REFINITIV

DELTA REPORT

10-Q

OPOF - OLD POINT FINANCIAL CORP

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

The following comparison report has been automatically generated

TOTAL DELTAS	1543
CHANGES	305
DELETIONS	670
ADDITIONS	568

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, 2023March 31, 2024

or

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

For the transition period from____________ to___________

Commission File Number: 000-12896

OLD POINT FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Virginia	**54-1265373**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

101 East Queen Street, Hampton, Virginia 23669
(Address of principal executive offices) (Zip Code)

(757) 728-1200
(Registrant'sRegistrant’s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $5.00 par value per share	OPOF	The NASDAQ Stock Market LLC

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

The number of shares outstanding of the registrant’s common stock, ($5.00 par value per share) as of November 8, 2023May 9, 2024 was 5,038,0665,075,596 shares.

OLD POINT FINANCIAL CORPORATION
FORM 10-Q
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GLOSSARY OF ACRONYMS AND DEFINED TERMS

2022 2023 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023
ACL	Allowance for Credit Losses
ACLL	Allowance for Credit Losses on Loans, a component of ACL
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bank	The Old Point National Bank of Phoebus
CECL	Current Expected Credit Losses
CET1	Common Equity Tier 1
Company	Old Point Financial Corporation and its subsidiaries

CBB	Community Bankers Bank
CBLR	Community Bank Leverage Ratio Framework
COVID-19	Novel coronavirus disease 2019
EGRRCPA	
EGRRCPA	Economic Growth, Regulatory Relief, and Consumer Protection Act
EPS	Earnings per share
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FRB	Federal Reserve Bank
GAAP	Generally Accepted Accounting Principles
Incentive Stock Plan	Old Point Financial Corporation 2016 Incentive Stock Plan
IRLC	Interest Rate Lock Commitments
NIM	Net Interest Margin
Notes	The Company’s 3.50% fixed-to-floating rate subordinated notes due 2031
OAEM	Other Assets Especially Mentioned
OREO	Other Real Estate Owned
ROE	Return on Average Equity
SEC	U.S. Securities and Exchange Commission
SOFR	Secured overnight financing rate
TDR	Troubled Debt Restructuring
Wealth	Old Point Trust & Financial Services N.A.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Old Point Financial Corporation and Subsidiaries
Consolidated Balance Sheets

	September 30,	December 31,	March 31,	December 31,
(dollars in thousands, except share data)	2023	2022		
	(unaudited)			
(dollars in thousands, except per share amounts)			2024	2023
Assets			(unaudited)	
Cash and due from banks	$ 14,501	$ 15,670	$ 16,427	$ 14,731
Interest-bearing due from banks	62,508	3,580	75,584	63,539
Federal funds sold	632	-	1,300	489
Cash and cash equivalents	77,641	19,250	93,311	78,759
Securities available-for-sale, at fair value	200,617	225,518	199,798	204,278
Restricted securities, at cost	5,176	3,434	5,239	5,176
Loans held for sale	292	421	-	470
Loans, net	1,070,834	1,016,559	1,055,955	1,068,046
Premises and equipment, net	30,262	31,008	30,178	29,913
Premises and equipment, held for sale	344	987	344	344
Bank-owned life insurance	34,826	34,049	35,353	35,088
Goodwill	1,650	1,650	1,650	1,650
Core deposit intangible, net	198	231	176	187
Other assets	25,223	22,228	23,485	22,471
Total assets	$ 1,447,063	$ 1,355,335	$ 1,445,489	$ 1,446,382
Liabilities & Stockholders' Equity				
Liabilities & Stockholders’ Equity				
Deposits:				
Noninterest-bearing deposits	$ 348,316	$ 418,582	$ 355,140	$ 331,992
Savings deposits	619,799	584,527	632,696	655,694

Time deposits	269,493	152,910	240,433	242,711
Total deposits	1,237,608	1,156,019	1,228,269	1,230,397
Overnight repurchase agreements	1,323	4,987	1,684	2,383
Federal funds purchased and other short-term borrowings	-	11,378		
Federal Home Loan Bank advances	69,450	46,100	69,450	69,450
Long-term borrowings	29,636	29,538		
Subordinated notes			29,701	29,668
Accrued expenses and other liabilities	9,520	8,579	8,755	7,706
Total liabilities	1,347,537	1,256,601	1,337,859	1,339,604
Stockholders' equity:				
Common stock, $5 par value, 10,000,000 shares authorized; 5,038,066 and 4,999,083 shares outstanding (includes 54,593 and 46,989 of nonvested restricted stock, respectively)	24,917	24,761		
Stockholders' equity:				
Common stock, $5 par value, 10,000,000 shares authorized; 5,040,391 and 5,040,095 shares outstanding (includes 51,169 and 53,660 of nonvested restricted stock, respectively)			24,946	24,932
Additional paid-in capital	16,957	16,593	17,193	17,099
Retained earnings	81,292	78,147	83,289	82,277
Accumulated other comprehensive loss, net	(23,640)	(20,767)	(17,798)	(17,530)
Total stockholders' equity	99,526	98,734		
Total liabilities and stockholders' equity	$ 1,447,063	$ 1,355,335		
Total stockholders' equity			107,630	106,778
Total liabilities and stockholders' equity			$ 1,445,489	$ 1,446,382

See accompanying notes to consolidated financial statements.

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Old Point Financial Corporation and Subsidiaries
Consolidated Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
(unaudited, dollars in thousands, except share and per share data)	2023	2022	2023	2022		
(unaudited, dollars in thousands, except per share amounts)					2024	2023
Interest and dividend income:						
Loans, including fees	**$ 14,311**	**$ 10,506**	**$ 41,537**	**$ 29,173**	**$ 14,544**	**$ 13,041**
Due from banks	**838**	**252**	**995**	**533**	**799**	**64**
Federal funds sold	**9**	**11**	**24**	**18**	**9**	**6**
Securities:						
Taxable	**1,788**	**1,297**	**5,324**	**3,409**	**1,798**	**1,764**
Tax-exempt	**159**	**272**	**580**	**732**	**139**	**212**
Dividends and interest on all other securities	**84**	**30**	**229**	**58**	**94**	**66**
Total interest and dividend income	**17,189**	**12,368**	**48,689**	**33,923**	**17,383**	**15,153**
Interest expense:						
Checking and savings deposits	**2,060**	**147**	**4,483**	**471**	**2,597**	**854**
Time deposits	**2,456**	**312**	**4,412**	**993**	**2,172**	**537**
Federal funds purchased, securities sold under agreements to repurchase and other borrowings	**-**	**43**	**39**	**45**	**1**	**37**
Federal Home Loan Bank advances	**952**	**-**	**2,532**	**-**	**778**	**295**
Long-term borrowings	**295**	**295**	**885**	**885**	**295**	**617**
Total interest expense	**5,763**	**797**	**12,351**	**2,394**	**5,843**	**2,340**
Net interest income	**11,426**	**11,571**	**36,338**	**31,529**	**11,540**	**12,813**
Provision for credit losses	**505**	**402**	**1,242**	**1,073**	**80**	**376**
Net interest income after provision for credit losses	**10,921**	**11,169**	**35,096**	**30,456**	**11,460**	**12,437**
Noninterest income:						
Fiduciary and asset management fees	**1,012**	**953**	**3,282**	**3,086**	**1,192**	**1,116**

Service charges on deposit accounts	751	795	2,297	2,278	758	753
Other service charges, commissions and fees	1,119	1,143	3,255	3,339	883	1,109
Bank-owned life insurance income	263	227	776	653	265	254
Mortgage banking income	144	86	351	419	16	95
Gain (loss) on sale of available-for-sale securities, net	30	-	(134)	-		
Loss on sale of repossessed assets	-	-	(69)	-		
Gain on sale of fixed assets	-	-	200	-		
Gain on sale of repossessed assets					22	-
Other operating income	163	161	422	605	86	94
Total noninterest income	3,482	3,365	10,380	10,380	3,222	3,421
Noninterest expense:						
Salaries and employee benefits	7,830	6,821	23,236	19,854	7,831	7,363
Occupancy and equipment	1,241	1,184	3,691	3,488	1,173	1,195
Data processing	1,300	1,206	3,743	3,447	1,315	1,179
Customer development	159	136	373	298	55	113
Professional services	636	647	2,065	1,915	585	673
Employee professional development	257	230	780	769	211	234
Other taxes	251	212	698	637	261	213
ATM and other losses	154	112	563	226	231	255
Other operating expenses	1,053	1,017	3,047	2,734	1,041	943
Total noninterest expense	12,881	11,565	38,196	33,368	12,703	12,168
Income before income taxes	1,522	2,969	7,280	7,468	1,979	3,690
Income tax expense	160	427	1,033	1,003	262	607
Net income	$ 1,362	$ 2,542	$ 6,247	$ 6,465	$ 1,717	$ 3,083
Basic Earnings per Share:						
Weighted average shares outstanding	5,037,558	5,015,712	5,020,269	5,095,716	5,039,819	4,999,887
Net income per share of common stock	$ 0.27	$ 0.51	$ 1.24	$ 1.27	$ 0.34	$ 0.62
Diluted Earnings per Share:						
Weighted average shares outstanding	5,037,662	5,015,712	5,020,447	5,095,768	5,039,876	5,000,020
Net income per share of common stock	$ 0.27	$ 0.51	$ 1.24	$ 1.27	$ 0.34	$ 0.62

See accompanying notes to consolidated financial statements.

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Old Point Financial Corporation
Consolidated Statements of Comprehensive Income (Loss)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(unaudited, dollars in thousands)	2023	2022	2023	2022
Net income	$ 1,362	$ 2,542	$ 6,247	$ 6,465
Other comprehensive loss, net of tax				
Net unrealized loss on available-for-sale securities	(3,859)	(7,997)	(2,979)	(25,522)
Reclassification for (gain) loss included in net income	(24)	-	106	-
Other comprehensive loss, net of tax	(3,883)	(7,997)	(2,873)	(25,522)
Comprehensive income (loss)	$ (2,521)	$ (5,455)	$ 3,374	$ (19,057)

	Three Months Ended March 31,	
(unaudited, dollars in thousands)	2024	2023
Net income	$ 1,717	$ 3,083
Other comprehensive income (loss), net of tax		

Net unrealized gain (loss) on available-for-sale securities	(268)	2,332
Other comprehensive income (loss), net of tax	(268)	2,332
Comprehensive income	$ 1,449	$ 5,415

See accompanying notes to consolidated financial statements.

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Old Point Financial Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Stockholders' Equity

(unaudited, dollars in thousands, except share and per share data)	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total	Shares of Common	Common	Additiona Paid-in
Three Months Ended September 30, 2023									
Balance at June 30, 2023	4,977,276	$ 24,886	$ 16,777	$ 80,636	$ (19,757)	$ 102,542			
(unaudited dollars in thousands, except per share amounts)							Stock	Stock	Capital
Balance at December 31, 2023							4,986,435	$ 24,932	$ 17,09
Net income	-	-	-	1,362	-	1,362	-	-	
Other comprehensive loss, net of tax	-	-	-	-	(3,883)	(3,883)	-	-	
Employee Stock Purchase Plan share issuance	2,274	12	28	-	-	40	2,026	10	2
Restricted stock vested	3,923	19	(19)	-	-	-	761	4	(
Share-based compensation expense	-	-	171	-	-	171	-	-	7
Cash dividends ($0.14 per share)	-	-	-	(706)	-	(706)			
Cash dividends ($0.14 per share)							-	-	
Balance at March 31, 2024							4,989,222	$ 24,946	$ 17,19
Balance at end of period	4,983,473	$ 24,917	$ 16,957	$ 81,292	$ (23,640)	$ 99,526			
Three Months Ended September 30, 2022									
Balance at June 30, 2022	5,018,144	$ 25,091	$ 17,643	$ 74,266	$ (15,850)	$ 101,150			
Balance at December 31, 2022							4,952,094	$ 24,761	$ 16,59
Net income	-	-	-	2,542	-	2,542	-	-	
Other comprehensive loss, net of tax	-	-	-	-	(7,997)	(7,997)			
Other comprehensive income, net of tax							-	-	
Impact of adoption of new accounting pronouncement							-	-	
Employee Stock Purchase Plan share issuance	1,492	7	26	-	-	33	1,248	6	2
Common stock purchased	(69,000)	(345)	(1,340)	-	-	(1,685)			
Restricted stock vested	-	-	-	-	-	-			
Share-based compensation expense	-	-	121	-	-	121	-	-	10
Cash dividends ($0.13 per share)	-	-	-	(652)	-	(652)			
Balance at end of period	4,950,636	$ 24,753	$ 16,450	$ 76,156	$ (23,847)	$ 93,512			
Cash dividends ($0.14 per share)							-	-	
Balance at March 31, 2023							4,953,342	$ 24,767	$ 16,72

Old Point Financial Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

(dollars in thousands, except share and per share data)	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Nine Months Ended September 30, 2023						

Balance at December 31, 2022	4,952,094	$ 24,761	$ 16,593	$ 78,147	$ (20,767)	$ 98,734
Net income	-	-	-	6,247	-	6,247
Other comprehensive loss, net of tax	-	-	-	-	(2,873)	(2,873)
Impact of adoption of ASC 326	-	-	-	(991)	-	(991)
Employee Stock Purchase Plan share issuance	5,453	27	74	-	-	101
Restricted stock vested	25,926	129	(129)	-	-	-
Share-based compensation expense	-	-	419	-	-	419
Cash dividends ($0.42 per share)	-	-	-	(2,111)	-	(2,111)
Balance at end of period	4,983,473	$ 24,917	$ 16,957	$ 81,292	$ (23,640)	$ 99,526
Nine Months Ended September 30, 2022						
Balance at December 31, 2021	5,201,272	$ 26,006	$ 21,458	$ 71,679	$ 1,675	$ 120,818
Net income	-	-	-	6,465	-	6,465
Other comprehensive loss, net of tax	-	-	-	-	(25,522)	(25,522)
Employee Stock Purchase Plan share issuance	4,307	21	78	-	-	99
Common stock purchased	(268,095)	(1,340)	(5,315)	-	-	(6,655)
Restricted stock vested	13,152	66	(66)	-	-	-
Share-based compensation expense	-	-	295	-	-	295
Cash dividends ($0.39 per share)	-	-	-	(1,988)	-	(1,988)
Balance at end of period	4,950,636	$ 24,753	$ 16,450	$ 76,156	$ (23,847)	$ 93,512

See accompanying notes to consolidated financial statements.

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Old Point Financial Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Nine Months Ended September 30,		Three Months Ended March 31,	
(unaudited, dollars in thousands)	**2023**	**2022**	**2024**	**2023**
Operating activities:				
Net income	$ 6,247	$ 6,465	$ 1,717	$ 3,083
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,631	1,550	534	534
Amortization of right of use lease asset	333	240	91	101
Accretion related to acquisition, net	33	10	11	11
Amortization of subordinated debt issuance costs	98	98	33	32
Provision for credit losses	1,242	1,073	80	376
Loss on sale of securities, net	134	-		
Net amortization of securities	564	923	154	186
Decrease in loans held for sale, net	129	2,513	470	96
Net gain on disposal of premises and equipment	(200)	-		
Net gain on write-down/sale of repossessed assets	69	-	(22)	-
Income from bank owned life insurance	(776)	(653)	(265)	(254)
Stock compensation expense	419	295	75	107
Increase in other assets	(2,635)	(287)		
Increase in accrued expenses and other liabilities	704	1,557		
(Increase) decrease in other assets			(147)	621
Increase (decrease) in accrued expenses and other liabilities			1,047	(1,392)
Net cash provided by operating activities	7,992	13,784	3,778	3,501
Investing activities:				

Purchases of available-for-sale securities	(15,173)	(47,543)	(1,230)	(1,145)
Purchase of redemption of restricted securities, net	(681)	(355)		
Proceeds from maturities and calls of available-for-sale securities	200	3,950		
Purchase of restricted securities, net			(63)	(1,045)
Proceeds from maturities and paydowns of available-for-sale securities			570	-
Proceeds from sales of available-for-sale securities	23,171	3,950	450	1,300
Paydowns on available-for-sale securities	11,308	13,195	4,197	4,216
Net increase in loans held for investment	(56,267)	(112,521)		
Purchases of bank-owned life insurance	-	(2,500)		
Net decrease (increase) in loans held for investment			11,148	(54,359)
Purchases of premises and equipment	(885)	(969)	(799)	(130)
Proceeds from sale of premises and equipment	839	-		
Net cash used in investing activities	(37,488)	(142,793)		
Net cash provided by (used in) investing activities			14,273	(51,163)
Financing activities:				
(Decrease) increase in noninterest-bearing deposits	(70,266)	15,716		
ncrease in savings deposits	35,272	5,789		
Increase (decrease) in time deposits	116,583	(16,296)		
Increase (decrease) in noninterest-bearing deposits			23,148	(13,422)
(Decrease) increase in savings deposits			(22,998)	44,956
(Decrease) increase in time deposits			(2,278)	12,062
Decrease in federal funds purchased, repurchase agreements and other borrowings, net	(15,042)	(555)	(699)	(11,848)
Increase in Federal Home Loan Bank advances	347,850	-	34,200	145,500
Repayment of Federal Home Loan Bank advances	(324,500)	-	(34,200)	(119,100)
Repayment of Federal Reserve Bank borrowings	-	(480)		
Proceeds from Employee Stock Purchase Plan issuance	101	99	33	33
Repurchase of common stock	-	(6,655)		
Cash dividends paid on common stock	(2,111)	(1,988)	(705)	(700)
Net cash provided by (used in) financing activities	87,887	(4,370)		
Net cash (used in) provided by financing activities			(3,499)	57,481
Net increase (decrease) in cash and cash equivalents	58,391	(133,379)		
Net increase in cash and cash equivalents			14,552	9,819
Cash and cash equivalents at beginning of period	19,250	187,922	78,759	19,250
Cash and cash equivalents at end of period	$ 77,641	$ 54,543	$ 93,311	$ 29,069
Supplemental discolsures of cash flow information				
Supplemental disclosures of cash flow information				
Cash payments for:				
Interest	$ 11,399	$ 2,609	$ 6,007	$ 2,417
Supplemental schedule of noncash transactions				
Unrealized gain (loss) on securities available-for-sale	$ (3,636)	$ (32,307)	$ (339)	$ 2,952
Former bank property transferred from fixed assets to held for sale assets	$ -	$ 345		
Right of use lease asset and liability	$ -	$ 327		
Loans transferred to repossessed assets			$ 865	$ -
Impact of adoption of ASC 326	$ 991	$ -	$ -	$ 991

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Description of Business and Summary of Significant Accounting Policies

The Company

Headquartered in Hampton, Virginia, Old Point Financial Corporation (NASDAQ: OPOF) (the Company) is a holding company that conducts substantially all of its operations through two wholly-owned subsidiaries, The Old Point National Bank of Phoebus (the Bank) and Old Point Trust & Financial Services, N.A. (Wealth). The Bank serves individual and commercial customers, the majority of which are in the Hampton Roads region of Virginia. As of September March 30, 2023, 31, 2024, the Bank had 14 branch offices. The Bank offers a full range of deposit and loan products to its retail and commercial customers, including mortgage loan products offered through Old Point Mortgage. A full array of insurance products is also offered through Old Point Insurance, LLC in partnership with Morgan Marrow Company. Wealth offers a full range of services for individuals and businesses. Products and services include retirement planning, estate planning, financial planning, estate and trust administration, retirement plan administration, tax services and investment management services.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company, and its wholly-owned subsidiaries, the Bank and Wealth. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying unaudited Consolidated Financial Statements of the Company and its subsidiaries have been prepared in accordance with U.S. GAAP for interim financial information. In the opinion of management, the accompanying unaudited Consolidated Financial Statements contain all adjustments and reclassifications of a normal and recurring nature considered necessary to present fairly the financial position at September 30, 2023 and December 31, 2022, the related statements of income, comprehensive income, (loss), and changes in stockholders' equity, for the three and nine months ended September 30, 2023 and 2022, and the statements of cash flows for the nine three months ended September 30, 2023March 31, 2024 and 2022. 2023. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year.

