWW. As such, Financial adjusted the total consideration transferred by increasing its investment in PWW by the amount of cash paid and also recorded a corresponding increase to the balance of goodwill. Additionally, in 2022, it was determined a valid IRC 338(h)(10) election was filed, which in effect, will treat the acquisition of PWW's outstanding shares as an asset acquisition for tax purposes. The balance of goodwill was reduced by \$1.8 million with a corresponding increase to deferred income taxes (included in the other assets caption) to appropriately reflect this determination. The adjusted balance of goodwill of \$2.1 million is expected to be deductible for income tax purposes.

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Note 11 – Recent accounting pronouncements and other authoritative guidance

In October 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative". This ASU incorporates certain U.S. Securities and Exchange Commission (SEC) disclosure requirements into the FASB Accounting Standards Codification. The amendments in the ASU are expected to clarify or improve disclosure and presentation requirements of a variety of Codification Topics, allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC's regulations. For entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. For all other entities, the amendments will be effective two years later. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective for any entity. The Company does not expect the adoption of ASU 2023-06 to have a material impact on its consolidated financial statements.

In July 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-03, "Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718)". This ASU amends the FASB Accounting Standards Codification for SEC paragraphs pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF

Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock. ASU 2023-03 is effective upon addition to the FASB Codification. The Company does not expect the adoption of ASU 2023-03 to have a material impact on its consolidated financial statements.

In March 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-01, "Leases (Topic 842): Common Control Arrangements". These amendments require entities to amortize leasehold improvements associated with common control leases over the useful life to the common control group. The ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. Transition can be done either retrospectively or prospectively. The Company does not expect the adoption of ASU 2023-01 to have a material impact on its consolidated financial statements.

In December 2022, the Financial Accounting Standards Board (FASB) issued ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848". ASU 2022-06 extends the period of time preparers can utilize the reference rate reform relief guidance in Topic 848. The objective of the guidance in Topic 848 is to provide relief during the temporary transition period, so the FASB included a sunset provision within Topic 848 based on expectations of when the London Interbank Offered Rate (LIBOR) would cease being published. In 2021, the UK Financial Conduct Authority (FCA) delayed the intended cessation date of certain tenors of USD LIBOR to June 30, 2023.

To ensure the relief in Topic 848 covers the period of time during which a significant number of modifications may take place, the ASU defers the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The ASU is effective for all entities upon issuance. The Company continues to assess the impact on the Company's transition away from LIBOR for its loan and other financial instruments and has determined that there is minimal exposure.

In November 2023, the FASB amended the Segment Reporting topic in the Accounting Standards Codification to improve disclosures about a public entity's reportable segments and provide more detailed information about a reportable segment's expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Upon adoption, the Company will apply the amendments retrospectively to all prior periods presented in the financial statements. The Company does not expect these amendments to have a material effect on its consolidated financial statements.

In December 2023, the FASB amended the Income Taxes topic in the Accounting Standards Codification to improve the transparency of income tax disclosures. The amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company does not expect these amendments to have a material effect on its consolidated financial statements.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Statements made in this document and in any documents that are incorporated by reference which are not purely historical are forward-looking statements, including any statements regarding descriptions of management's plans, objectives, or goals for future operations, products or services, and forecasts of its revenues, earnings, or other measures of performance. Forward-looking statements are based on current management expectations and, by their nature, are subject to risks and uncertainties. These statements generally may be identified by the use of words such as "believe," "expect," "anticipate," "plan," "estimate," "should," "will," "intend," or similar expressions. Shareholders should note that many factors, some of which are discussed elsewhere in this document, could affect the future financial results of Financial and could cause those results to differ materially from those expressed in forward-looking statements contained in this document. These factors, many of which are beyond Financial's control, include, but are not necessarily limited to the following:

- ☐ the effects of a resurgence of COVID-19 or other pandemic on the business, customers, employees and third-party service providers of Financial or any of its acquisition targets;
- ☐ problems with technology utilized by us;
- ☒ potential exposure to fraud, negligence, computer theft and cyber-crime, and the Company's ability to maintain the security of its data processing and information technology systems
- ☒ operating, legal and regulatory risks, including the effects of legislative or regulatory developments affecting the financial industry generally or Financial specifically;
- ☐ government legislation and policies (including the impact of the Dodd-Frank Wall Street Reform and the Consumer Protection Act and its related regulations);
- ☒ changes to statutes, regulations, or regulatory policies or practices, including changes to address the impact of COVID-19;
- ☐ economic, market, political and competitive forces affecting Financial's banking and other businesses;
- ☐ competition for our customers from other providers of financial services; government legislation and regulation relating to the banking industry (which changes from time to time and over which we have no control) including but not limited to the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- ☒ reliance on our management team, including our ability to attract and retain key personnel
- ☐ changes in interest rates, monetary policy and general economic conditions, which may impact Financial's net interest income;

- changes in the value of real estate securing loans made by the Bank;
- adoption of new accounting standards or changes in existing standards;
- compliance or operational risks related to new products, services, ventures, or lines of business, if any, that Financial may pursue or implement;
- the risk that Financial's analysis of these risks and forces could be incorrect and/or that the strategies developed to address them could be unsuccessful;
- the stability of the overall banking industry in the United States;
- liquidity and perceived liquidity in the banking industry in the United States;
- economic and political tensions with China, the ongoing war between Russia and Ukraine and potential expansion of combatants, and the sanctions imposed on Russia by numerous countries and private companies, all of which may have a destabilizing effect on financial markets and economic activity; and
- other risks and uncertainties set forth in this Annual Report on Form 10-K and, from time to time, in our other filings with the Securities and Exchanges Commission ("SEC").

Other risks, uncertainties and factors could cause our actual results to differ materially from those projected in any forward-looking statements we make.

These factors should be considered in evaluating the forward-looking statements, and you should not place undue reliance on such statements. Financial specifically disclaims any obligation to update factors or to publicly announce the results of revisions to any of the forward-looking statements or comments included herein to reflect future events or developments. This discussion and analysis should be read in conjunction with the description of our "Risk Factors" in Item 1A of the most recently filed Form 10-K.

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GENERAL

Critical Accounting Policies

Bank of the James Financial Group, Inc.'s ("Financial" or the "Company") financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The financial information contained within our statements is, to a significant extent, based on measures of the financial effects of transactions and events that have already occurred. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or relieving a liability. We use historical loss ratios as one factor in determining the expected loss that may be present in our loan portfolio. Actual losses could differ significantly from the historical factors that we use in estimating risk. In addition, GAAP itself may change from one previously acceptable method to another method. Although the economics of our transactions would be the same, the timing of events that would impact our transactions could change.

The allowance for credit losses (ACLL) is management's estimate of the probable losses expected in our loan portfolio. With the exception of loans related to agriculture, the Company is utilizing a discounted cash flow model to estimate its current expected credit losses in our loan portfolio. Actual losses could differ significantly from the historical factors that we use in estimating risk. For information on the Company's policies on the ACLL beginning with adoption of CECL on January 1, 2023, please refer to Note 2 – "Accounting Standards Adopted "Allowance for Credit Losses - Loans" in 2023." the Company's Form 10-K for the year ended December 31, 2023. See "Management Discussion and Analysis Results of Operations – Allowance and Provision for Credit losses" below for further discussion of the allowance for credit losses.

Goodwill arises from business combinations and is generally determined as the excess of fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquired entity, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. The Company has selected September 1 of each year as the date to perform the annual impairment test. Impairment testing requires a qualitative assessment or that the fair value of each of the Company's reporting units be compared to the carrying amount of their net assets, including goodwill. If the fair value of a reporting unit is less than its carrying value, an expense may be required to write down the related goodwill to record an impairment loss. Determining fair value is subjective, requiring the use of estimates, assumptions and management judgment. Intangible assets with finite useful lives are amortized over their estimated useful lives to their estimated residual values, if any. Goodwill is the only intangible asset with an indefinite life on our consolidated balance sheet.

Overview

Financial is a bank holding company headquartered in Lynchburg, Virginia. Our primary business is retail banking which we conduct through our wholly-owned subsidiary, Bank of the James (which we refer to as the "Bank"). We conduct four other business activities: mortgage banking through the Bank's Mortgage Division (which we refer to as "Mortgage"), investment services through the Bank's Investment division (which we refer to as "Investment Division"), insurance activities through BOTJ Insurance, Inc., a subsidiary of the Bank, (which we refer to as "Insurance business"), and as of December 31, 2021, investment advisory services through the Company's wholly-owned subsidiary, Pettyjohn, Wood & White, Inc., which (which we refer to as "PWW." "PWW").

The Bank is a Virginia banking corporation headquartered in Lynchburg, Virginia. The Bank was incorporated under the laws of the Commonwealth of Virginia as a state-chartered bank in 1998 and began banking operations in July 1999. The Bank was organized to engage in general retail and commercial banking business. The Bank is a community-oriented financial institution that provides varied banking services to individuals, small and medium-sized businesses, and professional concerns. Historically, our primary market area has been the Central Virginia, Region 2000 area, which encompasses the seven jurisdictions of the Town of Altavista, Amherst County, Appomattox County, the Town of Bedford, Bedford County, Campbell County, and the City of Lynchburg. Recently, the Bank has begun to expand to other areas in Virginia, specifically Roanoke, Charlottesville, Harrisonburg, Blacksburg, Lexington and Rustburg. The Bank strives to provide its customers with products comparable to statewide regional banks located in its market area, while maintaining the prompt response time and level of service of a community bank. Management believes this operating strategy has particular appeal in the Bank's market areas.

We conduct our investment advisory business through PWW, which Financial acquired on December 31, 2021. PWW is a Lynchburg, Virginia-based investment advisory firm that had approximately \$650 million in assets under management and advisement at the time of the acquisition. PWW operates as a subsidiary of Financial. PWW generates revenue primarily through investment advisory fees.

The Bank's principal office is located at 828 Main Street, Lynchburg, Virginia 24504 and its telephone number is (434) 846-2000. The Bank also maintains a website at www.bankofthejames.bank.

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Our operating results depend primarily upon the Bank's net interest income, which is determined by the difference between (i) interest and dividend income on earning assets, which consist primarily of loans, investment securities and other investments, and (ii) interest expense on interest-bearing liabilities, which consist principally of deposits and other borrowings. The Bank's net income also is affected by its provision for credit losses, as well as the level of its noninterest income, including gains on sales of loans held for sale and service charges, and investment advisory fees, and its noninterest expenses, including salaries and employee benefits, occupancy expense, data processing expenses, Federal Deposit Insurance Corporation premiums, expense in complying with [the Sarbanes-Oxley Act of 2002](#), [regulatory requirements](#), miscellaneous other expenses, franchise taxes, and income taxes.

The Bank intends to enhance its profitability by increasing its market share in our service areas, providing additional services to its customers, and controlling costs.

The Bank services its banking customers through the following locations in Virginia:

Full-Service Branches

- ☐ The main office located at 828 Main Street in Lynchburg (the "Main Street Office"),
- ☐ A branch located at 5204 Fort Avenue in Lynchburg (the "Fort Avenue Branch"),
- ☐ A branch located at 4935 Boonsboro Road, Suites C and D in Lynchburg (the "Boonsboro Branch"),
- ☐ A branch located at 4105 Boonsboro Road in Lynchburg (the "Peakland Branch"),
- ☐ A branch located at 4698 South Amherst Highway in Amherst County (the "Madison Heights Branch"),
- ☐ A branch located at 17000 Forest Road in Forest (the "Forest Branch"),
- ☐ A branch located at 164 South Main Street, Amherst, Virginia (the "Amherst Branch"),
- ☐ A branch located at 1405 Ole Dominion Boulevard in the Town of Bedford, Virginia, located off of Independence Boulevard (the "Bedford Branch"),
- ☐ A branch located at 1110 Main Street, Altavista, Virginia (the "Altavista Branch"),
- ☐ A branch located at 1391 South High Street, Harrisonburg, Virginia (the "Harrisonburg Branch"),
- ☐ A branch located at 1745 Confederate Blvd, Appomattox, Virginia (the "Appomattox Branch"),
- ☐ A branch located at 225 Merchant Walk Avenue, Charlottesville, Virginia (the "5th Street Station Branch"),
- ☐ A branch located at 3562 Electric Road, Roanoke, Virginia (the "Roanoke Branch"),
- ☐ A branch located at 45 South Main St., Lexington, Virginia (the "Lexington Branch"),
- ☐ A branch located at 550 Water St., Charlottesville, Virginia (the "Water Street Branch"),
- ☐ A branch located at 2101 Electric Rd, Roanoke, Virginia (the "Oak Grove Branch"), and
- ☐ A branch located at 13 Village Highway, Rustburg, Virginia (the "Rustburg Branch").

Limited Service Branches

- ☐ Westminster-Canterbury facilities located at 501 VES Road, Lynchburg, Virginia, and
- ☐ Westminster-Canterbury facilities located at 250 Pantops Mountain Road, Charlottesville, Virginia.

Loan Production Offices

- ☐ Residential mortgage loan production office located at the Forest Branch,

- Residential mortgage loan production office located at 570 West Main St., Wytheville, Virginia,
- Residential mortgage loan production office located at 2001 South Main Street, Blacksburg, Virginia, and
- Commercial, consumer and residential mortgage loan production office located at the Water Street Branch.

The Investment division and the Insurance business operate primarily out of offices located at the Main Street Office. PWW operates our investment advisory business primarily from its offices at 1925 Atherholt Road in Lynchburg.

The Bank continuously evaluates areas located within our service areas to identify additional viable branch locations. Based on this ongoing evaluation, the Bank may acquire one or more additional suitable sites.

Subject to regulatory approval, the Bank may open additional branches during the next two fiscal years. Although numerous factors could influence the Bank's expansion plans, the following discussion provides a general overview of the additional branch locations that the Bank currently is considering, including the following properties that we own and are holding for **expansion: expansion.**

The Bank recently acquired the following two properties in which it intends to open branches in 2024:

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- **Real property located at 19792 Main Street, Buchanan, Virginia.** On August 7, 2023, the Bank purchased real property located at 19792 Main Street, Buchanan, Virginia. The building on the property previously served as a bank branch for another financial institution. The Bank anticipates that that it will open a branch at this location during the second quarter of 2024.
- **Real Property located at 2935 Rockfish Valley Highway, Nellysford, Virginia.** On September 18, 2023, the Bank purchased real property located at 2935 Rockfish Valley Highway, Nellysford, Virginia. The building on the property previously served as a bank branch for another financial institution. The Bank anticipates that the cost to upfit the building will be minimal. The property is a subject to a restrictive covenant that prohibits the Bank from using the property for any banking-related activity until the covenant expires in September 2025. We anticipate that we will open a temporary location in the vicinity of this property in the second quarter of 2024.