These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's 2022 2023 Form 10-K. Certain previously reported amounts have been reclassified to conform to current period presentation, none of which were material in nature.

Estimates

In preparing Consolidated Financial Statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Consolidated Balance Sheets and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the ACL.

and evaluation of goodwill for impairment. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of operations in these financial statements, have been made.

Reclassification

Adoption Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation. None of New these reclassifications are considered material and did not affect net income or total equity.

Recent Accounting Standards Pronouncements

On January 1, 2023, In March 2020, the Company adopted FASB issued ASU No. 2016-13, "Financial Instruments 2020-04, "Reference Rate Reform (Topic 848) – Credit Losses (Topic 326): Measurement Facilitation of Credit Losses the Effects of Reference Rate Reform on Financial Instruments", as amended, which replaces Reporting." Subsequently, the incurred loss methodology with an expected loss methodology that is referred FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. This guidance provides temporary, optional expedients and exceptions to as ease the CECL model, which requires consideration potential burden in accounting for modifications of a broader range of reasonable and supportable information to inform credit loss estimates. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to unfunded credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, contracts, borrowings, and other similar instruments) transactions related to reference rate reform associated with the LIBOR transition if certain criteria are met. The amendments are effective as of March 12, 2020 through December 31, 2024 and net investments can be adopted at an instrument level. These modifications have not had and are not expected to have a material impact on the consolidated financial statements.

In November 2023, FASB issued ASU 2023-07, "Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures." The amendments in leases recognized ASU 2023-07 require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, require other segment items by reportable segment to be disclosed and a lessor description of their composition, and require disclosure of the title and position of the chief operating decision maker and an explanation of how they use the reported measure of segment profit or loss in assessing segment performance and deciding how to allocate resources. The amendments apply to all public entities that are required to report segment information in accordance with Topic 842 on leases. In addition, ASC 326 modified the impairment 280, "Segment Reporting," and are effective for available-for-sale debt securities, requiring credit losses fiscal years beginning after December 15, 2023, and interim periods with fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments are to be presented as an allowance rather than as a write-down on available-for-sale debt securities management applied retrospectively to all prior periods presented. The Company does not intend expect the adoption of ASU 2023-07 to sell or believes that it is more likely than not they will be required to sell. It also modified the measurement principles for modifications of loans to borrowers experiencing have a material effect on its consolidated financial difficulty, including how the ACL is measured for such loans.
statements.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023, are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable GAAP. As a result of adopting ASC 326, the Company recorded a net decrease to retained earnings of $1.0 million.

The Company adopted ASC 326 using the prospective transition approach for debt securities. The adoption did not affect the carrying value of debt securities or the amount of unrealized gains and losses recorded in accumulated other comprehensive loss. Upon adoption of ASC 326, the Company did not have any securities included in its portfolio where other-than-temporary impairment had previously been recognized or that required an ACL.

In November 2023, FASB issued ASU 2023-09, “Income Taxes (Topic 740) – Improvements to Income Tax Disclosures.” The following table illustrates amendments in ASU 2023-09 require that a public entity disclose, on an annual basis, specific categories in the impact rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, the amount of ASC 326.

(dollars in thousands)	December 31, 2022	January 1, 2023	
	As Previously Reported (Incurred Loss)	Impact of CECL Adoption	As Reported Under CECL
Assets			
Loans			
Commercial and industrial	$ 673	$ (11)	$ 662
Real estate construction	552	19	571
Real estate mortgage	2,575	87	2,662
Real estate commercial	4,499	1,048	5,547
Consumer	2,065	(365)	1,700
Other	162	(137)	25
Allowance for credit losses on loans	10,526	641	11,167
Liabilities:			
Allowance for credit losses on unfunded credit exposure	51	350	401
Total allowance for credit losses	$ 10,577	$ 991	$ 11,568

income taxes paid disaggregated by federal, state and foreign taxes, and the amount of income taxes paid disaggregated by individual jurisdictions in which income taxes paid is equal to or greater than five percent of total income taxes paid. The following accounting policies have been updated in connection with amendments also require that entities disclose income from continuing operations before income tax expense disaggregated between domestic and foreign, as well as income tax expense from continuing operations disaggregated by federal, state, and foreign. The amendments apply to all public entities that are subject to Topic 740, “Income Taxes,” and are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The amendments are to be applied on a prospective basis; however, retrospective application is permitted. The Company does not expect the adoption of ASC 326 and apply to periods beginning after December 31, 2022.

Loans Held for Investment

The Company makes commercial, consumer, and mortgage loans to customers. The Company's recorded investment in loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally is reported at the unpaid principal balances adjusted for charges-offs, unearned discounts, any deferred fees or costs on originated loans, and the ACL. Interest on loans is accrued based on the unpaid principal balance. Loan fees and origination costs are deferred, and the net amount is amortized as a level yield adjustment over the respective term of the related loans.

The past due status of a loan is based on the contractual due date of the most delinquent payment due. Commercial loans are generally placed on nonaccrual status when the collection of principal or interest is 90 days or more past due, or earlier, if the full and timely collection of interest or principal becomes uncertain based on an evaluation of the net realizable value of the collateral and the financial strength of the borrower. Consumer loans are generally placed on nonaccrual status when payments are 120 days past due. Any accrued interest receivable on loans placed on nonaccrual status is reversed by an adjustment to interest income. Loans greater than 90 days past due may remain on accrual status if determined ASU 2023-09 to have adequate collateral to cover the principal and interest. For those loans that are carried a material effect on nonaccrual status, payments are first applied to principal outstanding. A loan may be returned to accrual status if the borrower has demonstrated a sustained period of repayment performance in accordance with the contractual terms of the loan and there is reasonable assurance the borrower will continue to make payments as agreed. These policies are applied consistently across the loan portfolio.

In the ordinary course of business, the Company enters commitments to extend credit and standby letters of credit. Such its consolidated financial instruments are recorded in the Consolidated Balance Sheets when they are funded.

Allowance for Credit Losses on Loans

The provision for credit losses on loans charged to operations is an amount sufficient to bring the allowance to an estimated balance that management considers adequate to absorb expected credit losses in the Company's loan portfolio. The ACLL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Amortized cost is the principal balance outstanding, net of any purchase premiums and discounts and net of any deferred loan fees and costs.

The ACLL represents management's estimate of credit losses over the remaining life of the loan portfolio. Loans are charged off against the ACLL when management believes the loan balance is no longer collectible. Subsequent recoveries of previously charged off amounts are recorded as increases to the ACLL.

Management's determination of the adequacy of the ACLL is based on an evaluation of the composition of the loan portfolio, the value and adequacy of collateral, current economic conditions, historical loan loss experience, reasonable and supportable forecasts, and other risk factors. The ACLL is estimated by pooling loans by call code and similar risk characteristics and applying a loan-level discounted cash flows method for all loans except for its automobile, farmland, and consumer portfolios. For automobile, farmland, and consumer portfolios, the Company has elected to pool those loans based on similar risk characteristics to determine the ACLL using the remaining life method. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Company utilizes a forecast period of one year and then reverts to the mean of historical loss rates on a straight-line basis over the following one-year period. The Company considers economic forecasts and recession probabilities from highly recognized third-parties to inform the model for loss estimation. For instance, the Company considers the National unemployment rate as an external economic variable in developing the ACLL. The quantitative ACLL estimate is sensitive to changes in the unemployment rate forecast over a one-year reasonable and supportable period, with the commercial loan portfolio being the most sensitive to fluctuations in unemployment. Because current economic conditions and forecasts can change and future events are inherently difficult to predict, the anticipated amount of estimated credit losses on loans and therefore the appropriateness of the ACLL, could change significantly. It is difficult to estimate how potential changes in any one economic factor or input might affect the overall ACLL because changes in those factors and inputs may not occur at the same rate and may not be consistent across all loan types. Additionally, changes in factors and inputs may be directionally inconsistent, such that improvement in one factor may offset deterioration in others. Management also considers qualitative factors when estimating loan losses to take into account model limitations. While management uses available information to estimate expected losses on loans, future changes in the ACLL may be necessary based on changes in portfolio composition, portfolio credit quality, and/or economic conditions.

Loans that do not share risk characteristics are evaluated on an individual basis. The individual reserve component relates to loans that have shown substantial credit deterioration as measured by risk rating and/or delinquency status. In addition, the Company has elected the practical expedient that would include loans for individual assessment consideration if the repayment of the loan is expected substantially through the operation or sale of collateral because the borrower is experiencing financial difficulty. Where the source of repayment is the sale of collateral, the ACLL is based on the fair value of the underlying collateral, less selling costs, compared to the amortized cost basis of the loan. If the ACLL is based on the operation of the collateral, the reserve is calculated based on the fair value of the collateral calculated as the present value of expected cash flows from the operation of the collateral, compared to the amortized cost basis. If the Company determines that the value of a collateral dependent loan is less than the recorded investment in the loan, the Company charges off the deficiency if it is determined that such amount is deemed to be a confirmed loss. Typically, a loss is confirmed when the Company is moving towards foreclosure (or final disposition).

Reserve for Unfunded Commitments

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The reserve for unfunded commitments is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded and is included in “Other Liabilities” within 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 ACLL, as well as elected the policy to write-off accrued interest receivable directly through the reversal of interest income. Accrued interest receivable totaled $3.2 million on loans held for investment as of September 30, 2023 and is included in “Other Assets” on the Company’s Consolidated Balance Sheet.

Allowance for Credit Losses – Available-For-Sale Securities

Investments in debt securities are classified as either held to maturity, available-for-sale, or trading, based on management’s intent. Currently, all the Company’s debt securities are classified as available-for-sale. Available-for-sale debt securities are carried at estimated fair value with the corresponding unrealized gains and losses recognized in other comprehensive income (loss). Gains or losses are recognized in net income on the trade date using the amortized cost of the specific security sold. Purchase premiums are recognized in interest income using the effective interest rate method over the period from purchase to maturity or, for callable securities, the earliest call date, and purchase discounts are recognized in the same manner from purchase to maturity.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell if met, the security’s amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income (loss).

Changes in the ACL are recorded as a credit loss expense or reversal. Losses are charged against the allowance when management believes the uncollectability of an available-for-sale security is confirmed or when either of the criteria regarding interest or requirement to sell is met. Accrued interest receivable on available-for-sale securities is excluded from the estimate of credit losses.

statements.

Other accounting standards that have been adopted by the Company or issued by the FASB or other standards-setting bodies have not or are not currently expected to have a material effect on the Company’s financial position, results of operations or cash flows. flows.

Note 2. Securities

The Company’s debt securities all of which are classified as available for sale, are summarized as follows:

	March 31, 2024			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Treasury securities	$ 4,060	$ -	$ (216)	$ 3,844
Obligations of U.S. Government agencies	40,097	259	(490)	39,866
Obligations of state and political subdivisions	58,020	10	(7,972)	50,058

Mortgage-backed securities	89,823	17	(10,712)	79,128
Money market investments	2,827	-	-	2,827
Corporate bonds and other securities	27,500	-	(3,425)	24,075
	$ 222,327	$ 286	$ (22,815)	$ 199,798

	December 31, 2023			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Treasury securities	$ 4,068	$ -	$ (211)	$ 3,857
Obligations of U.S. Government agencies	43,233	167	(665)	42,735
Obligations of state and political subdivisions	58,292	13	(7,708)	50,597
Mortgage-backed securities	91,328	84	(10,105)	81,307
Money market investments	2,047	-	-	2,047
Corporate bonds and other securities	27,500	-	(3,765)	23,735
	$ 226,468	$ 264	$ (22,454)	$ 204,278

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Note 2. Securities

On January 1, 2023, the Company adopted ASC 326, which made changes to the accounting for available-for-sale debt securities whereby credit losses should be presented as an allowance, rather than as a write-down when management does not intend to sell and does not believe that it is more likely than not, they will be required to sell prior to maturity. For further discussion on the Company's accounting policies and policy elections related to the accounting standard update refer to "Note 1.Description of Business and Summary of Significant Accounting Policies."

All securities information presented as of September 30, 2023, is in accordance with ASC 326. All securities information presented as of December 31, 2022, or a prior date is in accordance with previous applicable GAAP. See information regarding the Company's prior accounting policies in "Note 1. Significant Accounting Policies" in the Company's 2022 Form 10-K.

Amortized costs and fair values, with gross unrealized gains and losses, of securities available-for-sale as of the dates indicated were as follows:

	September 30, 2023			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Treasury securities	$ 4,075	$ -	$ (298)	$ 3,777
Obligations of U.S. Government agencies	45,160	182	(787)	44,555
Obligations of state and political subdivisions	58,394	-	(11,739)	46,655
Mortgage-backed securities	93,016	-	(13,238)	79,778
Money market investments	1,906	-	-	1,906
Corporate bonds and other securities	27,990	-	(4,044)	23,946
	$ 230,541	$ 182	$ (30,106)	$ 200,617

	December 31, 2022			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Treasury securities	$ 8,013	$ -	$ (342)	$ 7,671
Obligations of U.S. Government agencies	43,622	10	(1,233)	42,399
Obligations of state and political subdivisions	70,491	-	(11,107)	59,384
Mortgage-backed securities	99,874	-	(10,961)	88,913
Money market investments	1,816	-	-	1,816
Corporate bonds and other securities	27,990	-	(2,655)	25,335
	$ 251,806	$ 10	$ (26,298)	$ 225,518

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

	March 31, 2024	
(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 4,227	$ 4,195
Due after one year through five years	20,528	18,941
Due after five through ten years	54,655	47,257
Due after ten years	142,917	129,405
	$ 222,327	$ 199,798

	December 31, 2023	
(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 3,617	$ 3,588
Due after one year through five years	12,962	12,178
Due after five through ten years	63,248	54,806
Due after ten years	146,641	133,706
	$ 226,468	$ 204,278

	September 30, 2023	
(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 1,860	$ 1,825
Due after one year through five years	9,448	8,766
Due after five through ten years	65,186	54,922
Due after ten years	152,141	133,198
Other securities, restricted	1,906	1,906
	$ 230,541	$ 200,617

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The following table shows realized Company did not record any gains and or losses on the sale of investment securities during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Realized gains on sales of securities	$ 1,061	$ -	$ 1,061	$ -
Realized losses on sales of securities	(1,031)	-	(1,195)	-
Net realized gain (loss)	$ 30	$ -	$ (134)	$ -

The following tables show the gross unrealized losses and fair value of the Company's investments with unrealized losses for which an ACL has not been recorded as of September 30, 2023 March 31, 2024 and that are deemed to be temporarily impaired as of December 31, 2022 December 31, 2023, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of the dates indicated:

	March 31, 2024						
	Less than 12 months		12 months or more		Total		
(dollars in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Number of Securities
U.S. Treasury securities	$ -	$ -	$ 216	$ 3,844	$ 216	$ 3,844	1
Obligations of U.S. Government agencies	43	8,009	447	18,975	490	26,984	39

Obligations of state and political subdivisions	-	-	7,972	49,060	7,972	49,060	42
Mortgage-backed securities	169	4,281	10,543	70,182	10,712	74,463	39
Corporate bonds and other securities	-	-	3,425	23,075	3,425	23,075	23
Total securities available-for-sale	$ 212	$ 12,290	$ 22,603	$ 165,136	$ 22,815	$ 177,426	144

	December 31, 2023						
	Less than 12 months		12 months or more		Total		
(dollars in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Number of Securities
U.S. Treasury securities	$ -	$ -	$ 211	$ 3,857	$ 211	$ 3,857	1
Obligations of U.S. Government agencies	91	8,803	574	22,817	665	31,620	43
Obligations of state and political subdivisions	-	-	7,708	49,597	7,708	49,597	43
Mortgage-backed securities	96	4,423	10,009	73,347	10,105	77,770	40
Corporate bonds and other securities	-	-	3,765	22,735	3,765	22,735	23
Total securities available-for-sale	$ 187	$ 13,226	$ 22,267	$ 172,353	$ 22,454	$ 185,579	150

	September 30, 2023						
	Less than 12 months		12 months or more		Total		
(dollars in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Number of Securities
U.S. Treasury securities	$ -	$ -	$ 298	$ 3,777	$ 298	$ 3,777	1
Obligations of U.S. Government agencies	67	9,217	720	25,820	787	35,037	45
Obligations of state and political subdivisions	415	2,379	11,324	44,276	11,739	46,655	44
Mortgage-backed securities	987	13,087	12,251	66,691	13,238	79,778	41
Corporate bonds and other securities	154	846	3,890	22,100	4,044	22,946	25
Total securities available-for-sale	$ 1,623	$ 25,529	$ 28,483	$ 162,664	$ 30,106	$ 188,193	156

	December 31, 2022						
	Less than 12 months		12 months or more		Total		
(dollars in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Number of Securities
U.S. Treasury securities	$ 342	$ 7,671	$ -	$ -	$ 342	$ 7,671	4
Obligations of U.S. Government agencies	258	13,873	975	22,851	1,233	36,724	43
Obligations of state and political subdivisions	5,386	33,720	5,721	23,856	11,107	57,576	56
Mortgage-backed securities	4,157	52,717	6,804	36,196	10,961	88,913	38
Corporate bonds and other securities	1,084	12,906	1,571	11,429	2,655	24,335	21
Total securities available-for-sale	$ 11,227	$ 120,887	$ 15,071	$ 94,332	$ 26,298	$ 215,219	162

The number of investments in an unrealized loss position as of September 30,2023March 31, 2024 and December 31,2022December 31, 2023 were 156144 and 162,150, respectively. The Company concluded no ACL should be recognized as of September 30, 2023 March 31, 2024 and December 31, 2022,December 31, 2023 based primarily on the fact that (1) changes in fair value were caused primarily by increases fluctuations in interest rates, (2) securities with unrealized losses had generally high credit quality, (3) the Company intends to hold these investments in debt securities to maturity and it is more-likely-than-not that the Company will not be required to sell these investments before a recovery of its investment, and (4) issuers have continued to make timely payments of principal and interest. interest. Additionally, the Company's state and political subdivision securities are rated AA or better and the Company receives a surveillance report that is reviewed quarterly for indications of credit concerns. The Company's mortgage-backed securities are entirely issued by either U.S. government agencies or U.S. government sponsored government-sponsored enterprises. Collectively, these entities provide a guarantee, which is either explicitly or implicitly supported by the full faith and credit of the U.S. government, that investors in such mortgage-backed securities will receive timely principal and interest payments.payments. The Company's corporate bonds and other securities portfolio issuers consist of bank holding companies that are monitored on a quarterly basis by the Company's credit department for indications of declining credit quality.