In addition to the facilities set forth above, the Bank owns the following properties which are being held for possible expansion:

- **Real property located in the Timberlake Road area of Campbell County (Lynchburg), Virginia.** The **structure on** Timberlake property **is was** not suitable for its intended use as a branch **bank. Management anticipates that it will be necessary to raze bank and the current structures and replace it with appropriate new construction. Bank removed the structure.** The Bank estimates that the cost of improvements, furniture, fixtures, and equipment necessary to **upfit construct and construct upfit** a branch at this location could be between \$900,000 and \$1,500,000.
- **Real property located at 1925 Atherholt Road, Lynchburg, Virginia.** On December 31, 2021, the Bank purchased real property located at 1925 Atherholt Road, Lynchburg, Virginia. The building currently serves as the offices for Financial's wholly-owned subsidiary, PWW. PWW is currently leasing the space from the Bank on a month-to-month basis. While the Bank currently does not have a timeline for a branch at this location, the space is attractive for a branch due to its close proximity to Centra's Lynchburg General Hospital. The investment needed to upfit the property will be minimal.
- **Real property located at 19792 Main Street, Buchanan, Virginia.** On August 7, 2023, the Bank purchased real property located at 19792 Main Street, Buchanan, Virginia. The building on the property previously served as a bank branch for another financial institution. The Bank anticipates that the cost to upfit the building will be modest. Subject to regulatory approval, the Bank does not anticipate that it will open a branch at this location prior to the first quarter of 2024.
- **Real Property located at 2935 Rockfish Valley Highway, Nellysford, Virginia.** On September 18, 2023, the Bank purchased real property located at 2935 Rockfish Valley Highway, Nellysford, Virginia. The building on the property previously served as a bank branch for another financial institution. The Bank anticipates that the cost to upfit the building will be minimal. The property is a subject to a restrictive covenant that prohibits the Bank from using the property for any banking-related activity until the covenant expires in September 2025.

Although the Bank cannot predict with certainty the financial impact of each new branch, management generally anticipates that each new branch will become profitable within 12 to 18 months of operation.

The Bank continues to evaluate suitable branch locations and may acquire one or more properties for expansion in the next 12 months. Future branch openings are subject to regulatory approval.

OFF-BALANCE SHEET ARRANGEMENTS

The Bank is a party to various financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the balance sheets and could impact the overall liquidity and capital resources to the extent customers accept and/or use these commitments.

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

	September 30, 2023 (in thousands)	March 31, 2024	December 31, 2023
		(in thousands)	
Commitments to extend credit	\$ 180,365	\$ 164,497	\$ 173,148
Letters of Credit	3,208	3,569	2,636
Total	\$ 183,573	\$ 168,066	\$ 175,784

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on the Bank's credit evaluation of the customer.

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Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. The credit risk involved

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in issuing letters of credit is essentially the same as that involved in extending loans to customers. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on the Bank's credit evaluation of the customer.

The Bank has rate lock commitments to originate mortgage loans through its Mortgage Division. The Bank has entered into corresponding commitments with third party investors to sell each of these loans that close. No other obligation exists. As a result of these contractual relationships with these investors, the Bank is not exposed to losses nor will it ultimately realize gains related to its rate lock commitments due to changes in interest rates.

SUMMARY OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion represents management's discussion and analysis of the financial condition of Financial as of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023 and the results of operations of Financial for the three and nine month three-month periods ended September 30, 2023, March 31, 2024 and 2022, 2023. This discussion should be read in conjunction with the financial statements included elsewhere herein.

All financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Financial Condition Summary

September 30, 2023, March 31, 2024 as Compared to December 31, 2022, December 31, 2023

Total assets were \$960,887,000, \$984,891,000 on September 30, 2023, March 31, 2024 compared with \$928,571,000, \$969,371,000 at December 31, 2022, December 31, 2023, an increase of 3.48%, 1.60%. The increase in total assets was primarily due to increases in cash and cash equivalents (primarily Federal funds sold) and, to a lesser extent, loans held for sale and the cash value of bank-owned life insurance.

Total deposits increased from \$848,138,000, \$878,459,000 as of December 31, 2022, December 31, 2023 to \$880,203,000, \$893,494,000 on September 30, 2023, March 31, 2024, an increase of 3.78%, 1.71%. The increase resulted in large part from increases in noninterest-bearing demand and time deposits and was offset in part by a decrease in NOW, money market and savings deposits. The increase in time deposits generally was driven by our customers' decisions to lock in higher rates.

Total loans, excluding loans held for sale, decreased to \$606,905,000, \$608,035,000 on September 30, 2023, March 31, 2024 from \$611,625,000, \$609,333,000 on December 31, 2022, December 31, 2023. As discussed in more detail in Note 8, we have changed the classification of our loans to align with the methodology applied in estimating the allowance for credit losses under the newly-adopted current expected credit loss methodology (CECL). Because of this change, it is difficult to compare prior periods with the new segmentation dictated by CECL. Generally, however, the decrease in our loan growth was due to payoff and normal amortization of loans combined with decreased loan demand in all segments due to increased interest rates. Loans, excluding loans held for sale and net of deferred fees and costs and including the allowance for credit losses, decreased to \$599,585,000, \$601,115,000 on September 30, 2023, March 31, 2024 from \$605,366,000, \$601,921,000 on December 31, 2022, December 31, 2023, a decrease of 0.95%, 0.13%. The following summarizes the position of the Bank's loan portfolio as of the dates indicated by dollar amount and percentages (dollar amounts in thousands):

September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
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	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage	Amount	Percentage
Commercial	\$ 65,827	10.84	\$ 95,885	15.68				
Commercial Real Estate	329,464	54.29	354,025	57.88				
Commerical					\$ 68,257	11.23%	\$ 65,324	10.72%
Commerical Real Estate					327,888	53.92%	328,829	53.96%
Consumer	77,931	12.84	97,959	16.02	74,764	12.30%	76,517	12.56%
Residential	133,683	22.03	63,756	10.42	137,126	22.55%	138,663	22.76%
Total loans	\$ 606,905	100.00	\$ 611,625	100.00	\$ 608,035	100.00%	\$ 609,333	100.00%

Total nonperforming assets, which consist of non-accrual nonaccrual loans, loans past due 90 days or more and still accruing, and OREO decreased increased to \$585,000 \$558,000 on September 30, 2023 March 31, 2024 from \$1,199,000 \$391,000 on December 31, 2022 December 31, 2023. As of September 30, 2023, Because we had no OREO as compared to \$566,000 on December 31, 2022. Non-performing loans decreased from \$633,000 at December 31, 2022 to \$585,000 at September 30, 2023, either March 31, 2024 or December 31, 2023, the nonperforming assets consist entirely of nonperforming loans.

As discussed in more detail below under "Results of Operations—Allowance and Provision for Credit Losses," management has provided for the anticipated losses on these loans in the allowance for credit losses. Loan payments received on non-accrual nonaccrual loans are first applied to principal. When a loan is placed on non-accrual nonaccrual status there are several negative implications. First, all interest accrued but unpaid at the time of the classification is reversed and deducted from the interest income totals for the Bank. Second, accruals of interest are discontinued until it becomes certain that both principal and interest can be repaid. Third, there may be actual losses that necessitate additional provisions for credit losses charged against earnings.

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Due to changes in economic conditions following the COVID-19 pandemic, including labor shortages, supply chain disruptions, inflation and the rising interest rate environment, we anticipate that our commercial, commercial real estate, residential and consumer borrowers may encounter economic difficulties, which could lead to increases in our levels of nonperforming assets, allowance for credit losses, and loan modifications. Any potential financial impacts are unknown at this time.