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Restricted Stock

The restricted stock category is comprised of stock in FHLB, FRB, and CBB. These stocks are classified as restricted securities because their ownership is restricted to certain types of entities and the securities lack a market. Therefore, FHLB, FRB, and CBB stock are carried at cost and evaluated for impairment. When evaluating these stocks for impairment, their value is determined based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value. Restricted stock is viewed as a long-term investment and management believes that the Company has the ability and the intent to hold this stock until its value is recovered. The Company did not consider its investment in restricted stock to be impaired at March 31, 2024 and no impairment has been recognized.

Note 3. Loans and the Allowance for Credit Losses on Loans

On January 1, 2023, the Company adopted ASC 326. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. For further discussion on the Company's accounting policies and policy elections related to the accounting standard update refer to "Note 1. Description of Business and Summary of Significant Accounting Policies." All loan information presented as of September 30, 2023, is in accordance with ASC 326. All loan information presented as of December 31, 2022, or a prior date is in accordance with previous applicable GAAP.

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The following is a summary of the balances in each class of the Company's portfolio of loans held for investment as of the dates indicated:

(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Mortgage loans on real estate:				
Residential 1-4 family	$ 184,535	$ 169,248	$ 190,184	$ 188,517
Commercial - owner occupied	162,611	184,586	153,815	156,466
Commercial - non-owner occupied	279,183	245,277	289,183	285,250
Multifamily	31,813	26,675	29,506	29,207
Construction and land development	94,143	77,944	109,971	107,179
Second mortgages	9,968	8,828	9,891	10,148
Equity lines of credit	53,784	54,340	57,880	55,981
Total mortgage loans on real estate	816,037	766,898	840,430	832,748
Commercial and industrial loans	73,279	72,578	57,195	64,112
Consumer automobile loans	170,637	163,018	148,277	160,437
Other consumer loans	20,309	22,251	19,555	19,718
Other (1)	2,416	2,340	2,446	3,237
Total loans, net of deferred fees (2)	1,082,678	1,027,085	1,067,903	1,080,252
Less: Allowance for credit losses on loans	11,844	10,526	11,948	12,206
Loans, net of allowance and deferred fees (2)	$ 1,070,834	$ 1,016,559	$ 1,055,955	$ 1,068,046

(1) Overdrawn accounts are reclassified as loans and included in the Other category in the table above. Overdrawn deposit accounts, excluding internal use accounts, totaled $264 $423 thousand and $269 $244 thousand at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

(2) Net deferred loan fees costs totaled $1.3 million on September 30, 2023 March 31, 2024 and $1.0 million $1.2 million on December 31, 2022 December 31, 2023.

All classes of loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Interest and fees continue to accrue on past due loans until the date the loan is placed in nonaccrual status, if applicable. The following table includes an aging analysis of the recorded investment in past due loans as of the dates indicated. Also included in the table below are loans that are 90 days or more past due as to interest and principal and still accruing interest, because they are well-secured and in the process of collection. The following table shows tables show the aging of the Company's loan portfolio, by class, as of September 30, 2023 March 31, 2024 and December 31, 2023.

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Age Analysis of Past Due Loans as of September 30, 2023 March 31, 2024

(dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	90 or More Days Past Due and still Accruing	Nonaccrual (2)	Total Current Loans (1)	Total Loans	30 - 59 Days Past Due	60 - 89 Days Past Due	90 or More Days Past Due and still Accruing	Nonaccr (2)

Mortgage loans on real estate:										
Residential 1-4 family	$ -	$ -	$ 398	$ 145	$ 183,992	$ 184,535	$ 280	$ 44	$ -	$
Commercial - owner occupied	-	407	-	-	162,204	162,611	-	-	-	
Commercial - non-owner occupied	17	-	-	-	279,166	279,183	-	-	92	
Multifamily	-	-	-	-	31,813	31,813	-	-	-	
Construction and land development	-	-	-	1,391	92,752	94,143	-	-	-	
Second mortgages	-	-	-	-	9,968	9,968	49	-	61	
Equity lines of credit	-	-	-	47	53,737	53,784	50	-	-	
Total mortgage loans on real estate	$ 17	$ 407	$ 398	$ 1,583	$ 813,632	$ 816,037	$ 379	$ 44	$ 153	$
Commercial and industrial loans	507	17	116	335	72,304	73,279	271	-	193	
Consumer automobile loans	2,857	264	148	-	167,368	170,637	2,325	585	473	
Other consumer loans	231	375	135	-	19,568	20,309	675	95	59	
Other	54	-	-	-	2,362	2,416	56	-	-	
Total	$ 3,666	$ 1,063	$ 797	$ 1,918	$ 1,075,234	$ 1,082,678	$ 3,706	$ 724	$ 878	$

Age Analysis of Past Due Loans as of December 31, 2023

(dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	90 or More Days Past Due and still Accruing	Nonaccrual (2)	Total Current Loans (1)	Total Loans
Mortgage loans on real estate:						
Residential 1-4 family	$ 1,194	$ -	$ 368	$ 142	$ 186,813	$ 188,517
Commercial - owner occupied	100	-	322	-	156,044	156,466
Commercial - non-owner occupied	-	896	-	-	284,354	285,250
Multifamily	-	-	-	-	29,207	29,207
Construction and land development	-	-	-	-	107,179	107,179
Second mortgages	160	6	-	-	9,982	10,148
Equity lines of credit	205	-	-	46	55,730	55,981
Total mortgage loans on real estate	$ 1,659	$ 902	$ 690	$ 188	$ 829,309	$ 832,748
Commercial and industrial loans	527	427	306	-	62,852	64,112
Consumer automobile loans	3,254	706	661	-	155,816	160,437
Other consumer loans	634	264	123	-	18,697	19,718
Other	29	-	-	-	3,208	3,237
Total	$ 6,103	$ 2,299	$ 1,780	$ 188	$ 1,069,882	$ 1,080,252

(1) For purposes of this table, Total Current Loans includes loans that are 1 - 29 days past due.

(2) For purposes of this table, if a loan is past due and on nonaccrual, it is included in the nonaccrual column and not also in its respective past due column.

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The following table shows the Company's amortized cost basis of loans on nonaccrual status as of January 1, 2023 as well as the amortized cost basis of March 31, 2024 and December 31, 2023. All nonaccrual loans on nonaccrual status and loans past due 90 days and accruing had an ACLL as of September 30, 2023 by class of loan. March 31, 2024 and December 31, 2023.

(dollars in thousands)	Nonaccrual January 1, 2023	Nonaccrual September 30, 2023	Nonaccrual with no ACLL	90 Days and still Accruing	Nonaccrual March 31, 2024	Nonaccrual December 31, 2023
Mortgage loans on real estate:						
Residential 1-4 family	$ 154	$ 145	$ -	$ 398	$ 139	$ 142
Construction and land development	945	1,391	1,391	-		
Commercial - non-owner occupied					-	-
Second mortgages					-	-
Equity lines of credit	-	47	47	-	45	46
Total mortgage loans on real estate	1,099	1,583	1,438	398	184	188
Commercial and industrial loans	144	335	35	116	-	-
Consumer automobile loans	-	-	-	148	10	-
Other consumer loans	-	-	-	135	-	-

Other	-	-	-	-		
Total	$ 1,243	$ 1,918	$ 1,473	797	$ 194	$ 188

The Company's loan portfolio may include certain loans modified, where economic concessions have been granted to borrowers who are experiencing financial difficulties. These concessions typically result from the Company's loss mitigation activities and could include reduction in the interest rate below current market rates for borrowers with similar risk profiles, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. The Company closely monitors the performance of modified loans to understand the effectiveness of modification efforts. Upon the determination that all or a portion of a modified loan is uncollectible, that amount is charged against the ACL. The Company did not grant any such modifications during the third quarter of 2023three months ended March 31, 2024 and March 31, 2023.

Allowance for Credit Losses on Loans

ACLL is a material estimate for the Company. The Company estimates its ACLL on a quarterly basis. The Company models the ACLL using two primary segments, commercial and consumer. Within each segment, loan classes are further identified based on similar risk characteristics. The Company has identified the following classes within each segment:

•• *Commercial*: commercial and industrial, real estate - construction and land development, real estate – commercial (owner occupied and non-owner occupied), and other loans

•• *Consumer*: real estate – - mortgage, and consumer loans

Each portfolio class has risk characteristics as follows:

•• **Commercial and industrial:** Commercial and industrial loans carry risks associated with the successful operation of a business or project, in addition to other risks associated with the ownership of a business. The repayment of these loans may be dependent upon the profitability and cash flows of the business. In addition, there is risk associated with the value of collateral other than real estate which may depreciate over time and cannot be appraised with as much precision.

•• **Real estate - construction estate-construction and land development:** Construction loans carry risks that the project will not be finished according to schedule, the project will not be finished according to budget and the value of the collateral may at any point in time be less than the principal amount of the loan. Construction loans also bear the risk that the general contractor, who may or may not be the loan customer, may be unable to finish the construction project as planned because of financial pressure unrelated to the project.

•• **Real estate - commercial: commercial (owner occupied and non-owner occupied):** Commercial real estate loans carry risks associated with the successful operation of a business if owner occupied. If non-owner occupied, the repayment of these loans may be dependent upon the profitability and cash flow from rent receipts.

•• **Real estate - mortgage:** Residential mortgage loans and equity lines of credit carry risks associated with the continued credit-worthiness of the borrower and changes in the value of the collateral.

•• **Consumer loans:** Consumer loans carry risks associated with the continued credit-worthiness of the borrowers and the value of the collateral. Consumer loans are more likely than real estate loans to be immediately adversely affected by job loss, divorce, illness or personal bankruptcy.

•• **Other loans:** Other loans are loans to mortgage companies, loans for purchasing or carrying securities, and loans to insurance, investment and finance companies. These loans carry risks associated with the successful operation of a business. In addition, there is risk associated with the value of collateral other than real estate which may depreciate over time, depend on interest rates or fluctuate in active trading markets.

The following tables presents the activity in the ACLL by portfolio class for the nine three months ended September 30, 2023 March 31, 2024 and March 31, 2023.

ALLOWANCE FOR CREDIT LOSSES AND RECORDED INVESTMENT IN LOANS Allowance for Credit Losses and Recorded Investment in Loans

For the Nine Months ended September 30, 2023

(dollars in thousands)	**Commercial and Industrial**	**Real Estate Construction and Land Development**	**Real Estate - Mortgage (1)**	**Real Estate - Commercial**	**Consumer (2)**	**Other**	**Unallocated**	**Total**
Allowance for credit losses on loans:								
Balance, beginning	$ 673	$ 552	$ 2,575	$ 4,499	$ 2,065	$ 156	$ 6	$ 10,526
Day 1 impact of adoption of CECL	(11)	19	87	1,048	(365)	(137)	-	641
Charge-offs	(159)	-	-	-	(813)	(228)	-	(1,200)
Recoveries	64	-	28	-	393	41	-	526
Provision for loan losses	78	258	192	244	270	315	(6)	1,351
Ending Balance	$ 645	$ 829	$ 2,882	$ 5,791	$ 1,550	$ 147	$ -	$ 11,844
Individually evaluated	$ -	$ -	$ 61	$ -	$ -	$ -	$ -	$ 61
Collectively evaluated	645	829	2,821	5,791	1,550	147	-	11,783
Ending Balance	$ 645	$ 829	$ 2,882	$ 5,791	$ 1,550	$ 147	$ -	$ 11,844

Loans Balances:								
Individually evaluated	$ 334	$ 1,463	$ 503	$ 375	$ -	$ -	$ -	$ 2,675
Collectively evaluated	72,945	92,680	279,597	441,419	190,946	2,416	-	1,080,003
Ending Balance	$ 73,279	$ 94,143	$ 280,100	$ 441,794	$ 190,946	$ 2,416	$ -	$ 1,082,678

For the Three Months ended March 31, 2024

(dollars in thousands)	Commercial and Industrial	Real Estate Construction and Land Development	Real Estate - Mortgage (1)	Real Estate - Commercial (2)	Consumer (3)	Other	Unallocated	Total
Allowance for credit losses on loans:								
Balance, beginning	$ 573	$ 982	$ 2,904	$ 5,742	$ 1,827	$ 178	$ -	$ 12,206
Charge-offs	-	-	-	-	(462)	(32)	-	(494)
Recoveries	4	-	13	11	123	7	-	158
Provision for loan losses	(91)	33	(72)	(129)	294	43	-	78
Ending Balance	$ 486	$ 1,015	$ 2,845	$ 5,624	$ 1,782	$ 196	$ -	$ 11,948

For the Three Months Ended March 31, 2023

(dollars in thousands)	Commercial and Industrial	Real Estate Construction	Real Estate - Mortgage (1)	Real Estate - Commercial (2)	Consumer (3)	Other	Unallocated	Total
Allowance for loan losses:								
Balance, beginning	$ 673	$ 552	$ 2,575	$ 4,499	$ 2,065	$ 156	$ 6	$ 10,526
Day 1 impact of adoption of CECL	(11)	19	87	1,048	(365)	(137)	-	641
Charge-offs	-	-	-	-	(377)	(72)	-	(449)
Recoveries	8	-	11	-	237	14	-	270
Provision for loan losses	(6)	82	199	70	81	143	(6)	563
Ending Balance	$ 664	$ 653	$ 2,872	$ 5,617	$ 1,641	$ 104	$ -	$ 11,551

(1) The real estate-mortgage segment includes included residential 1 – 4 1-4 family, multi-family, second mortgages and equity lines of credit.

(2) The real estate-commercial segment included commercial-owner occupied and commercial non-owner occupied.

(3) The consumer segment includes consumer automobile loans.

The following table presents a breakdown of the provision for credit losses for the periods indicated.

	Three Months Ended September 30,		**Nine Months Ended September 30,**		**Three Months Ended March 31,**	
(dollars in thousands)	**2023**	**2022**	**2023**	**2022**	**2024**	**2023**
Provision for credit losses:						
Provision for loans	$ 478	$ 402	$ 1,351	$ 1,073	$ 78	$ 563
Provison (recovery) for unfunded commitments	27	-	(109)	-		
Provison for (recovery of) unfunded commitments					2	(187)
Total	$ 505	$ 402	$ 1,242	$ 1,073	$ 80	$ 376

Credit Quality Indicators

Credit quality indicators are utilized to help estimate the collectability of each loan. Consumer loans not secured by real estate and made to individuals for household, family and other personal expenditures are segmented into pools based on days past due, while all other loans, including loans to consumers that are secured by real estate, are segmented by risk grades. While other credit quality indicators are evaluated and analyzed as part of the Company's credit risk management activities, the Company uses internally-assigned risk grades as the primary indicator to estimate the capability of borrowers to repay the contractual obligations of their loan agreements as scheduled or at all. The Company's internal risk grade system is based on experiences with similarly graded loans. Credit risk grades are updated at least quarterly as additional information becomes available, at which time management analyzes the resulting scores to track loan performance.

The Company's internally assigned risk grades are as follows:

- **Pass:** Loans are of acceptable risk.
- **Other Assets Especially Mentioned (OAEM):** Loans have potential weaknesses that deserve management's close attention.
- **Substandard:** Loans reflect significant deficiencies due to several adverse trends of a financial, economic, or managerial nature.

- **Doubtful:** Loans have all the weaknesses inherent in a substandard loan with added characteristics that make collection or liquidation in full based on currently existing facts, conditions, and values highly questionable or improbable.
- **Loss:** Loans have been identified for charge-off because they are considered uncollectible and of such little value that their continuance as bankable assets is not warranted.

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The following tables present credit quality exposures by internally assigned risk ratings originated as of the dates indicated:

	September 30, 2023										
	Term Loans Amortized Cost Basis by Origination Year								Term Loans Amortized C		
(dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans**	**Total**	**2024**	**2023**	**2022**
Construction and land development											
Pass	$ 27,785	$ 34,339	$ 24,879	$ 3,399	$ 301	$ 419	$ 1,630	$ 92,752	$ 7,703	$ 37,156	$ 33,58
OAEM	-	-	-	-	-	-	-	-	-	-	
Substandard	-	-	117	1,274	-	-	-	1,391	-	-	
Total construction and land development	$ 27,785	$ 34,339	$ 24,996	$ 4,673	$ 301	$ 419	$ 1,630	$ 94,143	$ 7,703	$ 37,156	$ 33,58
Commercial real estate - owner occupied											
Pass	$ 7,352	$ 34,082	$ 21,805	$ 13,859	$ 10,899	$ 64,449	$ 5,247	$ 157,693	$ 423	$ 11,214	$ 34,96
OAEM	-	-	-	-	237	4,396	285	4,918	-	-	
Substandard	-	-	-	-	-	-	-	-	-	-	
Total commercial real estate - owner occupied	$ 7,352	$ 34,082	$ 21,805	$ 13,859	$ 11,136	$ 68,845	$ 5,532	$ 162,611	$ 423	$ 11,214	$ 34,96
Commercial real estate - non-owner occupied											
Pass	$ 26,999	$ 53,484	$ 97,508	$ 39,035	$ 11,419	$ 48,479	$ 2,259	$ 279,183	$ 3,802	$ 31,415	$ 52,87
OAEM	-	-	-	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	-	-	-	
Total commercial real estate - non-owner occupied	$ 26,999	$ 53,484	$ 97,508	$ 39,035	$ 11,419	$ 48,479	$ 2,259	$ 279,183	$ 3,802	$ 31,415	$ 52,87
Commercial and industrial											
Pass	$ 15,350	$ 26,931	$ 5,126	$ 2,441	$ 2,302	$ 7,174	$ 13,620	$ 72,944	$ 763	$ 15,494	$ 17,56
OAEM	-	-	-	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	335	-	335	-	-	
Total commercial and industrial	$ 15,350	$ 26,931	$ 5,126	$ 2,441	$ 2,302	$ 7,509	$ 13,620	$ 73,279	$ 763	$ 15,494	$ 17,56
Multifamily real estate											
Pass	$ 9,699	$ 3,502	$ 2,168	$ 612	$ 5,991	$ 9,188	$ 653	$ 31,813	$ -	$ 6,542	$ 2,09
OAEM	-	-	-	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	-	-	-	
Total multifamily real estate	$ 9,699	$ 3,502	$ 2,168	$ 612	$ 5,991	$ 9,188	$ 653	$ 31,813	$ -	$ 6,542	$ 2,09
Residential 1-4 family											
Pass	$ 23,298	$ 38,752	$ 40,529	$ 26,889	$ 13,286	$ 53,167	$ 51,824	$ 247,745	$ 2,508	$ 30,437	$ 42,35
OAEM	-	-	-	-	-	-	-	-	-	-	
Substandard	-	-	-	350	47	145	-	542	-	-	
Total residential 1-4 family	$ 23,298	$ 38,752	$ 40,529	$ 27,239	$ 13,333	$ 53,312	$ 51,824	$ 248,287	$ 2,508	$ 30,437	$ 42,35
Consumer - automobile											
Pass	$ 49,881	$ 92,976	$ 14,922	$ 4,932	$ 2,029	$ 5,897	$ -	$ 170,637	$ 4,861	$ 47,701	$ 75,75
OAEM	-	-	-	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	-	-	-	
Total consumer - automobile	$ 49,881	$ 92,976	$ 14,922	$ 4,932	$ 2,029	$ 5,897	$ -	$ 170,637	$ 4,861	$ 47,701	$ 75,75
Consumer - other											
Pass	$ 294	$ 630	$ 424	$ 125	$ 14	$ 16,505	$ 2,317	$ 20,309	$ 156	$ 289	$ 48
OAEM	-	-	-	-	-	-	-	-	-	-	

Substandard	-	-	-	-	-	-	-	-	-	-	
Total consumer - other	$ 294	$ 630	$ 424	$ 125	$ 14	$ 16,505	$ 2,317	$ 20,309	$ 156	$ 289	$ 48
Other											
Pass	$ 1,121	$ -	$ -	$ -	$ -	$ 1,295	$ -	$ 2,416	$ 979	$ -	$
OAEM	-	-	-	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	-	-	-	
Total other	$ 1,121	$ -	$ -	$ -	$ -	$ 1,295	$ -	$ 2,416	$ 979	$ -	$
Total loans											
Pass	$ 161,779	$ 284,696	$ 207,361	$ 91,292	$ 46,241	$ 206,573	$ 77,550	$ 1,075,492	$ 21,195	$ 180,248	$ 259,66
OAEM	-	-	-	-	237	4,396	285	4,918	-	-	
Substandard	-	-	117	1,624	47	480	-	2,268	-	-	
Total loans	$ 161,779	$ 284,696	$ 207,478	$ 92,916	$ 46,525	$ 211,449	$ 77,835	$ 1,082,678	$ 21,195	$ 180,248	$ 259,66

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	December 31, 2023							
	Term Loans Amortized Cost Basis by Origination Year							
(dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans**	**Total**
Construction and land development								
Pass	$ 40,168	$ 36,581	$ 25,770	$ 3,630	$ 297	$ 285	$ 448	$ 107,179
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total construction and land development	$ 40,168	$ 36,581	$ 25,770	$ 3,630	$ 297	$ 285	$ 448	$ 107,179
Commercial real estate - owner occupied								
Pass	$ 10,145	$ 33,720	$ 21,058	$ 13,708	$ 12,025	$ 56,978	$ 5,680	$ 153,314
OAEM	-	-	-	-	77	2,985	-	3,062
Substandard	-	-	-	-	-	90	-	90
Total commercial real estate - owner occupied	$ 10,145	$ 33,720	$ 21,058	$ 13,708	$ 12,102	$ 60,053	$ 5,680	$ 156,466
Commercial real estate - non-owner occupied								
Pass	$ 31,539	$ 53,217	$ 96,755	$ 38,704	$ 10,517	$ 51,451	$ 2,263	$ 284,446
OAEM	-	-	-	-	804	-	-	804
Substandard	-	-	-	-	-	-	-	-
otal commercial real estate - non-owner occupied	$ 31,539	$ 53,217	$ 96,755	$ 38,704	$ 11,321	$ 51,451	$ 2,263	$ 285,250
Commercial and industrial								
Pass	$ 18,248	$ 21,698	$ 4,300	$ 1,691	$ 2,192	$ 2,075	$ 13,908	$ 64,112
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total commercial and industrial	$ 18,248	$ 21,698	$ 4,300	$ 1,691	$ 2,192	$ 2,075	$ 13,908	$ 64,112
Multifamily real estate								
Pass	$ 6,568	$ 3,841	$ 2,151	$ 605	$ 5,955	$ 9,005	$ 1,082	$ 29,207
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total multifamily real estate	$ 6,568	$ 3,841	$ 2,151	$ 605	$ 5,955	$ 9,005	$ 1,082	$ 29,207
Residential 1-4 family								
Pass	$ 27,497	$ 41,062	$ 39,937	$ 26,368	$ 13,009	$ 52,148	$ 54,087	$ 254,108
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	350	46	142	-	538

Total residential 1-4 family	$ 27,497	$ 41,062	$ 39,937	$ 26,718	$ 13,055	$ 52,290	$ 54,087	$ 254,646
Consumer - automobile								
Pass	$ 52,750	$ 83,885	$ 13,184	$ 4,152	$ 1,618	$ 4,848	$ -	$ 160,437
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total consumer - automobile	$ 52,750	$ 83,885	$ 13,184	$ 4,152	$ 1,618	$ 4,848	$ -	$ 160,437
Consumer - other								
Pass	$ 323	$ 765	$ 330	$ 109	$ 11	$ 16,089	$ 2,091	$ 19,718
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total consumer - other	$ 323	$ 765	$ 330	$ 109	$ 11	$ 16,089	$ 2,091	$ 19,718
Other								
Pass	$ 1,620	$ -	$ 292	$ -	$ -	$ 1,325	$ -	$ 3,237
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total other	$ 1,620	$ -	$ 292	$ -	$ -	$ 1,325	$ -	$ 3,237
Total loans								
Pass	$ 188,858	$ 274,769	$ 203,777	$ 88,967	$ 45,624	$ 194,204	$ 79,559	$ 1,075,758
OAEM	-	-	-	-	881	2,985	-	3,866
Substandard	-	-	-	350	46	232	-	628
Total loans	$ 188,858	$ 274,769	$ 203,777	$ 89,317	$ 46,551	$ 197,421	$ 79,559	$ 1,080,252

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The following table details tables detail the current period gross charge-offs of loans by year of origination as of September 30, 2023 for the three months ended March 31, 2024 and March 31, 2023:

	September 30, 2023								March 31, 2024							
	Current Period Charge-offs by Origination Year								Current Period Charge-offs by Origination Year							
(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial and industrial	$ -	$ 140	$ 15	$ 4	$ -	$ -	$ -	$ 159								
Consumer - automobile	9	382	267	68	18	51	-	795	$ -	$ 79	$ 266	$ 102	$ 3	$ 10	$ -	$ 460
Consumer - other	-	-	5	-	3	10	-	18	-	-	-	-	-	2	-	2
Other (1)	206	22	-	-	-	-	-	228	32	-	-	-	-	-	-	32
Total	$ 215	$ 544	$ 287	$ 72	$ 21	$ 61	$ -	$ 1,200	$ 32	$ 79	$ 266	$ 102	$ 3	$ 12	$ -	$ 494

(1) Gross charge-offs of other loans for the first nine three months ended September 30, 2023 March 31, 2024 included $206 $32 thousand of demand deposit overdrafts that originated in 2024.

	March 31, 2023							
	Current Period Charge-offs by Origination Year							
(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Consumer - automobile	$ -	$ 192	$ 114	$ 34	$ 4	$ 29	$ -	$ 373
Consumer - other	-	-	2	-	-	2	-	4
Other (1)	72	-	-	-	-	-	-	72

Total	$ 72	$ 192	$ 116	$ 34	$ 4	$ 31	$ -	$ 449

(1) Gross charge-offs of other loans for the three months ended March 31, 2023 included $72 thousand of demand deposit overdrafts that originated in 2023.

As of September 30, 2023 March 31, 2024 and December 31, 2023, the Company had no collateral dependent loans for which repayment was expected to be derived substantially through the operation or sale of the collateral and where the borrower is experiencing financial difficulty.

Prior to the adoption of ASC 326

The following table shows the aging of the Company's loan portfolio, by class, as of December 31, 2022.

Age Analysis of Past Due Loans as of December 31, 2022

(dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	90 or More Days Past Due and still Accruing	Nonaccrual (2)	Total Current Loans (1)	Total Loans
Mortgage loans on real estate:						
Residential 1-4 family	$ 290	$ -	$ 525	$ 154	$ 168,279	$ 169,248
Commercial - owner occupied	20	-	-	-	184,566	184,586
Commercial - non-owner occupied	206	-	-	-	245,071	245,277
Multifamily	-	-	-	-	26,675	26,675
Construction and land development	-	-	-	945	76,999	77,944
Second mortgages	19	-	-	-	8,809	8,828
Equity lines of credit	56	288	-	-	53,996	54,340
Total mortgage loans on real estate	$ 591	$ 288	$ 525	$ 1,099	$ 764,395	$ 766,898
Commercial and industrial loans	221	284	23	144	71,906	72,578
Consumer automobile loans	1,538	221	212	-	161,047	163,018
Other consumer loans	445	372	80	-	21,354	22,251
Other	47	-	-	-	2,293	2,340
Total	$ 2,842	$ 1,165	$ 840	$ 1,243	$ 1,020,995	$ 1,027,085

(1) For purposes of this table, Total Current Loans includes loans that are 1 - 29 days past due.

(2) For purposes of this table, if a loan is past due and on nonaccrual, it is included in the nonaccrual column and not also in its respective past due column.

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As of December 31, 2022, the Company measured the amount of impairment by evaluating loans either in their collective homogenous pools or individually. The following table includes the recorded investment and unpaid principal balances (a portion of which may have been charged off) for impaired loans with the associated allowance amount, if applicable. Also presented are the average recorded investments in the impaired loans and the related amount of interest recognized for the period presented. The average balances are calculated based on daily average balances.

Impaired Loans by Class

	As of December 31, 2022				**For the Year Ended December 31, 2022**	
(dollars in thousands)	Unpaid Principal Balance	Without Valuation Allowance	With Valuation Allowance	Associated Allowance	Average Recorded Investment	Interest Income Recognized
Mortgage loans on real estate:						
Residential 1-4 family	$ 285	$ 44	$ 235	$ 21	$ 282	$ 7
Commercial	430	55	358	3	420	-
Construction	1,321	829	191	6	1,208	3
Total mortgage loans on real estate	2,036	928	784	30	1,910	10
Commercial and industrial loans	144	144	-	-	144	5
Total	$ 2,180	$ 1,072	$ 784	$ 30	$ 2,054	$ 15

The following tables present credit quality exposures by internally assigned risk ratings as of December 31, 2022:

Credit Quality Information

As of December 31, 2022

(dollars in thousands)	Pass	OAEM	Substandard	Total
Mortgage loans on real estate:				
Residential 1-4 family	$ 169,094	$ -	$ 154	$ 169,248
Commercial - owner occupied	184,301	285	-	184,586
Commercial - non-owner occupied	245,277	-	-	245,277
Multifamily	26,675	-	-	26,675
Construction	76,999	-	945	77,944
Second mortgages	8,828	-	-	8,828
Equity lines of credit	54,340	-	-	54,340
Total mortgage loans on real estate	$ 765,514	$ 285	$ 1,099	$ 766,898
Commercial and industrial loans	72,434	-	144	72,578
Consumer automobile loans	162,738	-	280	163,018
Other consumer loans	22,251	-	-	22,251
Other	2,340	-	-	2,340
Total	$ 1,025,277	$ 285	$ 1,523	$ 1,027,085

The following tables presents the activity in the ACLL by portfolio segment for the year ended December 31, 2022.

	For the Year ended December 31, 2022							
(dollars in thousands)	Commercial and Industrial	Real Estate Construction	Real Estate - Mortgage (1)	Real Estate - Commercial	Consumer (2)	Other	Unallocated	Total
Allowance for loan losses:								
Balance, beginning	$ 683	$ 459	$ 2,390	$ 4,787	$ 1,362	$ 184	$ -	$ 9,865
Charge-offs	(297)	-	(25)	-	(1,368)	(332)	-	(2,022)
Recoveries	134	-	61	22	648	112	-	977
Provision for loan losses	153	93	149	(310)	1,423	192	6	1,706
Ending Balance	$ 673	$ 552	$ 2,575	$ 4,499	$ 2,065	$ 156	$ 6	$ 10,526
Individually evaluated for impairment	$ -	$ 6	$ 21	$ 3	$ -	$ -	$ -	$ 30
Collectively evaluated for impairment	673	546	2,554	4,496	2,065	156	6	10,496
Ending Balance	$ 673	$ 552	$ 2,575	$ 4,499	$ 2,065	$ 156	$ 6	$ 10,526
Loans Balances:								
Individually evaluated for impairment	$ 144	$ 1,020	$ 279	$ 413	$ -	$ -	$ -	$ 1,856
Collectively evaluated for impairment	72,434	76,924	258,812	429,450	185,269	2,340	-	1,025,229
Ending Balance	$ 72,578	$ 77,944	$ 259,091	$ 429,863	$ 185,269	$ 2,340	$ -	$ 1,027,085

(1) The real estate-mortgage segment includes residential 1 – 4 family, multi-family, second mortgages and equity lines of credit.

(2) The consumer segment includes consumer automobile loans.

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Note 4. Leases

Lease liabilities represent the Company’s obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company’s incremental borrowing rate in effect at the commencement date of the lease. Right-of-use assets represent the Company’s right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs, and any incentives received from the lessor.

The Company’s long-term lease agreements are classified as operating leases. Certain of these leases offer the option to extend the lease term and the Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably assured of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations.

The right-of-use asset and lease liability are included in “Other Assets” and “Other Liabilities”, respectively, in the Consolidated Balance Sheets. There were no new leases executed during the nine three months ended September 30, 2023 March 31, 2024. The following tables present information about the Company's leases:

(dollars in thousands)	September 30, 2023	March 31, 2024	December 31, 2023
Lease liabilities	$ 1,353	$ 1,149	$ 1,248
Right-of-use assets	$ 1,279	$ 1,057	$ 1,148
Weighted average remaining lease term	3.69 years	3.17 years	3.37 years
Weighted average discount rate	2.98 %	3.10 %	3.06 %

	Three Months Ended March 31,	
(dollars in thousands)	2024	2023
Operating lease cost	$ 106	$ 101
Total lease cost	$ 106	$ 101
Cash paid for amounts included in the measurement of lease liabilities	$ 108	$ 91

	Three Months Ended September 30,		Nine Months September 30,	
(dollars in thousands)	2023	2022	2023	2022
Operating lease cost	$ 131	$ 87	$ 333	$ 251
Total lease cost	$ 131	$ 87	$ 333	$ 251
Cash paid for amounts included in the measurement of lease liabilities	$ 108	$ 85	$ 311	$ 254

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total of operating lease liabilities is as follows:

(dollars in thousands)	As of September 30, 2023	As of March 31, 2024
Three months ending December 31, 2023	$ 107	
Twelve months ending December 31, 2024	436	
Nine months ending December 31, 2024		$ 315
Twelve months ending December 31, 2025	395	382
Twelve months ending December 31, 2026	278	278
Twelve months ending December 31, 2027		208
Thereafter	231	24
Total undiscounted cash flows	$ 1,447	$ 1,207
Discount	(94)	(58)
Lease liabilities	$ 1,353	$ 1,149

Note 5. Low-Income Housing Tax Credits

The Company was invested in four separate housing equity funds at both September 30, 2023 and December 31, 2022. The general purpose of these funds is to encourage and assist participants in investing in low-income residential rental properties located in the Commonwealth of Virginia; develop and implement strategies to maintain projects as low-income housing; deliver Federal Low Income Housing Credits to investors; allocate tax losses and other possible tax benefits to investors; and preserve and protect project assets.