OREO represents real property acquired by the Bank for debts previously contracted, including through foreclosure or deeds in lieu of foreclosure. On December 31, 2022, the Bank was carrying two We had no OREO properties as on its books at a value of \$566,000, both March 31, 2024 and December 31, 2023. The Bank neither acquired no OREO properties and nor disposed of both OREO properties any during the nine months three-months ended September 30, 2023 March 31, 2024. As a result, the OREO balance decreased to remained \$0.

Cash and cash equivalents increased to \$99,529,000 \$88,072,000 on September 30, 2023 March 31, 2024 from \$61,762,000 \$74,838,000 on December 31, 2022 December 31, 2023. Cash and cash equivalents consist of cash due from correspondents, cash in vault, and overnight investments (including Federal funds sold). This increase was due primarily to an increase in Federal funds sold. This increase was offset by a decrease of \$9,920,000 in cash and due from banks from December 31, 2022 to September 30, 2023. In addition, cash and cash equivalents are subject to routine fluctuations in deposits, including fluctuations in transactional accounts and professional settlement accounts.

Securities held-to-maturity were essentially flat, decreasing slightly to \$3,626,000 \$3,618,000 on September 30, 2023 March 31, 2024 from \$3,639,000 \$3,622,000 on December 31, 2022 December 31, 2023. This decrease is a result of normal net amortization of premiums within the held-to-maturity portfolio.

Securities available-for-sale, which are carried on the balance sheet at fair market value, decreased slightly to \$181,977,000 \$214,822,000 on September 30, 2023 March 31, 2024, from \$185,787,000 \$216,510,000 on December 31, 2022 December 31, 2023. During the nine months three-months ended September 30, 2023 March 31, 2024, the Bank purchased \$8,166,000 \$8,162,000 in available-for-sale securities. The market value of the securities available-for-sale decreased slightly. During the nine months three-months ended September 30, 2023 March 31, 2024 the Bank did not sell any securities available-for-sale and received \$8,775,000 \$8,058,000 in proceeds from calls, maturities, and paydowns of securities available-for-sale. The market value of the securities available-for-sale which contributed to the decrease. There remains decreased slightly. As of March 31, 2024, we have an unrealized tax-effected loss of \$29,778,000 \$22,951,000 (or \$37,694,000 \$29,052,000 prior to the tax benefit). Financial does not expect to realize the losses as it has the intent and ability to hold the securities until their recovery, which may be at maturity.

Financial's investment in Federal Home Loan Bank of Atlanta (FHLBA) stock totaled \$643,000 at September 30, 2023 March 31, 2024 as compared to \$489,000 \$643,000 at December 31, 2022 December 31, 2023. FHLBA stock is generally viewed as a long-term investment and because there is no market for the stock other than other Federal Home Loan Banks or member institutions, FHLBA stock is viewed as a restricted security. Therefore, when evaluating FHLBA stock for impairment, its value is based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Liquidity and Capital

At **September 30, 2023** **March 31, 2024**, Financial, on a consolidated basis, had liquid assets of **\$281,506,000** **\$302,894,000** in the form of cash, interest-bearing and noninterest-bearing deposits with banks, and available-for-sale investments. The Bank has **pledged pledged**:

- approximately **\$34,000,000** **\$30,700,000** (market value) of our available-for-sale securities as collateral with correspondent banks, including the FHLBA, for collateralized lines of credit;
- approximately **\$33,000,000** **\$37,100,000** (market value) of our available-for-sale securities as security for public deposits; and
- approximately **\$35,800,000** **\$34,500,000** (par value) of our available-for-sale securities as collateral for advances **under at** the Federal **Reserve's Bank Term Funding Program**, **Reserve Bank's discount window**.

Further, if additional liquidity is needed, the Bank has the ability to purchase up to \$53,000,000 of Fed funds through the Bank's correspondent relationships **and** borrow from the FHLBA using investments within the Bank's portfolio as **collateral, and to borrow from the Federal Reserve Bank's discount window, collateral**. In addition to the above, the Bank has borrowing capacity with the FHLBA of approximately **\$21,700,000** **\$21,000,000** related to loans it has pledged to the FHLBA.

As of **September 30, 2023** **March 31, 2024**, the Bank has no borrowings from any of these sources. Immediately following the failure of Silicon Valley Bank **in the spring of 2023**, out of an abundance of caution the Bank borrowed \$14,000,000 from the FHLBA to test its contingency funding plan. Approximately two weeks later, the Bank repaid the advance. During the first **nine months** **three-months** of **2023, 2024**, the Bank did not experience any unusual inflows or outflows of deposits.

Management believes that liquid assets were adequate at **September 30, 2023** **March 31, 2024**. Management anticipates that additional liquidity will be provided by the growth in deposit accounts and loan repayments from customers.

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While we have not experienced any unusual pressure on our deposit balances or our liquidity position, management continues to closely monitor our sources and uses of funds in order to meet our cash flow requirements while **maximizing attempting to maximize** profits. The Company's total uninsured deposits, which are the amount of deposits, subject to the aggregation rules, that exceed the FDIC insurance limit (currently \$250,000) were approximately **\$217,000,000, or 24.57%** **\$252,000,000, approximately 28%** of our total deposits, at **September 30, 2023** **March 31, 2024**. These amounts were estimated based on the same methodologies and assumptions used for regulatory reporting purposes.

At **September 30, 2023** **March 31, 2024**, the Bank had a leverage ratio of approximately **9.48%** **9.60%**, a Tier 1 risk-based capital ratio and a CET1 ratio of approximately **12.11%** **12.62%** and a total risk-based capital ratio of approximately **13.11%** **13.56%**. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022, December 31,**

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2023, the Bank's regulatory capital levels exceeded those established for well-capitalized institutions. The following table sets forth the minimum capital requirements and the Bank's capital position as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

Bank Level Only Capital Ratios

Analysis of Capital for Bank of the James (Bank only) (dollars in thousands)	Analysis of Capital for Bank of the James (Bank only) (dollars in thousands)		Analysis of Capital for Bank of the James (Bank only) (dollars in thousands)	
	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
Analysis of Capital				
Tier 1 capital				
Common Stock	\$ 3,742	\$ 3,742	\$ 3,742	\$ 3,742
Surplus	22,325	22,325	22,325	22,325
Retained earnings	63,442	57,840	66,633	65,172
Total Tier 1 capital	\$ 89,509	\$ 83,907	\$ 92,700	\$ 91,239
Common Equity Tier 1 Capital (CET1)	\$ 89,509	\$ 83,907	\$ 92,700	\$ 91,239
Tier 2 capital				
Allowance for credit losses	\$ 7,320	\$ 6,259	\$ 6,920	\$ 7,412
Total Tier 2 capital:	\$ 7,320	\$ 6,259	\$ 6,920	\$ 7,412
Total risk-based capital	\$ 96,829	\$ 90,166	\$ 99,620	\$ 98,651
			\$ 734,801	\$ 737,505
Risk weighted assets	\$ 738,831	\$ 752,515		
Average total assets	\$ 943,952	\$ 934,277	\$ 965,296	\$ 953,757

	Actual		Regulatory Benchmarks		Actual		Regulatory Benchmarks	
	September 30, 2023	December 31, 2022	For Capital Adequacy Purposes (1)	For Well Capitalized Purposes	March 31, 2024	December 31, 2023	For Capital Adequacy Purposes (1)	For Well Capitalized Purposes
Capital Ratios:								
Tier 1 capital to average total assets	9.48%	8.98%	4.000%	5.000%	9.60%	9.57%	4.000%	5.000%
Common Equity Tier 1 capital	12.11%	11.15%	7.000%	6.500%	12.62%	12.37%	7.000%	6.500%
Tier 1 risk-based capital ratio	12.11%	11.15%	8.500%	8.000%	12.62%	12.37%	8.500%	8.000%
Total risk-based capital ratio	13.11%	11.98%	10.500%	10.000%	13.56%	13.38%	10.500%	10.000%

(1) Includes the capital conservation buffer of 2.50% for all ratios, excluding the Tier 1 capital to average total assets ratio.