The investments in these funds were recorded as “Other Assets” on the Consolidated Balance Sheets and were $1.2 million and $1.4 million at September 30, 2023 and December 31, 2022, respectively. The expected terms of these investments and the related tax benefits run through 2033. There were no additional capital calls expected for the funds at September 30, 2023.

The table below summarizes the tax credits and other tax benefits recognized by the Company related to these investments during the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,		Affected Line Item on
(dollars in thousands)	2023	2022	2023	2022	Consolidated Income Statement

Tax credits and other benefits					
Amortization of operating losses	**$ 91**	**$ 51**	**$ 275**	**$ 153**	**ATM and other losses**
Tax benefit of operating losses*	**19**	**11**	**58**	**32**	**Income tax expense**
Tax credits	**77**	**89**	**232**	**267**	**Income tax expense**
Total tax benefits	**$ 96**	**$ 100**	**$ 290**	**$ 299**	

*** Computed using a 21% tax rate.**

Note 6. Borrowings

Short-Term Borrowings

The Company classifies all borrowings that will mature within a year from the date on which the Company enters into them as short-term borrowings. Short-term borrowings sources consist of federal funds purchased, overnight repurchase agreements (which are secured transactions with customers that generally mature within one to four days), and advances from the FHLB.

The Company maintains federal funds lines with several correspondent banks to address short-term borrowing needs. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the remaining credit available from these lines totaled $100.0 million $90.0 million and $103.6 million $90.0 million, respectively. The Company has a collateral dependent line of credit with the FHLB with remaining credit availability of $360.9 million $361.8 million and $346.5 $362.1 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following table presents total short-term borrowings as of the dates indicated:

(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Federal funds purchased	$ -	$ 11,378	$ -	$ -
Overnight repurchase agreements	1,323	4,987	1,684	2,383
Federal Home Loan Bank advances	49,450	46,100	39,450	9,450
Total short-term borrowings	$ 50,773	$ 62,465	$ 41,134	$ 11,833
Maximum month-end outstanding balance (year-to-date)	$ 84,360	$ 62,465	$ 41,682	$ 84,360
Average outstanding balance during the period	$ 58,919	$ 11,776	$ 42,200	$ 53,466
Average interest rate (year-to-date)	4.91 %	2.34 %	4.73 %	4.90 %
Average interest rate at end of period	5.61 %	4.58 %	5.66 %	5.65 %

Long-Term Borrowings

The Company had a long-term FHLB advance advances totaling $20.0 million $30.0 million outstanding at September 30, 2023 March 31, 2024 with a scheduled maturity of April 14, 2025 maturities through November 27, 2026 and a rate of rates ranging from 4.01% to 4.28%. The Company did not have any had long-term FHLB advances totaling $60.0 million outstanding at December 31, 2022 December 31, 2023 with scheduled maturities through November 29, 2028 and rates ranging from 3.37% to 4.28%..

On July 14, 2021, the Company completed a $30.0 million issuance, ($29.4 million, net of issuance costs) of subordinated notes (the Notes) in a private placement transaction. The Notes are due in 2031 and bear interest at a fixed rate of 3.5% for five years and at the three-month SOFR plus 286 basis points, resetting quarterly, thereafter.

Note 7. 6. Commitments and Contingencies

Credit-Related Financial Instruments

The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making such commitments as it does for on-balance-sheet instruments.

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Financial instruments whose contract amounts represent credit risk were outstanding as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were as follows:

(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Commitments to extend credit:				
Home equity lines of credit	$ 93,885	$ 87,722	$ 93,118	$ 91,885
Commercial real estate, construction and development loans committed but not funded	84,076	67,107	79,960	74,218
Other lines of credit (principally commercial)	48,760	51,742	49,360	47,622

Total	$ 226,721	$ 206,571	$ 222,438	$ 213,725
Letters of credit	$ 752	$ 904	$ 872	$ 802

Note 8. 7. Share-Based Compensation

The Company has adopted an ESPP and offers share-based compensation through its equity compensation plan. Share-based compensation arrangements may include stock options, restricted and unrestricted stock awards, restricted stock units, performance units and stock appreciation rights. Accounting standards require all share-based payments to employees and non-employee directors to be valued using a fair value method on the date of grant and to be expensed based on that fair value over the applicable vesting period. The Company accounts for forfeitures during the vesting period as they occur.

Employee Stock Purchase Plan

The Company has adopted an ESPP and offers share-based compensation through its equity compensation plan. Share-based compensation arrangements may include stock options, restricted and unrestricted stock awards, restricted stock units, performance units and stock appreciation rights. Accounting standards require all share-based payments to employees and non-employee directors to be valued using a fair value method on the date of grant and to be expensed based on that fair value over the applicable vesting period. The Company accounts for forfeitures during the vesting period as they occur.

Under the Company's ESPP, substantially all employees of the Company and its subsidiaries can authorize a specific payroll deduction from their base compensation for the periodic purchase of the Company's common stock. Shares of stock are issued quarterly at a discount to the market price of the Company's stock on the day of purchase, which can range from 0-15% and was set at 5% for 2022 2023 and for the first nine three months of 2023. 2024.

Total stock purchases under the ESPP amounted to 5,453 2,026 shares during the nine three months ended September 30, 2023 March 31, 2024. At September 30, 2023 March 31, 2024, the Company had 216,325 212,327 remaining shares reserved for issuance under the ESPP.

Incentive Stock Plan

The Incentive Stock Plan permits the issuance of up to 300,000 shares of common stock for awards to key employees and non-employee directors of the Company and its subsidiaries in the form of stock options, restricted stock, restricted stock units, stock appreciation rights, stock awards and performance units. As of September 30, 2023 March 31, 2024, only restricted stock has had been granted under the Incentive Stock Plan.

Restricted stock activity for the nine three months ended September 30, 2023 March 31, 2024 and March 31, 2023 is summarized below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested, January 1, 2023	46,989	$ 22.49
Issued	35,013	17.20
Vested	(25,926)	20.25
Forfeited	(1,483)	17.20
Nonvested, September 30, 2023	54,593	$ 20.30

	Shares	Weighted Average Grant Date Fair Value
Nonvested, December 31, 2023	53,660	$ 22.32
Vested	(761)	22.35
Forfeited	(1,730)	20.53
Nonvested, March 31, 2024	51,169	$ 22.38

	Shares	Weighted Average Grant Date Fair Value
Nonvested, December 31, 2022	46,989	$ 22.49
Issued	-	-
Vested	-	-
Forfeited	-	-
Nonvested, March 31, 2023	46,989	$ 22.49

The weighted average period over which nonvested awards are expected to be recognized in compensation expense is 1.65 1.18 years.

The remaining unrecognized compensation expense for nonvested restricted stock shares totaled $650 $428 thousand as of September 30, 2023 March 31, 2024 and $591 $386 thousand as of September 30, 2022 March 31, 2023.

Stock-based compensation expense was $171 $75 thousand and $121 $107 thousand for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively and $419 thousand and $295 thousand for the nine months ended September 30, 2023 and 2022, 2023, respectively.

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Note 9. 8. Stockholders' Equity and Earnings per Common Share

Stockholders' Equity – Accumulated Other Comprehensive Income (Loss)

The following tables present There were no amounts reclassified out of accumulated other comprehensive income (loss), by category, during the periods indicated: three months ended March 31, 2024 and 2023, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,		
(dollars in thousands)	**2023**	**2022**	**2023**	**2022**	**Affected Line Item on Consolidated Statement of Income**
Sale of securities					
Realized gain (loss) on sale of securities	**$ 30**	**$ -**	**$ (134)**	**$ -**	**Gain (loss) on sale of securities, net**
Tax effect	**6**	**-**	**(28)**	**-**	**Income tax (benefit) expense**
	$ 24	**$ -**	**$ (106)**	**$ -**	

The following tables present table presents the changes in accumulated other comprehensive income (loss), by category, net of tax, for the periods indicated:

(dollars in thousands)	Unrealized Gains (Losses) on Available-for-Sale Securities	Accumulated Other Comprehensive (Loss) Income
Three Months Ended September 30, 2023		
Balance at beginning of period	$ (19,757)	$ (19,757)
Net other comprehensive loss	(3,883)	(3,883)
Balance at end of period	$ (23,640)	$ (23,640)
Three Months Ended September 30, 2022		
Balance at beginning of period	$ (15,850)	$ (15,850)
Net other comprehensive loss	(7,997)	(7,997)
Balance at end of period	$ (23,847)	$ (23,847)

(dollars in thousands)	Unrealized Gains (Losses) on Available-for-Sale Securities	Accumulated Other Comprehensive (Loss) Income	**Unrealized Gains (Losses) on Available-for-Sale Securities**	**Accumulated Other Comprehensive (Loss) Income**
Nine Months Ended September 30, 2023				
Three Months Ended March 31, 2024				
Balance at beginning of period	$ (20,767)	$ (20,767)	$ (17,530)	$ (17,530)
Net other comprehensive loss	(2,873)	(2,873)	(268)	(268)
Balance at end of period	$ (23,640)	$ (23,640)	$ (17,798)	$ (17,798)
Nine Months Ended September 30, 2022				
Three Months Ended March 31, 2023				
Balance at beginning of period	$ 1,675	$ 1,675	$ (20,767)	$ (20,767)
Net other comprehensive loss	(25,522)	(25,522)		
Net other comprehensive income			2,332	2,332
Balance at end of period	$ (23,847)	$ (23,847)	$ (18,435)	$ (18,435)

The following tables present the change in each component of accumulated other comprehensive income (loss) on a pre-tax and after-tax basis for the periods indicated:

	Three Months Ended September 30, 2023

(dollars in thousands)	Pretax	Tax	Net-of-Tax
Unrealized losses on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (4,885)	$ (1,026)	$ (3,859)
Reclassification adjustment for gains recognized in income	(30)	6	(24)
	(4,915)	(1,020)	(3,883)
Total change in accumulated other comprehensive loss, net	$ (4,915)	$ (1,020)	$ (3,883)

	Three Months Ended September 30, 2022			Three Months Ended March 31, 2024		
(dollars in thousands)	Pretax	Tax	Net-of-Tax	Pretax	Tax	Net-of-Tax
Unrealized losses on available-for-sale securities:						
Unrealized holding losses arising during the period	$ (10,124)	$ (2,127)	$ (7,997)	$ (339)	$ 71	$ (268)
Total change in accumulated other comprehensive loss, net	$ (10,124)	$ (2,127)	$ (7,997)	$ (339)	$ 71	$ (268)

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	Nine Months Ended September 30, 2023		
(dollars in thousands)	Pretax	Tax	Net-of-Tax
Unrealized losses on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (3,771)	$ (792)	$ (2,979)
Reclassification adjustment for losses recognized in income	134	(28)	106
	(3,637)	(820)	(2,873)
Total change in accumulated other comprehensive income, net	$ (3,637)	$ (820)	$ (2,873)

	Nine Months Ended September 30, 2022		
(dollars in thousands)	Pretax	Tax	Net-of-Tax
Unrealized losses on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (32,307)	$ (6,785)	$ (25,522)
Total change in accumulated other comprehensive loss, net	$ (32,307)	$ (6,785)	$ (25,522)

	Three Months Ended March 31, 2023		
(dollars in thousands)	Pretax	Tax	Net-of-Tax
Unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during the period	$ 2,952	$ (620)	$ 2,332
Total change in accumulated other comprehensive income, net	$ 2,952	$ (620)	$ 2,332

Earnings Per Common Share

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the weighted average number of common shares outstanding during the period, including the effect of potentially dilutive common shares attributable to the ESPP. The Company had no antidilutive shares outstanding in the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Nonvested restricted common shares, which carry all rights and privileges of a common share with respect to the stock, including the right to vote, were included in the basic and diluted per common share calculations.

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Note 10. 9. Fair Value Measurements

Determination of Fair Value

The Company uses fair value measurements follows ASC 820, “Fair Value Measurements and Disclosures” 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” topics of FASB ASU No. 2010-06, FASB ASU No. 2011-04, and FASB ASU No. 2016-01, the The fair value of a financial instrument is the price that would be received in the sale of an asset or transfer of a liability (an exit price) in the principal or most advantageous market for the asset or liability 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 estimate 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 for the asset or liability 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 can be a reasonable point within a range that is most representative of fair value under current market conditions.

In estimating the fair value of assets and liabilities, the Company relies mainly on two models. The first model used by the Company's bond accounting service provider, determines the fair value of securities. Securities are priced based on an evaluation of observable market data, including benchmark yield curves, reported trades, broker/dealer quotes, and issuer spreads. Pricing is also impacted by credit information about the issuer, perceived market movements, and current news events impacting the individual sectors. The second source is a third party third-party vendor the Company utilizes to provide fair value exit pricing for loans and interest bearing interest-bearing deposits in accordance with guidance.

In accordance with ASC 820, "Fair Value Measurements and Disclosures," the Company groups its financial assets and financial liabilities generally measured at fair value into 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:** Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- **Level 2:** Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- **Level 3:** Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

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An instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Debt securities with readily determinable fair values that are classified as "available-for-sale" are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive loss. Securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party Third-party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that consider observable market data (Level 2). 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 available-for-sale securities are considered to be Level 2 securities.

The Company recognizes IRLCs at fair value. Fair value of IRLCs is based on either (i) the price of the underlying loans obtained from an investor for loans that will be delivered on a best efforts best-efforts basis or (ii) the observable price for individual loans traded in the secondary market for loans that will be delivered on a mandatory basis. All of the Company's IRLCs are classified as Level 2. At March 31, 2024, there were no IRLCs and at December 31, 2023, there were $10 thousand of IRLCs.

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The Company recognizes enters into interest rate swaps on loans at fair value. with certain qualifying commercial loan customers to meet their interest rate risk management needs. The Company has contracted with a third party vendor to provide valuations for these simultaneously enters into interest rate swaps using standard valuation techniques. with dealer counterparties, with identical notional amounts and offsetting terms. These back-to-back loan swaps are derivative financial instruments and are reported at fair value in "other assets" and "other liabilities" in the Consolidated Balance Sheets. Changes in the fair value of loan swaps are recorded in other noninterest income and sum to zero because of the offsetting terms of swaps with borrowers and swaps with dealer counterparties. All of the Company's interest rate swaps on loans are classified as Level 2.

The following tables present the balances of certain assets measured at fair value on a recurring basis as of the dates indicated:

		Fair Value Measurements at September 30, 2023 Using		
(dollars in thousands)	Balance	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities				

U.S. Treasury securities	$ 3,777	$ -	$ 3,777	$ -
Obligations of U.S. Government agencies	44,555	-	44,555	-
Obligations of state and political subdivisions	46,655	-	46,655	-
Mortgage-backed securities	79,778	-	79,778	-
Money market investments	1,906	-	1,906	-
Corporate bonds and other securities	23,946	-	23,946	-
Total available-for-sale securities	200,617	-	200,617	-
Derivatives				
Interest rate lock	12	-	12	-
Interest rate swap on loans	2,114	-	2,114	-
Total assets	$ 202,743	$ -	$ 202,743	$ -
Liabilities:				
Derivatives				
Interest rate swap on loans	2,114	-	2,114	-
Total liabilities	$ 2,114	$ -	$ 2,114	$ -

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		Fair Value Measurements at December 31, 2022 Using		
(dollars in thousands)	Balance	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury securities	$ 7,671	$ -	$ 7,671	$ -
Obligations of U.S. Government agencies	42,399	-	42,399	-
Obligations of state and political subdivisions	59,384	-	59,384	-
Mortgage-backed securities	88,913	-	88,913	-
Money market investments	1,816	-	1,816	-
Corporate bonds and other securities	25,335	-	25,335	-
Total available-for-sale securities	$ 225,518	$ -	$ 225,518	$ -
Derivatives				
Interest rate lock	23	-	23	-
Interest rate swap on loans	1,447	-	1,447	-
Total assets	$ 226,988	$ -	$ 226,988	$ -
Liabilities:				
Derivatives				
Interest rate swap on loans	1,447	-	1,447	-
Total liabilities	$ 1,447	$ -	$ 1,447	$ -

Assets Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances, adjustments are made to the fair value for assets and liabilities although they are not measured at fair value on an ongoing basis.

Other Real Estate Owned (OREO)

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of foreclosure. Initial fair value is based upon appraisals the Company obtains from independent licensed appraisers. Subsequent to foreclosure, management periodically performs valuations of the foreclosed assets based on updated appraisals, general market conditions, recent sales of similar properties, length of time the properties have been held, and the ability and intent with regard to continued ownership of the properties. The Company may incur additional write-downs of foreclosed assets to fair value less estimated costs to sell if valuations indicate a further deterioration in market conditions. As such, the Company records OREO as a nonrecurring fair value measurement classified as Level 3.

As of September 30, 2023 and December 31, 2022, there was no OREO that was measured at fair value.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or fair value. These loans currently consist of 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). Gains and losses on the sale of loans are reported on a separate line item on the Company's Consolidated Statements of Income. There were no loans held for sale at March 31, 2024.

The following tables present the balances of certain assets measured at fair value on a recurring basis as of the dates indicated:

			Fair Value Measurements at March 31, 2024 Using					
(dollars in thousands)		Balance		Level 1		Level 2		Level 3
Assets:								
Available-for-sale securities								
U.S. Treasury securities	$	3,844	$	-	$	3,844	$	-
Obligations of U.S. Government agencies		39,866		-		39,866		-
Obligations of state and political subdivisions		50,058		-		50,058		-
Mortgage-backed securities		79,128		-		79,128		-
Money market investments		2,827		-		2,827		-
Corporate bonds and other securities		24,075		-		24,075		-
Total available-for-sale securities		199,798		-		199,798		-
Derivatives								
Interest rate swap on loans		1,652		-		1,652		-
Total assets	$	201,450	$	-	$	201,450	$	-
Liabilities:								
Derivatives								
Interest rate swap on loans		1,652		-		1,652		-
Total liabilities	$	1,652	$	-	$	1,652	$	-

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			Fair Value Measurements at December 31, 2023 Using					
(dollars in thousands)		Balance		Level 1		Level 2		Level 3
Available-for-sale securities								
U.S. Treasury securities	$	3,857	$	-	$	3,857	$	-
Obligations of U.S. Government agencies		42,735		-		42,735		-
Obligations of state and political subdivisions		50,597		-		50,597		-
Mortgage-backed securities		81,307		-		81,307		-
Money market investments		2,047		-		2,047		-
Corporate bonds and other securities		23,735		-		23,735		-
Total available-for-sale securities	$	204,278	$	-	$	204,278	$	-
Loans held for sale		470		-		470		-
Derivatives								
Interest rate lock		10		-		10		-
Interest rate swap on loans		1,249		-		1,249		-
Total assets	$	206,007	$	-	$	206,007	$	-
Liabilities:								
Derivatives								
Interest rate swap on loans		1,249		-		1,249		-
Total liabilities	$	1,249	$	-	$	1,249	$	-

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure and recognize certain assets at fair value on a nonrecurring basis in accordance with GAAP. As of March 31, 2024 and December 31, 2023, the Company had no assets or liabilities recorded at fair value on a nonrecurring basis.

Fair Value of 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 Company uses the exit price notion in calculating the fair values of financial instruments not measured at fair value on a recurring basis.

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The following table presents tables reflect the assets carried on the Consolidated Balance Sheets for which a nonrecurring change in carrying amounts and estimated fair value has been recorded. Assets are shown by class of loan and by level in the fair value hierarchy, as values of the dates indicated. Certain impaired loans are valued by the present value of the loan's expected future cash flows, discounted at the loan's effective interest rate rather than at a market rate. These loans are Company's financial instruments whether or not carried recognized on the Consolidated Balance Sheets at fair value and, as such, are not included in the tables below.

		Carrying Value at September 30, 2023		
(dollars in thousands)	Fair Value	Level 1	Level 2	Level 3
Loans				
Loans held for sale	$ 292	$ -	$ 292	$ -

		Carrying Value at December 31, 2022		
(dollars in thousands)	Fair Value	Level 1	Level 2	Level 3
Impaired loans				
Mortgage loans on real estate:				
Construction	$ 110	$ -	$ -	$ 110
Total	$ 110	$ -	$ -	$ 110
Loans				
Loans held for sale	$ 421	$ -	$ 421	$ -

The following table displays quantitative information about Level 3 Fair Value Measurements as of December 31, 2022.

		Quantitative Information About Level 3 Fair Value Measurements		
(dollars in thousands)	Fair Value at December 31, 2022	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired loans				
Construction	$ 110	Market comparables	Selling costs	3.00% -8.00% (7.25 %)

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments as of the dates indicated are as follows: value.

		Fair Value Measurements at September 30, 2023 Using				Fair Value Measurements at March 31, 2024		
(dollars in thousands)	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Leve
Assets								
Cash and cash equivalents	$ 77,641	$ 77,641	$ -	$ -	$ 93,311	$ 93,311	$ -	$
Securities available-for-sale	200,617	-	200,617	-	199,798	-	199,798	
Restricted securities	5,176	-	5,176	-	5,239	-	5,239	
Loans held for sale	292	-	292	-				
Loans, net	1,070,834	-	-	1,027,963	1,055,955	-	-	9
Derivatives								
Interest rate lock	12	-	12	-				
Interest rate swap on loans	2,114	-	2,114	-	1,652	-	1,652	
Bank owned life insurance	34,826	-	34,826	-	35,353	-	35,353	
Accrued interest receivable	4,758	-	4,758	-	4,984	-	4,984	
Liabilities								
Deposits	$ 1,237,608	$ -	$ 1,234,957	$ -	$ 1,228,269	$ -	$ 1,226,351	$
Overnight repurchase agreements	1,323	-	1,323	-	1,684	-	1,684	
Federal Home Loan Bank advances	69,450	-	69,450	-	69,450	-	69,450	
Long term borrowings	29,636	-	24,812	-				
Subordinated notes					29,701	-	25,524	
Derivatives								
Interest rate swap on loans	2,114	-	2,114	-	1,652	-	1,652	
Accrued interest payable	1,688	-	1,688	-	1,775	-	1,775	

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(dollars in thousands)	Fair Value Measurements at December 31, 2022 Using Carrying Value	Level 1	Level 2	Level 3	Fair Value Measurements at December 31, 2023 Carrying Value	Level 1	Level 2	Level 3
Assets								
Cash and cash equivalents	$ 19,250	$ 19,250	$ -	$ -	$ 78,759	$ 78,759	$ -	$
Securities available-for-sale	225,518	-	225,518	-	204,278	-	204,278	
Restricted securities	3,434	-	3,434	-	5,176	-	5,176	
Loans held for sale	421	-	421	-	470	-	470	
Loans, net	1,016,559	-	-	996,807	1,068,046	-	-	1,0
Derivatives								
Interest rate lock	23	-	23	-	10	-	10	
Interest rate swap on loans	1,447	-	1,447	-	1,249	-	1,249	
Bank owned life insurance	34,049	-	34,049	-	35,088	-	35,088	
Accrued interest receivable	4,253	-	4,253	-	4,921	-	4,921	
Liabilities								
Deposits	$ 1,156,019	$ -	$ 1,156,019	$ -	$ 1,230,397	$ -	$ 1,228,477	$
Federal funds purchased	11,378	-	11,378	-				
Overnight repurchase agreements	4,987	-	4,987	-	2,383	-	2,383	
Federal Reserve Bank borrowings	46,100	-	46,100	-				
Long term borrowings	29,538	-	25,539	-				
Federal Home Loan Bank advances					69,450	-	69,450	
Subordinated notes					29,668	-	25,561	
Derivatives								
Interest rate swap on loans	1,447	-	1,447	-	1,249	-	1,249	
Accrued interest payable	834	-	834	-	1,972	-	1,972	

Note 11. 10. Segment Reporting

The Company operates in a decentralized fashion in three principal business segments: the Bank, Wealth, and the Company (for purposes of this Note, the Parent). Revenues from the Bank's operations consist primarily of interest earned on loans and investment securities and service charges on deposit accounts. Wealth's operating revenues consist principally of income from fiduciary and asset management fees. The Parent's revenues are mainly interest and dividends received from the Bank and Wealth. The Company has no other segments. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment appeals to different markets and, accordingly, requires different technologies and marketing strategies.

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Information about reportable segments, and reconciliation of such information to the Consolidated Financial Statements as of and for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 follows:

	Three Months Ended March 31, 2024				
(dollars in thousands)	**Bank**	**Wealth**	**Parent**	**Eliminations**	**Consolidated**
Revenues					
Interest and dividend income	**$ 17,341**	**$ 42**	**$ 800**	**$ (800)**	**$ 17,383**
Income from fiduciary activities	**-**	**1,217**	**-**	**(25)**	**1,192**
Other income	**1,834**	**211**	**50**	**(65)**	**2,030**
Total operating income	**19,175**	**1,470**	**850**	**(890)**	**20,605**
Expenses					
Interest expense	**5,548**	**-**	**295**	**-**	**5,843**
Provision for credit losses	**80**	**-**	**-**	**-**	**80**
Salaries and employee benefits	**6,641**	**1,024**	**191**	**(25)**	**7,831**
Other expenses	**4,485**	**398**	**54**	**(65)**	**4,872**
Total operating expenses	**16,754**	**1,422**	**540**	**(90)**	**18,626**
Income (loss) before taxes	**2,421**	**48**	**310**	**(800)**	**1,979**

Income tax expense (benefit)	**353**	**12**	**(103)**	**-**	**262**
Net income	**$ 2,068**	**$ 36**	**$ 413**	**$ (800)**	**$ 1,717**
Capital expenditures	**$ 799**	**$ -**	**$ -**	**$ -**	**$ 799**
Total assets	**$ 1,436,417**	**$ 7,250**	**$ 137,600**	**$ (135,778)**	**$ 1,445,489**

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	Three Months Ended September 30, 2023				
(dollars in thousands)	**Bank**	**Wealth**	**Parent**	**Eliminations**	**Consolidated**
Revenues					
Interest and dividend income	$ 17,154	$ 35	$ 1,821	$ (1,821)	$ 17,189
Income from fiduciary activities	-	1,012	-	-	1,012
Other income	2,215	270	50	(65)	2,470
Total operating income	19,369	1,317	1,871	(1,886)	20,671
Expenses					
Interest expense	5,468	-	295	-	5,763
Provision for credit losses	505	-	-	-	505
Salaries and employee benefits	6,589	1,018	223	-	7,830
Other expenses	4,657	347	112	(65)	5,051
Total operating expenses	17,219	1,365	630	(65)	19,149
Income (loss) before taxes	2,150	(48)	1,241	(1,821)	1,522
Income tax expense (benefit)	290	(9)	(121)	-	160
Net income (loss)	$ 1,860	$ (39)	$ 1,362	$ (1,821)	$ 1,362
Capital expenditures	$ 398	$ -	$ -	$ -	$ 398
Total assets	$ 1,438,599	$ 6,997	$ 129,495	$ (128,028)	$ 1,447,063

	Three Months Ended September 30, 2022					Three Months Ended March 31, 2023				
(dollars in thousands)	**Bank**	**Wealth**	**Parent**	**Eliminations**	**Consolidated**	**Bank**	**Wealth**	**Parent**	**Eliminations**	**Consolidated**
Revenues										
Interest and dividend income	$ 12,347	$ 21	$ 2,968	$ (2,968)	$ 12,368	$ 15,121	$ 32	$ 3,505	$ (3,505)	$ 15,153
Income from fiduciary activities	-	953	-	-	953	-	1,116	-	-	1,116
Other income	2,085	342	50	(65)	2,412	2,066	254	50	(65)	2,305
Total operating income	14,432	1,316	3,018	(3,033)	15,733	17,187	1,402	3,555	(3,570)	18,574
Expenses										
Interest expense	502	-	295	-	797	2,045	-	295	-	2,340
Provision for credit losses	402	-	-	-	402	376	-	-	-	376
Salaries and employee benefits	5,733	902	186	-	6,821	6,085	1,074	204	-	7,363
Other expenses	4,413	288	108	(65)	4,744	4,481	304	85	(65)	4,805
Total operating expenses	11,050	1,190	589	(65)	12,764	12,987	1,378	584	(65)	14,884
Income before taxes	3,382	126	2,429	(2,968)	2,969					
Income (loss) before taxes						4,200	24	2,971	(3,505)	3,690
Income tax expense (benefit)	514	27	(114)	-	427	713	6	(112)	-	607

Net income	$ 2,868	$ 99	$ 2,543	$ (2,968)	$ 2,542	$ 3,487	$ 18	$ 3,083	$ (3,505)	$ 3,083
Capital expenditures	$ 355	$ 13	$ -	$ -	$ 368	$ 130	$ -	$ -	$ -	$ 130
Total assets	$ 1,308,759	$ 7,163	$ 123,327	$ (122,243)	$ 1,317,006	$ 1,407,919	$ 7,093	$ 132,434	$ (131,295)	$ 1,416,151

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	Nine Months Ended September 30, 2023				
(dollars in thousands)	**Bank**	**Wealth**	**Parent**	**Eliminations**	**Consolidated**
Revenues					
Interest and dividend income	$ 48,587	$ 102	$ 7,622	$ (7,622)	$ 48,689
Income from fiduciary activities	-	3,282	-	-	3,282
Other income	6,420	724	150	(196)	7,098
Total operating income	55,007	4,108	7,772	(7,818)	59,069
Expenses					
Interest expense	11,466	-	885	-	12,351
Provision for credit losses	1,242	-	-	-	1,242
Salaries and employee benefits	19,419	3,191	626	-	23,236
Other expenses	13,786	992	378	(196)	14,960
Total operating expenses	45,913	4,183	1,889	(196)	51,789
Income (loss) before taxes	9,094	(75)	5,883	(7,622)	7,280
Income tax expense (benefit)	1,409	(12)	(364)	-	1,033
Net income (loss)	$ 7,685	$ (63)	$ 6,247	$ (7,622)	$ 6,247
Capital expenditures	$ 885	$ -	$ -	$ -	$ 885
Total assets	$ 1,438,599	$ 6,997	$ 129,495	$ (128,028)	$ 1,447,063

	Nine Months Ended September 30, 2022				
(dollars in thousands)	**Bank**	**Wealth**	**Parent**	**Eliminations**	**Consolidated**
Revenues					
Interest and dividend income	$ 33,871	$ 52	$ 7,826	$ (7,826)	$ 33,923
Income from fiduciary activities	-	3,086	-	-	3,086
Other income	6,394	946	150	(196)	7,294
Total operating income	40,265	4,084	7,976	(8,022)	44,303
Expenses					
Interest expense	1,509	-	885	-	2,394
Provision for credit losses	1,073	-	-	-	1,073
Salaries and employee benefits	16,704	2,643	507	-	19,854
Other expenses	12,363	867	480	(196)	13,514
Total operating expenses	31,649	3,510	1,872	(196)	36,835
Income before taxes	8,616	574	6,104	(7,826)	7,468
Income tax expense (benefit)	1,243	122	(362)	-	1,003
Net income	$ 7,373	$ 452	$ 6,466	$ (7,826)	$ 6,465
Capital expenditures	$ 956	$ 13	$ -	$ -	$ 969

Total assets	$	1,308,759	$	7,163	$	123,327	$	(122,243)	$	1,317,006

The accounting policies of the segments are the same as those described in the summary of significant accounting policies reported in the Company's 2022 2023 Form 10-K. The Company evaluates performance based on profit or loss from operations before income taxes, not including nonrecurring gains or losses.

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

The following discussion is intended to assist readers in understanding and evaluating the results of operations, financial condition, liquidity, and capital resources of the Company, consisting of the parent company (the Parent) and its wholly-owned subsidiaries, the Bank and Wealth. This discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements, the notes to the financial statements, and the other financial information contained elsewhere in this report, as well as the Company's 2022 2023 Form 10-K. In addition to current and historical information, the following discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to the Company's future business, financial condition, or results of operations. For a description of certain factors that may have a significant impact on the Company's future business, financial condition, or results of operations, see "Cautionary Statement Regarding Forward-Looking Statements" at the end of this Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations." Results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 are not necessarily indicative of results that may be attained for any other period. Amounts are rounded for presentation purposes while some of the percentages presented are computed based on unrounded amounts.

Overview

The Company's primary goals are to maximize earnings by maintaining strong asset quality and deploying capital in profitable growth initiatives that will enhance long-term stockholder value. The Company operates in three principal business segments: the Bank, Wealth, and the Company as a separate segment, the Parent. Revenues from the Bank's operations consist primarily of interest earned on loans and investment securities, fees earned on deposit accounts, debit card interchange, and treasury and commercial services and mortgage banking income. Wealth's operating revenues consist principally of income from fiduciary and asset management fees. The Parent's revenues are mainly fees and dividends received from the Bank and Wealth.

Net income for the three months ended September 30, 2023 March 31, 2024 was $1.4 million $1.7 million ($0.27 0.34 diluted earnings per diluted share) compared to $2.5 million $3.1 million ($0.51 0.62 per diluted share) for the three months ended September 30, 2022 March 31, 2023. For

Key highlights of the nine first quarter are as follows, with comparisons against the three months ended September 30, 2023 and 2022, net income was $6.2 million, or $1.24 per diluted common share, and $6.5 million, or $1.27 per diluted common share, respectively. March 31, 2023 unless otherwise stated:

- Key factors affecting comparisons
  During the first quarter of consolidated net income for 2024, the three Company continued a series of initiatives that began in late 2023, to reduce noninterest expense. The noninterest expense reduction initiatives are expected to reduce noninterest expense by approximately $5.0 million on an annualized pre-tax basis (excluding one-time costs). Part of these initiatives is the difficult, but important, decision to reduce our employee headcount by approximately 12%, saving approximately $3.7 million annually (excluding one-time costs) and nine months ended September 30, 2023 having a meaningful impact on the Company's earnings and efficiency ratios going forward. During the first quarter of 2024, the Company incurred one-time costs of $345 thousand related to these initiatives. These initiatives are as follows. Comparisons are expected to have a minimal positive impact on the three and nine months ended September 30, 2022 unless otherwise stated. Company's earnings in the second quarter of 2024 due to additional one-time costs, but earnings should begin to reflect the impact of these initiatives in the third quarter of 2024 with substantially all benefits realized by mid-2025.

- Total assets were $1.4 billion at September 30, 2023 March 31, 2024, growing $91.7 million decreasing $893 thousand or 6.8% 0.06% from December 31, 2022 December 31, 2023.
- Net loans held for investment grew $54.3 million were $1.1 billion at March 31, 2024, decreasing $12.1 million, or 5.3% 1.1%, from December 31, 2022 and $125.7 million, or 13.3% from September 30, 2022 December 31, 2023.
- Total deposits increased $81.6 million decreased $2.1 million, or 7.1% 0.2%, from December 31, 2022 and $55.3 million, or 4.7% from September 30, 2022 December 31, 2023.

Nonperforming assets were $2.7 million at September 30, 2023 down from $4.7 million at September 30, 2022.