The above tables set forth the capital position and analysis for the Bank only. Because total assets on a consolidated basis are less than \$3,000,000,000, Financial is not subject to the consolidated capital requirements imposed by the Bank Holding Company Act. Consequently, Financial does not calculate its financial ratios on a consolidated basis. If calculated, the capital ratios for the Company on a consolidated basis at **September 30, 2023** **March 31, 2024** would be lower than those of the Bank because a portion of proceeds from the sale of notes previously issued by the holding company were contributed to the Bank as equity.

In July 2013, the Federal Reserve Board approved a final rule establishing a regulatory capital framework for smaller, less complex financial institutions. The rule was fully implemented on January 1, 2019 and implemented a capital conservation buffer of

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2.5%. As a result, the Bank is required to have a minimum ratio of Tier 1 capital to average total assets of 4.00% (exclusive of the capital conservation buffer), a minimum ratio of common equity Tier 1 capital to risk-weighted assets of 7.0% (inclusive of the capital conservation buffer), and a Tier 1 risk-based capital ratio of 8.5% (inclusive of the capital conservation buffer). Failure to maintain the capital conservation buffer will limit the ability of the Bank and Financial to pay dividends, repurchase shares or pay discretionary bonuses. The rule also raised the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6% and includes a minimum leverage ratio of 4% for all banking organizations.

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Results of Operations

Comparison of the **Three** **Three-months Ended March 31, 2024** and **Nine Months Ended September 30, 2023** and **2022**

2023

Earnings Summary

Financial had net income including all operating segments of **\$2,078,000** and **\$6,596,000** **\$2,187,000** for the **three and nine months** **three-months** ended **September 30, 2023** **March 31, 2024**, compared to **\$2,574,000** and **\$7,005,000** **\$1,984,000** for the comparable **periods** **period** in **2022** **2023**. Basic and diluted earnings per common share for the **three and nine months** **three-months** ended **September 30, 2023** **March 31, 2024** were **\$0.46** and **\$1.44**, **\$0.48**, compared to basic and diluted earnings per share of **\$0.55** and **\$1.48** **\$0.43** for the **three and nine months** **three-months** ended **September 30, 2022** **March 31, 2023**.

The **decrease** **increase** in net income for the **three and nine months** **three-months** ended **September 30, 2023** **March 31, 2024**, as compared to the prior year **periods** **period** was due primarily to an **increase** in both interest and noninterest income, a significant **increase** in interest expense recovery of **\$2,280,000** **ACLL**, and **\$4,975,000** in the **three and nine months** ended **September 30, 2023** from the comparable **periods** in 2022. The decrease in net income was offset in part by a significant increase in interest income expense of **\$1,744,000** and **\$5,912,000** **\$2,103,000** in the **three and nine months** **three-months** ended **September 30, 2023** **March 31, 2024** from the comparable **periods** **period** in **2022** **2023**.

These operating results represent an annualized return on average stockholders' equity of **15.68%** and **17.20%** **14.69%** for the **three and nine month** **periods** **three-month** **period** ended **September 30, 2023** **March 31, 2024**, compared with **19.47%** and **15.45%** **16.25%** for the **three and nine months** **three-months** ended **September 30, 2022** **March 31, 2023**. The decrease for the **three month** **three-month** period ended **September 30, 2023** **March 31, 2024** from the same period in **2022** **2023** was due to a **decrease** **an increase** in earnings. The increase for the nine month period ended **September 30, 2023** as compared to the same period in 2022 was due to a **decrease** in average stockholders' equity, which

resulted in large part from a decrease an increase in the market value of the available-for-sale securities which portfolio when compared to last year. This increase was caused by an application of the mark-to-market accounting rules. In addition, between August 2022 January and April 2023, the Company repurchased approximately 197,000 85,319 shares of its common stock pursuant to two separate a stock repurchase plans. plan, 68,619 of which were purchased in first quarter of 2023. In addition to having a positive impact on earnings per share, these repurchases decreased stockholders' equity and average stockholders' equity, leading to a positive impact to the return on stockholders' equity ratio. The Company had an annualized return on average assets of 0.86% and 0.93% 0.90% for the three and nine month periods three-month period ended September 30, 2023 March 31, 2024 compared with 1.05% and 0.95% 0.85% for the three and nine months three-month period ended September 30, 2022 March 31, 2023. The decrease increase largely resulted from a decrease an increase in net income. The decrease increase was partially offset by a decrease an increase in average assets, which was caused in part by a decrease an increase in deposits and in the value of the securities available-for-sale as discussed above. In addition, the average assets for the nine months ended September 30, 2022 reflect the impact of a significant short-term deposit related to a customer transaction.

See "Noninterest Income" below for mortgage business and wealth management segment discussions.

Interest Income, Interest Expense, and Net Interest Income

For the three and nine months three-months ended September 30, 2023 March 31, 2024, interest income increased to \$10,143,000 and \$28,824,000 \$10,509,000 from \$8,399,000 and \$22,912,000 \$9,098,000 for the same periods period in 2022, 2023, due primarily to an increase in interest rates received on our interest earning interest-earning assets. The average rate on loans was 5.13% and 4.99% 5.28% for the three and nine months three-months ended September 30, 2023 March 31, 2024, as compared to 4.37% and 4.18% 4.85% for the same periods period in 2022, 2023. The rate on total average earning assets increased during the three and nine months three-months ended September 30, 2023 March 31, 2024 because of a general increase in market rates. The average rate on average earning assets was 4.43% and 4.30% 4.60% for the three and nine months three-months ended September 30, 2023 March 31, 2024 as compared to 3.64% and 3.31% 4.14% for the three and nine months three-months ended September 30, 2022 March 31, 2023.

Interest expense increased significantly to \$2,779,000 and \$6,473,000 \$3,559,000 for the three and nine months three-months ended September 30, 2023 March 31, 2024 from \$499,000 and \$1,498,000 \$1,456,000 for the three and nine months three-months ended September 30, 2022 March 31, 2023. The increase for the three and nine months three-months resulted primarily from an increase in deposit balances and an increase in interest rates paid on deposits during the first nine months three-months of the year. The Company's average rate paid on interest bearing interest-bearing deposits was 1.43% and 1.10% 1.82% for the three and nine months three-months ended September 30, 2023 March 31, 2024 as compared to 0.15% and 0.16% 0.71% for the same periods period in 2022, 2023. The Company's average rate paid on interest bearing interest-bearing liabilities was 1.49% and 1.18% 1.87% for the three and nine months three-months ended September 30, 2023 March 31, 2024 as compared to 0.26% and 0.27% 0.81% for the same periods period in 2022, 2023.