- Average earning assets of $1.4 and $1.3 billion Return on average equity (ROE) was 6.4% for the first quarter and nine months ended September 30, 2023 grew $135.7 million, or 11.1%, and $90.5 million, or 7.3%, of 2024, compared to the prior year comparative periods, respectively.
- Average interest-bearing liabilities were $984.3 million 5.9% for the fourth quarter ended September 30, 2023, up $208.4 million or 26.9%, compared to the prior year comparative period. For the nine months ended September 30, 2023 and 2022, average interest-bearing liabilities were $925.1 million and $786.6 million, respectively.
- NIM was 3.33% in of 2023, 5.3% for the third quarter of 2023, compared to 3.67% in and 12.5% for the second first quarter of 2023 and 3.75% in 2023.
- Net income improved $234 thousand, or 15.8%, to $1.7 million for the first quarter of 2024 from $1.5 million for the fourth quarter of 2023. Net income improved $356 thousand, or 26.1% from $1.4 million for the third quarter of 2022. 2023. Net income decreased $1.4 million, or 44.3%, from $3.1 million in the first quarter of 2023.
- Net interest margin (NIM) was 3.45% in the first quarter of 2024 compared to 4.02% in the first quarter of 2023. NIM on a fully tax-equivalent basis (FTE) (non-GAAP) was 3.35% 3.46% in the third first quarter of 2023, 3.69% 2024 compared to 4.04% in the linked quarter and 3.78% in the third first quarter of 2022. 2023.
- Net interest income for the third first quarter of 2023, 2024, decreased $145 $321 thousand, or 1.3% compared to the third quarter of 2022, and decreased $673 thousand, or 5.6% 2.7%, compared to the second prior quarter and $1.3 million, or 9.9%, compared to the first quarter of 2023. For

- Provision for credit losses of $80 thousand was recognized for the nine months ended September 30, 2023 first quarter of 2024, compared to $1.4 million for the fourth quarter of 2023 and 2022, net interest income was $36.3 million and $31.5 million, respectively. $376 thousand for the first quarter of 2023.
- Non-performing assets stayed flat at $2.2 million or 0.15% of total assets at March 31, 2024 compared to December 31, 2023.
- Liquidity as of September 30, 2023 March 31, 2024, defined as cash and due from banks, cash equivalents, unpledged securities, and available secured borrowing capacity, totaled $407.6 million $379.2 million, representing 28.2% 26.2% of total assets. assets compared to $342.5 million, representing 23.7% of total assets as of December 31, 2023.

For more information about financial measures that are not calculated in accordance with GAAP, please see "Non-GAAP Financial Measures" below.

Capital Management and Dividends

Total equity was $99.5 million $107.6 million as of September 30, 2023 March 31, 2024, compared to $98.7 million $106.8 million at December 31, 2022 December 31, 2023. Total equity increased $792 $852 thousand at September 30, 2023 March 31, 2024 compared to December 31, 2022 December 31, 2023, due primarily to $6.2 million of net income for the year an increase in earnings, partially offset by unrealized losses in the market value of securities available-for-sale, which are recognized recorded as a component of accumulated other comprehensive loss, dividends, income (loss), and by the adoption of CECL. cash dividend payments. The Company's securities available for sale are fixed income and variable rate debt securities, and their unrealized loss position is a result of increases in market interest rates rather than credit quality issues. The Company expects to recover its investments in debt securities through scheduled payments of principal and interest and does not expect these unrealized losses are not expected to affect the earnings or regulatory capital of the Company or its subsidiaries.

For the third first quarter of 2023, 2024, the Company declared dividends of $0.14 per share, an increase of 7.7% over dividends of $0.13 per share declared in consistent with the third first quarter of 2022. For the nine months ended September 30, 2023, dividends declared were $0.42 per share compared to $0.39 per share for the nine months ended September 30, 2022. 2023. The dividend represents a payout ratio of 33.8% 41.1% of EPS for the first nine three months of 2023. 2024. The Board of Directors of the Company continually reviews the amount of cash dividends per share and the resulting dividend payout ratio in light of changes in economic conditions, current and future capital requirements, and expected future earnings. The Company's principal goals related to the maintenance of capital are to provide adequate capital to support the Company's risk profile consistent with the Board-approved risk appetite, provide financial flexibility to support future growth and client needs, comply with relevant laws, regulations, and supervisory guidance, and provide a competitive return to stockholders. Risk-based capital ratios, which include CET1 capital, Tier 1 capital and Total capital for the Bank are calculated based on regulatory guidance related to the measurement of capital and risk-weighted assets. See "Table 13. Regulatory Capital" below for additional information.

At September 30, 2023 March 31, 2024, the book value per share of the Company's common stock was $19.75, $21.35, and tangible book value per share (non-GAAP) was $19.39, $20.99, compared to $19.75 $21.19 and $19.37, $20.82, respectively, at December 31, 2022 December 31, 2023. Refer to "Non-GAAP Financial Measures," below, for information about non-GAAP financial measures, including a reconciliation to the most directly comparable financial measures calculated in accordance with U.S. GAAP.

Critical Accounting Estimates

The accounting and reporting policies of the Company are in accordance with U.S. GAAP and conform to general practices within the banking industry. The Company's financial position and results of operations are affected by management's application of accounting policies, including estimates, assumptions, and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues, expenses, and related disclosures. Different assumptions in the application of these policies could result in material changes in the Company's consolidated financial position and/or results of operations. The Company evaluates its critical accounting estimates and assumptions on an ongoing basis and updates them, as needed. Management has discussed the Company's critical Those accounting policies and estimates with the Audit Committee greatest uncertainty and that require management's most difficult, subjective, or complex judgments affecting the application of these policies, and the Board of Directors. greatest likelihood that materially different amounts would be reported under different conditions, or using different assumptions, are described below.

For further information on the Company's critical accounting estimates, refer to "Note 1. Description of Business and Summary of Significant Accounting Policies" and under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" in its 2022 2023 Form 10-K.

Allowance for Credit Losses on Loans

The ACLL represents the estimated balance the Company considers adequate to absorb expected credit losses over the expected contractual life of the loan portfolio. The ACLL is estimated using a loan-level discounted cash flows method for all loans with the exception of its automobile, farmland, and consumer portfolios. For the automobile, farmland, and consumer portfolios, the Company has elected to pool those loans based on similar risk characteristics to determine the ACLL using the remaining life methods. method.

Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio, in light of the factors then prevailing, may result in significant changes in the ACLL in future periods. There are both internal factors (i.e., loan balances, credit quality, and the contractual lives of loans) and external factors (i.e., economic conditions such as trends in interest rates, GDP, inflation, and unemployment) that can impact the ACLL estimate.

For instance, the Company considers the national Virginia and regional unemployment rate as an external economic variable in developing the ACLL. The quantitative ACLL estimate is sensitive to changes in the unemployment rate forecast over a one-year reasonable and supportable period, with the commercial loan portfolio being the most sensitive to fluctuations in unemployment. rate. Because current economic conditions and forecasts can change and future events are inherently difficult to predict, the anticipated amount of estimated credit losses on loans and therefore the appropriateness of the ACLL, could change significantly. It is difficult to estimate how potential changes in any one economic factor or input might affect the overall ACLL because changes in those factors and inputs may not occur at the same rate and may not be consistent across all loan types. Additionally, changes in factors and inputs may be directionally inconsistent, such that improvement in one factor may offset deterioration in others.

The Company reviews its ACLL estimation process regularly for appropriateness as the economic and internal environment are constantly changing. While the ACLL estimate represents management's current estimate of expected credit losses, due to uncertainty surrounding internal and external factors, there is potential that the estimate may not be adequate over time to cover credit losses in the portfolio. While management uses available information to estimate expected losses on loans, future changes in the ACLL may be necessary based on changes in portfolio composition, portfolio credit quality, economic conditions and/or other factors.

For further information concerning on the Company's critical accounting policies, estimates, refer to "Note 1. Description of Business and Summary of Significant Accounting Policies" and "Note 3. Loans "Management's Discussion and the Allowance for Credit Losses on Loans" included Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" in "Item 1. Financial Statements" above, as well as "Note 1. Significant Accounting Policies included in "Item 8. Financial Statements and Supplementary Data" of the Company's 2022 its 2023 Form 10-K.

Results of Operations

Net Interest Income

The principal source of earnings for the Company is net interest income. Net interest income is the difference between interest and fees generated by earning assets and interest expense paid to fund them. Changes in the volume and mix of interest-earning assets and interest-bearing liabilities, as well as their respective yields and rates, have a significant impact on the level of net interest income. The NIM is calculated by dividing net interest income by average earning assets, or on a fully tax-equivalent basis, tax-equivalent net interest income by average earning assets.

Net interest income for the third first quarter of 2023 2024 was $11.4 million $11.5 million, a decrease of $145 thousand, $1.3 million, or 1.3% 9.9%, from the third first quarter of 2022. 2023. The decrease from the prior year quarter is due primarily to higher average interest-bearing liabilities at higher average rates partially offset by higher average earning asset balances at higher average yields. For the nine months ended September 30, 2023 and 2022, net interest income was $36.3 million and $31.5 million, respectively. The increase from the prior-year comparative period was due primarily to deployment of lower yielding cash to fund growth in higher yielding loans and investments, and higher average yields on earning asset balances due to the effect of rising market interest rates, partially offset by higher average interest-bearing liabilities at higher average rates.

Net interest income, on a fully tax-equivalent basis (non-GAAP), was $11.5 million $11.6 million for the third first quarter of 2023, 2024, a decrease of $186 thousand $1.3 million from the 2022 2023 comparative quarter. For the nine months ended September 30, 2023 and 2022, net interest income, on a fully tax-equivalent basis (non-GAAP), was $36.5 million and $31.8 million, respectively. NIM for the third first quarter of 2023 2024 was 3.33% 3.45%, a decrease from 3.75% 4.02% for the prior year quarter. For the nine months ended September 30, 2023 and 2022, NIM was 3.67% and 3.42%, respectively. On a fully tax-equivalent basis (non-GAAP), NIM was 3.35% 3.46% and 3.68%, 4.04% for the three and nine months ended September 30, 2023, respectively, compared to 3.78% March 31, 2024 and 3.44% for the respective prior year comparative periods. 2023, respectively. For more information on these FTE financial measures, please see "Non-GAAP Financial Measures" below.

Average earning asset balances for the third first quarter increased $135.7 million $50.9 million compared to the third first quarter of 2022 2023 with yields on average earning assets increasing 99 43 basis points due to deployment of liquidity into higher earning assets and the effects of the rising interest rate environment. During the first nine months of 2023, average earning assets increased $90.5 million over the 2022 comparative period.

Average loans increased $148.1 million $21.0 million, or 15.8%, and $183.9 million, or 20.6%, 2.0% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to the same periods period of 2022. 2023. The increase in average loans outstanding in 2023 2024 compared to 2022 2023 was due primarily to growth in construction and land development, residential real estate, and commercial real estate and indirect consumer segments of the loan portfolio. Average loan yields were higher for the third first quarter and first nine months of 2023 2024 by 78 41 basis points and 79 basis points, respectively, compared to the same periods period of 2022 2023 due primarily to the effects of rising interest rates.

Average securities available for sale decreased $30.2 million and $21.3 million $23.1 million for the three and nine months ended September 30, March 31, 2023, respectively, 2024, compared to the same period in 2022, 2023, due primarily to fluctuations in fair market value, maturities, and sale activity. principal paydowns. The average yield on the investment securities portfolio on a taxable-equivalent basis increased 107 basis points and 130 26 basis points for the third quarter and first nine three months of 2023, respectively, 2024, compared to the same periods period in 2022 2023 due primarily to the effects of rising interest rates on the Company's variable rate investment securities portfolio.

Average interest-bearing deposits in other banks, consisting primarily of excess cash reserves maintained at the FRB, increased $16.2 million and decreased $72.3 million $51.3 million for the third first quarter and first nine months of 2023, 2024, compared to the respective periods period in 2022 2023 due primarily to deployment of liquidity in loans held for investment. The average yield on interest-bearing deposits in other banks increased 320 159 basis points for the third first quarter and 451 for the first nine months of 2023 2024 compared to the same periods period in 2022 2023 due to rising interest rates. The FRB increased the interest rate on excess cash reserve balances to was 5.40 percent during the third quarter of 2023. at March 31, 2024.

Average interest-bearing liabilities increased $208.4 million $121.8 million for the third first quarter of 2023 2024 compared to the same period of 2022, 2023, with costs increasing 191 129 basis points. The higher interest cost on of interest-bearing liabilities was due to higher interest rates on money market and time deposits as well as additional borrowing costs associated with federal funds purchased and short and long term FHLB advances during the period to help fund loan growth. growth, partially offset by increases in noninterest-bearing demand deposits and declines in savings and time deposits. Average money market and interest-bearing demand deposits increased $66.2 million $23.3 million and $51.3 million $24.2 million for the third first quarter and first nine months of 2023, 2024, respectively, and average time deposits increased $107.2 million and $42.8 million $89.5 million for the third first quarter and first nine months of 2023, respectively, 2024, compared to the same periods period in 2022. 2023. Average savings deposits declined $24.8 million for the third quarter of 2023 and $20.4 million $26.8 million for the first nine months quarter of 2023, 2024, compared to the same periods period in 2022. 2023. Average noninterest-bearing demand deposits decreased $73.2 million for the third quarter of 2023 and $37.6 million $77.7 million for the first nine months quarter of 2023, 2024, compared to the same periods of 2022. period in 2023. The average cost of interest-bearing deposits increased 178 basis points for the third quarter of 2023 and 118 145 basis points for the first nine months quarter of 2023, 2024 compared to the same periods period in 2022, 2023, due primarily to higher rates on deposits driven by depositors seeking increased yields and competitive pricing pressures. While changes in rates take effect immediately for interest checking, money market and savings accounts, changes in the average cost of time deposits lag changes in pricing based on the repricing of time deposits at maturity and the pace with which customers move funds from other deposit products into or out of time deposit products.

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During 2022 and continuing into 2023, market interest rates significantly increased. While increased, and while the Company expects asset yields to continue to rise, the Company expects the cost of funds are also expected to continue to rise during the fourth quarter of 2023. rise. The extent to which rising interest rates will ultimately affect the Company's NIM is uncertain and depends on a number of complex factors, certain of which will be outside of the Company's control.

For more information about the Company's fully taxable-equivalent financial measures, please see "Non-GAAP Financial Measures" below. uncertain.

The following table shows analyses an analysis of average earning assets, interest-bearing liabilities and rates and yields for the periods indicated. Nonaccrual loans are included in loans outstanding.

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Table 1: AVERAGE BALANCE SHEETS, NET INTEREST INCOME AND RATES Average Balance Sheets, Net Interest Income and Rates

	For the quarters ended September 30,						For the quarters ended March 31,				
	2023			2022			2024			2023	
(dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate**	Average Balance	Interest Income/ Expense	Yield/ Rate**	Average Balance	Interest Income/ Expense	Yield/ Rate**	Average Balance	Interest Income/ Expense
ASSETS											
Assets											
Loans*	$ 1,086,180	$ 14,311	5.23 %	$ 938,110	$ 10,516	4.45 %	$ 1,076,894	$ 14,544	5.42 %	$ 1,055,878	$ 13,042
Investment securities:											
Taxable	176,445	1,788	4.02 %	190,728	1,297	2.70 %	175,241	1,798	4.12 %	186,292	1,764
Tax-exempt*	30,128	201	2.64 %	46,046	345	2.97 %	26,115	176	2.70 %	38,206	268
Total investment securities	206,573	1,989	3.82 %	236,774	1,642	2.75 %	201,356	1,974	3.93 %	224,498	2,032
Interest-bearing due from banks	61,446	838	5.41 %	45,250	252	2.21 %	57,921	799	5.53 %	6,596	64
Federal funds sold	714	9	5.16 %	2,201	11	2.05 %	709	9	5.09 %	577	6
Other investments	4,808	84	6.84 %	1,650	30	6.92 %	5,201	94	7.27 %	3,632	66
Total earning assets	1,359,721	$ 17,231	5.03 %	1,223,985	$ 12,451	4.04 %	1,342,081	$ 17,420	5.21 %	1,291,181	$ 15,210
Allowance for credit losses	(11,912)			(10,015)			(12,393)			(11,339)	
Other non-earning assets	105,130			99,676			105,193			104,511	
Total assets	$ 1,452,939			$ 1,313,646			$ 1,434,881			$ 1,384,353	
LIABILITIES AND STOCKHOLDERS' EQUITY											
Time and savings deposits:											
Liabilities and Stockholders' Equity											
Interest-bearing deposits:											
Interest-bearing transaction accounts	$ 91,139	$ 4	0.01 %	$ 79,620	$ 3	0.01 %	$ 94,434	$ 3	0.01 %	$ 70,254	$ 3
Money market deposit accounts	430,236	204	1.89 %	375,555	135	0.14 %	452,198	2,587	2.29 %	428,941	842
Savings accounts	98,758	8	0.03 %	123,604	9	0.03 %	89,035	7	0.03 %	115,880	9
Time deposits	263,167	2,456	3.70 %	155,989	312	0.79 %	238,076	2,172	3.66 %	148,563	537
Total time and savings deposits	883,300	4,516	2.03 %	734,768	459	0.25 %	873,743	4,769	2.19 %	763,638	1,391
Federal funds purchased, repurchase agreements and other borrowings	1,972	-	0.05 %	11,667	43	1.46 %	2,484	1	0.16 %	7,959	37
Federal Home Loan Bank advances	69,450	952	5.36 %	-	-	0.00 %	69,716	778	4.48 %	52,626	617
Long term borrowings	29,619	295	3.90 %	29,485	295	3.92 %	29,680	295	3.99 %	29,551	295
Total interest-bearing liabilities	984,341	5,763	2.32 %	775,920	797	0.41 %	975,623	5,843	2.40 %	853,774	2,340
Demand deposits	356,752			429,928			344,098			421,779	
Other liabilities	8,996			5,500			8,209			8,347	
Stockholders' equity	102,850			102,298							
Total liabilities and stockholders' equity	$ 1,452,939			$ 1,313,646							
Stockholders' equity							106,951			100,453	

Total liabilities and stockholders' equity				$ 1,434,881		$ 1,384,353	
Net interest margin	$ 11,468	3.35 %	$ 11,654	3.78 %	$ 11,577	3.46 %	$ 12,870

*Computed on a fully tax-equivalent basis using a 21% rate, adjusting interest income by $42 $37 thousand and $83 $57 thousand for September 30, 2023 the three months ended March 31, 2024 and 2022, respectively.
**Annualized