The fundamental source of the Bank's net revenue is net interest income, which is determined by the difference between (i) interest and dividend income on interest earning interest-earning assets, which consist primarily of loans, investment securities and other investments, and (ii) interest expense on interest-bearing liabilities, which consist principally of deposits and other borrowings. Net interest income for the three and nine months three-months ended September 30, 2023 March 31, 2024 was \$7,364,000 and \$22,351,000 \$6,950,000 as compared to \$7,900,000 and \$21,414,000 \$7,642,000 for the same periods period in 2022, 2023. The net interest margin was 3.21% and 3.33% 3.02% for the three and nine months three-months ended September 30, 2023 March 31, 2024 as compared to 3.42% and 3.09% 3.48% for the comparable periods period in 2022, 2023. The decrease in the net interest margin for the three month period was primarily due to the rates on interest bearing liabilities repricing more rapidly than the rates on interest earning assets. The increase for the nine month three-month period ended September 30, 2023 March 31, 2024, was in large part due to interest rates on interest

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bearing assets interest-bearing liabilities increasing more rapidly than the rates received on interest bearing liabilities interest-earning assets during the first half quarter of the year. This was exacerbated by a change in deposit mix, with the balance of time deposits, which generally pay a higher rate than demand deposits, increasing year over year while the average balance of interest-bearing demand deposits decreased over the same period. Due to rising continued inflation, economic uncertainties have arisen that are likely to impact net interest margin. The Over the past several years, the FOMC has implemented a series of interest rate increases that has negatively impacted our net interest margin and is likely to continue to cause long-term uncertainty. Other financial impacts could occur, though such potential impacts are unknown at this time. Because of the interest rate environment, the Bank may need to continue to raise deposit rates, which would have an adverse impact on our margin and profitability. Management expects the Company's interest rate margin to remain the same or compress in near to mid-term.

Financial's net interest margin analysis and average balance sheets are shown in Schedule I below.

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Noninterest Income

Noninterest income is comprised primarily of fees and charges on transactional deposit accounts, gains on sales of mortgage loans held for sale, commissions on sales of investments, fees generated from treasury management services, fees generated from our investment advisory business, and bank-owned life insurance income.

Noninterest income decreased increased to \$3,201,000 and \$9,689,000 \$3,307,000 for the three and nine month periods three-month period ended September 30, 2023 March 31, 2024 from \$3,854,000 and \$10,519,000 \$3,044,000 for same periods in 2022, 2023. The decrease for both periods increase was due to a decrease in gain on sales of loans held for sale, which was primarily caused by a decrease in loan origination volume at the Mortgage division. For the three month period ended September 30, 2023, the decrease was also due to a decrease in service charges, fees and commissions, primarily debit card fees. These decreases were offset in part by an increase in wealth management fees, life insurance income, and income received from PWW, an investment in a Small Business investment company, which is reflected in other income.

The Bank, through its Mortgage division, originates both conforming and non-conforming consumer residential mortgage loans in the markets we serve. As part of the Bank's overall risk management strategy, all of the loans originated and closed by the Mortgage division are presold to major national mortgage banking or financial institutions. The Mortgage division assumes, except in limited circumstances such as first payment default, no credit or interest rate risk on these mortgages.

Purchase mortgage originations totaled \$37,811,000 and \$105,228,000, \$31,016,000, or 89% and 84.80% 84.98%, respectively, of the total mortgage loans originated in the three and nine months three-months ended September 30, 2023 March 31, 2024, as compared to \$41,436,000 and \$128,840,000, \$26,868,000, or 81.37% and 74.16% 82.30%, respectively, of the total mortgage loans originated in the same periods period in 2022, 2023. Because of a rising relatively higher mortgage interest rate environment, management anticipates that in the short-term purchase mortgage originations will continue to represent a significant percentage of mortgage originations. Management also believes that a continued increase in long-term market interest rates could limit refinancing activity.

Mortgage rates increased dramatically in 2022 and 2023 and these remain elevated compared to recent history. These increases continue to have a negative impact on mortgage origination volume. Because of uncertainty surrounding current and near-term economic conditions arising from inflation, and geopolitical and economic concerns, management cannot predict future mortgage rates. Management also believes that the rising relatively high interest rates could put cause revenue from the mortgage segment to remain under additional pressure and mortgage originations will continue to trail 2022. pressure.

Our Investment division provides brokerage services through an agreement with a third-party broker-dealer. Pursuant to this arrangement, the third-party broker-dealer operates a service center adjacent to one of the branches of the Bank. The center is staffed by two dual employees of the Bank and the broker-dealer. Investment receives commissions on transactions generated and, in some cases, ongoing management fees such as mutual fund 12b-1 fees. The Investment division's financial impact on our consolidated revenue has been immaterial, minimal. Although management cannot predict the financial impact of Investment with certainty, management anticipates the Investment division's impact on revenue as a percentage of our overall noninterest income will remain immaterial for the remainder of 2023, minimal in 2024.

We conduct our investment advisory business through PWW, which Financial acquired on December 31, 2021. PWW is a Lynchburg, Virginia-based investment advisory firm that has approximately \$680 million in assets under management and advisement as of September 30, 2023 March 31, 2024. PWW operates as a subsidiary of Financial. PWW generates revenue primarily through investment advisory fees. The investment advisory fees will vary based on the value of assets under management. Assets under management may fluctuate due to both client action and fluctuations in the equity and debt markets. Despite the potential for fluctuation, we anticipate that PWW will continue to contribute meaningfully to the Company's consolidated net income.

The Bank provides insurance and annuity products to Bank customers and others, through the Bank's Insurance subsidiary. The Bank has three employees that are licensed to sell insurance products through Insurance. Insurance generates minimal revenue and its financial impact on our consolidated revenue has been immaterial. Management anticipates that Insurance's impact on noninterest income will remain immaterial for the remainder of 2023, 2024.

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Noninterest Expense

Noninterest expense for the three and nine months three-months ended September 30, 2023 decreased March 31, 2024 increased slightly by \$739,000 and \$28,000 \$13,000 to \$8,140,000 and \$24,091,000 \$8,088,000 from \$8,879,000 and \$24,119,000 \$8,075,000 for the same periods in 2022, decreases 2023, an increase of 8.32% and 0.12%, respectively. These decreases 0.16%. This slight increase resulted primarily from decreases in equipment, other real estate expenses and other expenses. Other expense decreased in the three and nine months ended September 30, 2023 because the Bank recorded a one-time expense related to a previously disclosed fraud in the third quarter of 2022. The decrease in the three months ended September 30, 2023 was also due to an adjustment in amortization of intangibles. The decreases for both periods were offset in part by modest increases in salaries and employee benefits. FDIC insurance expense increased for the three months ended September 30, 2023, primarily due to an adjustment benefits and professional, data processing and other outside expenses. These increases were largely offset by a decrease in the accrual. marketing, equipment and other expenses. Total personnel expense was \$4,683,000 and \$13,296,000 \$4,445,000 for the three and nine month three-month period ended September 30, 2023 March 31, 2024 as compared to

\$4,529,000 and \$13,051,000 \$4,268,000 for the same periods period in 2022, 2023. Personnel expense remained relatively flat increased largely because of management's decision to not fill every vacancy, increases in salaries and compensation related accruals.

Allowance and Provision for Credit Losses

The allowance for credit losses represents an amount that, in our judgment, will be adequate to absorb probable losses expected in the loan portfolio. The provision for credit losses increases the allowance, and loans charged-off, net of recoveries, reduce the allowance. The provision for the allowance for credit losses is charged to earnings to bring the total allowance to a level deemed appropriate by management. As discussed below, loans having a risk rating of 7 or below that are significantly past due, and the borrower's performance and financial condition provide evidence that it is probable that the Bank will be unable to collect all amounts when due, are evaluated for specific impairment. The general reserve component is based on an evaluation of general economic conditions, actual and expected credit losses, and loan performance measures. Based on the application of the credit loss calculation, the Bank recovered \$164,000 \$553,000 (\$52,000 of which is related to unfunded commitments and \$278,000 not included in the allowance) for the three and nine months three-months ended September 30, 2023 March 31, 2024 as compared with recoveries a provision of \$300,000 and \$900,000 \$140,000 for the same periods period in 2022, 2023. The decrease recovery in 2024 was driven in part by a decline in loans net and continuing evaluation of allowance for credit losses from December 31, 2022 to September 30, 2023 was risks inherent within the primary factor driving the recovery.

We adopted CECL effective January 1, 2023. The provision for the three and nine months ended September 30, 2023 was determined under CECL while the provision for the same periods in 2022 was determined under the incurred loss model. As a result of the adoption of CECL, we recorded a net decrease to retained earnings of \$1,599,000 as of January 1, 2023 for the cumulative effect of adopting CECL. The change from incurred loss method to CECL impacts the comparability of the allowance between periods. loan portfolio.

At September 30, 2023 March 31, 2024, the allowance for credit losses was 1.21% 1.14% of total loans outstanding, versus 1.02% 1.22% and 1.03% 1.23% of total loans outstanding at December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023, respectively. The increase decrease in the allowance for credit losses was largely driven by the adoption of CECL, CECL and its requirement for continuing evaluation of risks inherent within the loan portfolio. The allowance for credit losses for individually evaluated loans was \$0 at both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. As shown in Note 8, the total balance in the allowance increased, decreased, from \$6,259,000 (under the incurred loss method) \$7,412,000 as of December 31, 2022 December 31, 2023 to \$7,320,000 (under CECL) \$6,920,000 on September 30, 2023 March 31, 2024.

Charged-off loans, which are loans that management deems uncollectible, are charged against the allowance for credit losses and constitute a realized loss. We had charged-off loans of \$144,000 and \$196,000 \$65,000 for the three and nine month periods three-month period ended September 30, 2023 March 31, 2024 as compared to \$1,000 and \$10,000 \$33,000 for the same periods period in 2022, 2023. While a charged-off loan may subsequently be collected, such recoveries generally are realized over an extended period of time. We had recoveries of \$8,000 and \$200,000 \$74,000 for the three and nine month three-month periods ended September 30, 2023 March 31, 2024 as compared to recoveries a recovery of \$79,000 and \$389,000 104,000 for the same periods period in 2022, 2023.

No nonaccrual loans were excluded from the individually evaluated loan disclosures at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. If interest on these loans had been accrued, such income cumulatively would have approximated \$43,000 \$38,000 and \$79,000 \$37,000 on September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Loan payments received on nonaccrual loans are applied to principal. When a loan is placed on nonaccrual status there are several negative implications. First, all interest accrued but unpaid at the time of the classification is deducted from the interest income totals for the Bank. Second, accruals of interest are discontinued until it becomes certain that both principal and interest can be repaid. Third, there may be actual losses that necessitate additional provisions for credit losses charged against earnings.

Income Taxes

For the three and nine months three-months ended September 30, 2023 March 31, 2024, Financial had an income tax expense of \$511,000 and \$1,631,000 \$535,000 as compared to \$601,000 and \$1,709,000 \$487,000 for the same periods period in 2022, 2023. This represents an effective tax rate of 19.74% and 19.82% 19.65% for the three and nine months three-months ended September 30, 2023 March 31, 2024 as compared with 18.93% and 19.61% 19.71% for the three and nine months three-months ended September 30, 2022 March 31, 2023. Our effective rate was lower than the statutory corporate tax rate in all periods primarily because of federal

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income tax benefits resulting from the tax treatment of earnings on bank owned life insurance, and interest earned on tax free municipal bonds.

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Schedule I

Net Interest Margin Analysis

Average Balance Sheets

For the **Three Months** **Three-months**Ended **September 30, 2023** **March 31,****2024** and **2022** **2023**

(dollars in thousands)

	2023 2024			2022 2023		
	Average Balance Sheet	Interest Income/ Expense	Average Rates Earned/ Paid	Average Balance Sheet	Interest Income/ Expense	Average Rates Earned/ Paid
ASSETS						
Loans, including fees (1)(2)	\$ 612,021 608,172	\$ 7,917 7,982	5.13% 5.28%	\$ 615,208 617,548	\$ 6,776 7,384	4.37% 4.85%
Loans held for sale	4,421 2,481	73 42	6.55% 6.81%	4,217 2,434	54 42	5.08% 7.00%
Federal funds sold	61,026 56,024	812 754	5.28% 5.41%	46,147 29,548	262 339	2.25% 4.65%
Interest-bearing bank balances	7,972 9,388	134 133	6.67% 5.70%	18,853 15,578	101 148	2.13% 3.85%
Securities (3)	222,969 248,748	1,204 1,591	2.14% 2.57%	230,986 224,541	1,210 1,182	2.08% 2.13%
Federal agency equities	1,249 1,425	12	3.39%	1,377	8	2.54% 1,271 5 1.56% 2.36%
CBB equity	116	—	- %	116	—	- %
Total earning assets	909,774 926,354	10,148 10,514	4.43% 4.60%	916,798 891,142	8,408 9,103	3.64% 4.14%
Allowance for credit loan losses	(7,563) (7,371)			(6,633) (7,531)		
Non-earning assets	51,335 59,884			58,820 58,036		
Total assets	\$ 953,546 978,867			\$ 968,985 941,647		
LIABILITIES AND STOCKHOLDERS' EQUITY						
DEPOSITS						
Demand interest bearing interest-bearing	399,690 397,229	677 879	0.67% 0.89%	459,755 419,609	114 339	0.10% 0.33%
Savings	121,311 131,629	217 396	0.71% 1.21%	138,016 126,859	19 21	0.05% 0.07%
Time deposits	196,169 213,993	1,683 2,090	3.40% 3.93%	130,885 152,582	143 861	0.43% 2.29%
Total interest bearing interest-bearing deposits	717,170 742,851	2,577 3,365	1.43% 1.82%	728,656 699,050	276 1,221	0.15%
Other borrowed funds						
Other borrowings	10,112	98	3.84%	10,672	117	4.35%
Financing leases	3,194	22	2.73%	3,546	24	2.69%
Capital Notes	10,040	82	3.24%	10,035	82	3.24%
Total interest-bearing liabilities	740,516	2,779	1.49%	752,909	499	0.26%
Noninterest bearing deposits	152,485			156,946		
Other liabilities	7,981			6,679		
Total liabilities	900,982			916,534		
Stockholders' equity	52,564			52,451		
Total liabilities and stockholders' equity	\$ 953,546			\$ 968,985		
Net interest earnings		\$ 7,369			\$ 7,909	
Net interest margin			3.21%			3.42%
Interest spread			2.94%			3.38%

(1)

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Net accretion or amortization of deferred loan fees and costs are included in interest income.

- (2) Nonperforming loans are included in the average balances. However, interest income and yields calculated do not reflect any accrued interest associated with non-accrual loans.
- (3) The interest income and yields calculated on securities have been tax affected to reflect any tax-exempt interest on municipal securities. Assumed income tax rates of 21% were used for the periods presented.

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Net Interest Margin Analysis

Average Balance Sheets

For the Nine Months Ended September 30,

2023 and 2022

(dollars in thousands)

	2023			2022		
	Average Balance Sheet	Interest Income/ Expense	Average Rates Earned/ Paid	Average Balance Sheet	Interest Income/ Expense	Average Rates Earned /Paid
ASSETS						
Loans, including fees (1)(2)	\$ 618,152	\$ 23,082	4.99%	\$ 600,286	\$ 18,779	4.18%
Loans held for sale	3,548	169	6.37%	3,978	130	4.37%
Federal funds sold	42,148	1,601	5.08%	82,142	463	0.75%
Interest-bearing bank balances	8,718	375	5.75%	18,853	135	0.96%
Securities (3)	223,391	3,563	2.13%	220,863	3,384	2.05%
Federal agency equities	1,291	49	5.07%	1,244	36	3.87%
CBB equity	116	—	—%	116	—	—%
Total earning assets	897,364	28,839	4.30%	927,482	22,927	3.31%
Allowance for credit losses	(7,611)			(6,829)		
Non-earning assets	55,636			66,214		
Total assets	\$ 945,389			\$ 986,867		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits						
Demand interest bearing	409,373	1,557	0.51%	456,851	318	0.09%
Savings	122,943	359	0.39%	131,266	56	0.06%
Time deposits	176,628	3,918	2.97%	136,949	467	0.46%
Total interest bearing deposits	708,944	5,834	1.10%	725,066	841	0.16% 0.71%
Other borrowed funds						
FHLB borrowings	821	31	5.05%	—	—	—% 2,489 31 5.05%
Other borrowings	10,255 9,827	297 92	3.87% 3.77%	10,805 10,399	339 99	4.19% 3.86%
Financing leases	3,284 3,007	66 20	2.69% 2.68%	3,640 3,372	73 23	2.68% 2.77%
Capital Notes	10,039 10,043	245 82	3.26% 3.28%	10,034 10,038	245 82	3.26% 3.31%
Total interest-bearing liabilities	733,343 765,728	6,473 3,559	1.18% 1.87%	749,545 725,348	1,498 1,456	0.27% 0.81%
Noninterest bearing Noninterest-bearing deposits	153,268 141,704			170,208 155,850		
Other liabilities	7,504 11,544			6,511 10,937		
Total liabilities	894,115 918,976			926,264 892,135		
Stockholders' Stockholders' equity	51,274 59,891			60,603 49,512		

Total liabilities and stockholders'

Stockholders' equity	\$ 945,389,978,867	\$ 986,867,941,647
Net interest earnings	\$ 22,366,695	\$ 21,429,764
Net interest margin	3.33% 3.02%	3.09%
Interest spread	3.12%	3.04% 3.48%
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Interest spread	2.73%	3.33%
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- (1) Net accretion or amortization of deferred loan fees and costs are included in interest income.
- (2) Nonperforming loans are included in the average balances. However, interest income and yields calculated do not reflect any accrued interest associated with non-accrual nonaccrual loans.
- (3) The interest income and yields calculated on securities have been tax affected to reflect any tax-exempt interest on municipal securities. Assumed income tax rates of 21% were used for the periods presented.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Financial's management, including Financial's principal executive officer and principal financial officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) and 15d-15 promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, Financial's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that Financial files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There have been no significant changes during the quarter ended September 30, 2023 March 31, 2024, in the Company's internal controls over financial reporting (as defined in Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934) or in other factors that could have significantly affected those controls subsequent to the date of our most recent evaluation of internal controls over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not involved in any pending legal proceedings at this time, other than routine litigation incidental to its business.

Item 1A. Risk Factors

For information regarding the Company's risk factors, see Part I, Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the Securities and Exchange Commission on March 31, 2023. There have been no material changes from risk factors as previously disclosed in Part 1 Item 1A of the Company's Form 10-K for the year ended December 31, 2022 December 31, 2023.

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

- (a) Not applicable.
- (b) Not applicable.
- (c) On February 6, 2023, the Company's board of directors approved a stock repurchase plan to purchase up to \$998,000 of the Company's common stock. The plan authorizes the Company to make purchases from March 8, 2023 through March 7, 2024, unless extended or sooner terminated. The plan allowed the Company to make purchases in open market transactions or privately negotiated transactions, in accordance with Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended. Pursuant to the Plan, the Company purchased an aggregate of 85,319 shares between the adoption date and April 6, 2023. Because the Company

used substantially all of the funds allocated under the Plan, on April 18, 2023, the Company's board of directors terminated the repurchase plan. Following the termination, the Company does not have a stock repurchase plan in place and consequently repurchased no shares during the quarter ended September 30, 2023.

Not applicable.

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Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

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Not applicable

Item 5. Other Information

Not applicable

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Item 6. Exhibits

Exhibit No.	Description of Exhibit
31.1	Certification of Robert R. Chapman III Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 13, 2023 May 17, 2024
31.2	Certification of J. Todd Scruggs Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 13, 2023 May 17, 2024
32.1	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002, dated November 13, 2023 May 17, 2024
101	The following materials from Bank of the James Financial Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets (unaudited) as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023; (ii) Consolidated Statements of Income (unaudited) for the three Three-months ended March 31, 2024 and nine months ended September 30, 2023 and 2022; 2023; (iii) Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three Three-months ended March 31, 2024 and nine months ended September 30, 2023 and 2022; 2023 (iv) Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (v) Consolidated Statements of Changes in Stockholders' Equity (unaudited) for the three Three-months ended March 31, 2024 and nine months ended September 30, 2023 and 2022; 2023; (vi) Notes to Unaudited Consolidated Financial Statements.

SIGNATURES

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

Date: November 13, 2023 May 17, 2024

BANK OF THE JAMES FINANCIAL GROUP, INC.
By /s/ Robert R. Chapman III
Robert R. Chapman III, President
(Principal Executive Officer)
By /s/ J. Todd Scruggs
J. Todd Scruggs, Secretary and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

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Exhibit 31.1

Certification—Principal Executive OfficerI, Robert R. Chapman III, President of Bank of the James Financial Group, Inc. certify that:(1) I have reviewed this Form 10-Q of Bank of the James Financial Group, 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 issuer as of, and for, the periods presented in this report;(4) The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter (the issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

(5) The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer'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 issuer'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 issuer's internal control over financial reporting.

Date: November 13, 2023 May 17, 2024

By /S/ Robert R. Chapman III
Robert R. Chapman III, President
(Principal Executive Officer)

Exhibit 31.2

Certification—Principal Financial Officer and Principal Accounting OfficerI, J. Todd Scruggs, Secretary and Treasurer of Bank of the James Financial Group, Inc., certify that: (1) I have reviewed this Form 10-Q of Bank of the James Financial Group, 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 issuer as of, and for, the periods presented in this report;(4) The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter (the issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

(5) The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer'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 issuer'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 issuer's internal control over financial reporting.

Date: November 13, 2023 May 17, 2024

By /S/ J. Todd Scruggs

J. Todd Scruggs, Secretary and Treasurer
(Principal Financial Officer and Principal
Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 Each of the undersigned hereby certifies that this Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Bank of the James Financial Group, Inc.

BANK OF THE JAMES FINANCIAL GROUP, INC.

Date: November 13, 2023 May
17, 2024

By /S/ Robert R. Chapman III

Robert R. Chapman III, President
(Principal Executive Officer)

Date: November 13, 2023 May 17, 2024

By /S/ J. Todd Scruggs

J. Todd Scruggs, Secretary and Treasurer
(Principal Financial Officer and Principal Accounting
Officer)

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