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	For the nine months ended September 30,					
	2023			2022		
(dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate**	Average Balance	Interest Income/ Expense	Yield/ Rate**
ASSETS						
Loans*	$ 1,077,038	$ 41,539	5.16 %	$ 893,133	$ 29,206	4.37 %
Investment securities:						
Taxable	181,969	5,324	3.91 %	196,475	3,409	2.32 %
Tax-exempt*	35,365	734	2.77 %	42,208	927	2.94 %
Total investment securities	217,334	6,058	3.73 %	238,683	4,336	2.43 %
Interest-bearing due from banks	25,385	995	5.24 %	97,642	533	0.73 %
Federal funds sold	670	24	4.79 %	3,514	18	0.70 %
Other investments	4,420	229	6.91 %	1,396	58	5.47 %
Total earning assets	1,324,847	$ 48,845	4.93 %	1,234,368	$ 34,151	3.70 %
Allowance for credit losses	(11,663)			(9,861)		
Other nonearning assets	105,462			96,897		
Total assets	$ 1,418,646			$ 1,321,404		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Time and savings deposits:						
Interest-bearing transaction accounts	$ 80,672	$ 9	0.02 %	$ 75,641	$ 8	0.01 %
Money market deposit accounts	432,224	4,450	1.38 %	385,929	433	0.15 %
Savings accounts	106,537	24	0.03 %	126,965	30	0.03 %
Time deposits	204,647	4,412	2.88 %	161,885	993	0.82 %
Total time and savings deposits	824,080	8,895	1.44 %	750,420	1,464	0.26 %
Federal funds purchased, repurchase agreements and other borrowings	4,941	39	1.07 %	6,753	45	0.88 %
Federal Home Loan Bank advances	66,505	2,532	5.09 %	-	-	0.00 %
Long term borrowings	29,585	885	4.00 %	29,453	885	4.02 %
Total interest-bearing liabilities	925,111	12,351	1.79 %	786,626	2,394	0.41 %
Demand deposits	382,908			420,527		
Other liabilities	8,492			5,649		
Stockholders' equity	102,135			108,602		
Total liabilities and stockholders' equity	$ 1,418,646			$ 1,321,404		
Net interest margin		$ 36,494	3.68 %		$ 31,757	3.44 %

*Computed on a fully tax-equivalent (non-GAAP) basis using a 21% rate, adjusting interest income by $156 thousand and $228 thousand for September 30, 2023 and 2022, 2023, respectively.
**Annualized

Interest income and expense are affected by fluctuations in interest rates, by changes in volume of earning assets and interest-bearing liabilities, and by the interaction of rate and volume factors. The following table shows the direct causes of the period-to-period changes in the components of net interest income. The Company calculates the rate and volume variances using a formula prescribed by the SEC. Rate/volume variances, the third element in the calculation, are not show separately in the table, but are allocated to the rate and volume variances in proportion to the absolute dollar amounts of each.

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TABLE Table 2: VOLUME AND RATE ANALYSIS* Volume and Rate Analysis*

	Three months ended September 30, 2023 from 2022		
	Increase (Decrease)		
	Due to Changes in:		
(dollars in thousands)	Volume	Rate	Total
EARNING ASSETS			
Loans*	$ 1,660	$ 2,135	$ 3,795
Investment securities:			
Taxable	(97)	588	491
Tax-exempt*	(119)	(25)	(144)
Total investment securities	(216)	563	347
Federal funds sold	(7)	5	(2)
Other investments**	147	493	640
Total earning assets	1,584	3,196	4,780
INTEREST-BEARING LIABILITIES			
Interest-bearing transaction accounts	-	1	1
Money market deposit accounts	20	1,894	1,914
Savings accounts	(2)	1	(1)
Time deposits	215	1,928	2,143
Total time and savings deposits	233	3,824	4,057
Federal funds purchased, repurchase agreements and other borrowings	(36)	(7)	(43)
Federal Home Loan Bank advances	-	952	952
Long term borrowings	1	(1)	-
Total interest-bearing liabilities	198	4,768	4,966
Change in net interest income	$ 1,386	$ (1,572)	$ (186)

* Computed on a fully tax-equivalent basis using a 21% rate.
** Other investments include interest-bearing balances due from banks.

	Nine months ended September 30, 2023 from 2022			For the three months ended March 31, 2024 from 2023		
	Increase (Decrease)			Increase (Decrease)		
	Due to Changes in:			Due to Changes in:		
(dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
EARNING ASSETS						
Earning Assets						
Loans*	$ 6,014	$ 6,319	$ 12,333	$ 260	$ 1,242	$ 1,502
Investment securities:						
Taxable	(252)	2,167	1,915	(105)	139	34
Tax-exempt*	(150)	(43)	(193)	(85)	(7)	(92)
Total investment securities	(402)	2,124	1,722	(190)	132	(58)
Federal funds sold	(15)	21	6	1	2	3
Other investments**	(268)	901	633	527	237	764
Total earning assets	5,329	9,365	14,694	598	1,613	2,211
INTEREST-BEARING LIABILITIES						
Interest-Bearing Liabilities						
Interest-bearing transaction accounts	1	-	1	1	(1)	-
Money market deposit accounts	52	3,965	4,017	46	1,699	1,745
Savings accounts	(5)	(1)	(6)	(2)	-	(2)
Time deposits	262	3,157	3,419	324	1,311	1,635
Total time and savings deposits	310	7,121	7,431	369	3,009	3,378

Federal funds purchased, repurchase agreements and other borrowings	(12)	6	(6)	(25)	(10)	(35)
Federal Home Loan Bank advances	-	2,532	2,532	200	(39)	161
Long term borrowings	4	(4)	-	1	(1)	-
Total interest-bearing liabilities	302	9,655	9,957	545	2,959	3,504
Change in net interest income	$ 5,027	$ (290)	$ 4,737	$ 53	$ (1,346)	$ (1,293)

* Computed on a fully tax-equivalent basis, non-GAAP, using a 21% rate.

** Other investments include interest-bearing balances due from banks.

The Company believes NIM may be affected in future periods by several factors that are difficult to predict, including (1) changes in interest rates, which may depend on the severity of adverse economic conditions, inflationary pressures, the timing and extent of any economic recovery, which are inherently uncertain; (2) possible changes in the composition of earning assets which may result from decreased loan demand as a result of the current economic environment; and (3) possible changes in the composition of interest-bearing liabilities, which may result from decreased deposit balances or increased competition for deposits, changes in customer behavior in response to changes in interest rates, or from changes in the availability of certain types of wholesale funding.

Provision for Credit Losses

For the three months ended September 30, 2023 March 31, 2024, the Company recognized a provision for credit losses of $505 $80 thousand compared to $402 $376 thousand for the three months ended September 30, 2022 March 31, 2023. The provision for credit losses for the third first quarter of 2023 reflected 2024 included a provision of $478 thousand for loans of $78 thousand and a provision for unfunded commitments of $27 $2 thousand. The provision for credit losses was $1.2 million for the first nine months of 2023, compared to $1.1 million for the first nine months of 2022. Charged-off loans totaled $1.2 million $494 thousand and $1.7 million $449 thousand in the first nine three months of 2023 2024 and 2022, 2023, respectively. Recoveries amounted to $526 $158 thousand and $693 $270 thousand for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The Company's annualized net loans charged off to average loans were 0.10% 0.12% for the third first quarter of 2023 2024 compared to 0.16% 0.07% for the third first quarter of 2022. 2023. The increased decreased provision for credit losses for the three and nine months ended September 30, 2023 March 31, 2024 compared to the same periods period in 2022 2023 is primarily due to growth the reduction in size of the loan portfolio and continued uncertainty in the economic outlook. portfolio.

The state of the local economy can have a significant impact on the level of loan charge-offs. If the economy begins to contract, nonperforming assets could increase as a result of declines in real estate values and home sales or increases in unemployment rates and financial stress on borrowers. Increased nonperforming assets would increase charge-offs and reduce earnings due to larger contributions to the provision for loan credit losses.

Noninterest Income

Total noninterest income was $3.5 million $3.2 million for the third first quarter of 2023, increasing $118 2024, decreasing $199 thousand compared to the third first quarter of 2022. 2023. The increase decrease over the prior year quarter was primarily driven by increases decreases in fiduciary other service charges, commissions and asset management fees bank-owned life insurance income, and mortgage banking income, partially offset by decreases increases in service charges on deposit accounts fiduciary and other service charges, commissions, and asset management fees. Noninterest The decrease in mortgage banking income for the nine months ended September 30, 2023 stayed flat at $10.4 million first quarter of 2024 compared to the nine months ended September 30, 2022. Gains on sales of fixed assets of $200 thousand and losses on sales of available-for-sale securities and repossessed assets of $134 thousand and $69 thousand, respectively, were recognized during the second and third first quarter of 2023 which impacted the quarterly and year-to-date comparatives and are not expected was due to be repeated. declines in volume of mortgage originations attributable to changes in mortgage market conditions.

Noninterest Expense

Noninterest expense totaled $12.9 million $12.7 million for the third first quarter of 2023 2024 compared to $11.6 million $12.2 million for the third first quarter of 2022. 2023. The increase over the prior year quarter was primarily driven by increased salaries and employee benefit expense, occupancy data processing, and equipment, other operating expenses, partially offset by declines in expenses for customer development and data processing. professional services. The increase in salaries and employee benefits in the first quarter of 2024 was primarily driven by higher average headcount and one-time costs related to the addition of revenue producing officers, a return to normalized position vacancy levels, incentive compensation cost savings initiatives. The noninterest expense and lower deferred loan costs. The Company completed negotiations with a major vendor relationship during reduction initiatives reduced this employee headcount late in the fourth first quarter of 2022 which began reducing certain existing cost structures during 2024 and into the first nine months of 2023 and will provide an opportunity for operational leverage for future growth at fixed cost levels. Several other major vendor contracts and relationships continue to be assessed and negotiated as a key component of efforts to reduce noninterest expense levels while improving operational efficiency. For the nine months ended September 30, 2023, noninterest expense increased $4.8 million, or 14.5% over the nine months ended September 30, 2022, primarily due to increases in salaries and employee benefits, data processing, ATM and other losses, and other operating expenses. second quarter by approximately 12%.

The Company's income tax expense decreased $106 thousand for the third quarter compared against the second quarter and increased $30 $345 thousand for the first nine months quarter of 2023 when 2024 compared to the same period in 2022 first quarter of 2023 primarily due to changes in the levels of pre-tax income and the mix of effective tax-exempt income. The effective federal income tax rates rate for the three and nine months ended September 30, 2023 were 10.5% and 14.2%, respectively, March 31, 2024 was 13.2% and the effective tax rates rate for the three and nine months ended September 30, 2022 were 14.4% and 13.4%, respectively. March 31, 2023 was 16.5%.

Balance Sheet Review

As of September 30, 2023 March 31, 2024, the Company had total assets of $1.4 billion, an increase a decrease of $91.7 million $893 thousand compared to assets at December 31, 2022 December 31, 2023.

Net loans held for investment increased $54.3 million decreased $12.1 million or 5.3% 1.1%, from $1.0 billion at December 31, 2022 December 31, 2023 to $1.1 billion as of September 30, 2023 March 31, 2024, driven by diversified loan growth in the following segments: following: decreases to consumer and commercial loans of $12.3 million and $7.4 million respectively, partially offset by increases to construction and land development loans of $16.2 million $2.8 million, residential real estate loans of $21.0 million $3.6 million, and commercial real estate of $11.9 million, and consumer loans of $5.7 million $1.3 million. Cash and cash equivalents increased $58.4 million $14.6 million from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024. Securities available-for-sale, at fair value, decreased $24.9 million $4.5 million from December 31, 2022 December 31, 2023 to $200.6 million $199.8 million as of September 30, 2023 March 31, 2024 driven primarily by unrealized losses due to the rise in interest rates. maturities and principal pay downs.

Total deposits of $1.2 billion as of September 30, 2023 increased $81.6 million March 31, 2024 decreased $2.1 million, or 7.1% 0.2% from December 31, 2022 December 31, 2023. Noninterest-bearing Savings deposits decreased $70.3 million $23.0 million, or 16.8% 3.5%, savings time deposits decreased $2.3 million, or 0.9%, and noninterest-bearing deposits increased $35.3 million $23.1 million, or 6.0%, and time deposits increased $116.6 million, or 76.2%, driven by depositors seeking increased yields and pricing competition. 7.0%.

The Company utilizes FHLB advances as a primary source of liquidity as needed. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had FHLB advances of $69.5 million and $46.1 million, respectively. Decreases in overnight for both periods. Overnight repurchase agreements and federal funds purchased were offset by an increase in FHLB advances decreased $699 thousand as the Company used additional borrowings excess liquidity to help fund loan growth during the first nine months of 2023. pay down high cost borrowed funds.

Securities Portfolio

When comparing September 30, 2023 March 31, 2024 to December 31, 2022 December 31, 2023, securities available-for-sale decreased $24.9 million $4.5 million, or 11.0% 2.2%, due to an investment sale maturities and normal cash flows from the portfolio. The change in market value was due primarily to changes in market interest rates.

The Company's strategy for the securities portfolio is primarily intended to manage the portfolio's susceptibility to interest rate risk and to provide liquidity to fund loan growth. The securities portfolio is also adjusted to achieve other asset/liability objectives, including pledging requirements, and to manage tax exposure when necessary.

The following table sets forth a summary of the securities portfolio in dollar amounts at fair value and as a percentage of the Company's total securities available-for-sale as of the dates indicated:

TABLE Table 3: SECURITIES PORTFOLIO Securities Portfolio

(dollars in thousands)	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
U.S. Treasury securities	$ 3,777	2%	$ 7,671	3%	$ 3,844	2%	$ 3,857	2%
Obligations of U.S. Government agencies	44,555	22%	42,399	19%	39,866	20%	42,735	21%
Obligations of state and political subdivisions	46,655	23%	59,384	26%	50,058	24%	50,597	24%
Mortgage-backed securities	79,778	38%	88,913	39%	79,128	39%	81,307	39%
Money market investments	1,906	1%	1,816	1%	2,827	1%	2,047	1%
Corporate bonds and other securities	23,946	12%	25,335	11%	24,075	12%	23,735	11%
	200,617	98%	225,518	99%	199,798	98%	204,278	98%
Restricted securities:								
Federal Home Loan Bank stock	$ 4,242	2%	2,709	1%	$ 4,305	2%	4,242	2%
Federal Reserve Bank stock	892	-	683	-	892	-	892	-
Community Bankers' Bank stock	42	-	42	-				
Community Bankers' Bank stock					42	-	42	-
	5,176		3,434		5,239		5,176	
Total Securities	**$ 205,793**	**100%**	**$ 228,952**	**100%**	**$ 205,037**	**100%**	**$ 209,454**	**100%**

The following table summarizes the contractual maturity of the securities portfolio and their weighted average yields as of September 30, 2023. March 31, 2024.

TABLE Table 4: MATURITY OF SECURITIES Maturity of Securities

(dollars in thousands)	1 year or less 2023	1-5 years	5-10 years	Over 10 years	Total	1 year or less	1-5 years	5-10 years	Over 10 year
U.S. Treasury securities	$ -	$ 3,777	$ -	$ -	$ 3,777	$ -	$ 3,844	$ -	$

Weighted average yield	-	1.70 %	-	-	1.70 %	-	1.70 %	-	
Obligations of U.S. Government agencies	$ 1,169	$ 3,572	$ 2,177	$ 37,637	$ 44,555	$ 1,368	$ 2,764	$ 1,457	$ 34,27
Weighted average yield	0.77 %	2.35 %	4.51 %	6.47 %	5.90 %	1.12 %	2.52 %	4.15 %	6.5
Obligations of state and political subdivisions	$ 167	$ 1,417	$ 18,692	$ 26,379	$ 46,655	$ -	$ 1,444	$ 21,725	$ 26,88
Weighted average yield	0.75 %	2.74 %	2.21 %	2.47 %	2.37 %	0.00 %	2.73 %	2.27 %	2.3
Mortgage-backed securities	$ -	$ -	$ 10,595	$ 69,183	$ 79,778	$ -	$ 10,889	$ -	$ 68,23
Weighted average yield	-	-	2.28 %	3.09 %	2.98 %	-	2.29 %	0.00 %	3.1
Money market investments	$ 1,906	$ -	$ -	$ -	$ 1,906	$ 2,827	$ -	$ -	$
Weighted average yield	4.59 %	-	-	-	4.59 %	3.57 %	-	-	
Corporate bonds and other securities	$ 488	$ -	$ 23,458	$ -	$ 23,946	$ -	$ -	$ 24,075	$
Weighted average yield	3.44 %	-	4.43 %	-	4.43 %	-	-	4.42 %	
Federal Home Loan Bank stock	$ -	$ -	$ -	$ 4,242	$ 4,242				
Weighted average yield	-	-	-	6.98 %	6.98 %				
Federal Reserve Bank stock	$ -	$ -	$ -	$ 892	$ 892				
Weighted average yield	-	-	-	4.78 %	4.78 %				
Community Bankers' Bank stock	$ -	$ -	$ -	$ 42	$ 42				
Weighted average yield	-	-	-	0.00 %	0.00 %				
Total Securities	**$ 3,730**	**$ 8,766**	**$ 54,922**	**$ 138,375**	**$ 205,793**	**$ 4,195**	**$ 18,941**	**$ 47,257**	**$ 129,40**
Weighted average yield	2.62 %	2.13 %	3.27 %	3.99 %	3.70 %	2.77 %	2.23 %	3.42 %	3.9

The table above is based on maturity; therefore, it does not reflect cash flow from principal payments or prepayments prior to maturity. The weighted average yield is calculated on a fully tax-equivalent basis using a 21% rate on a pro rata basis for each security based on its relative amortized cost.

For more information about the Company's securities available-for-sale, including information about securities in an unrealized loss position as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, see Part I, Item 1, "Financial Statements" under the heading "Note 2. Securities" in this Quarterly Report on Form 10-Q.

Loan Portfolio

The following table shows a breakdown of total loans by segment at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

TABLE Table 5: LOAN PORTFOLIO Loan Portfolio

(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Commercial and industrial	$ 73,279	$ 72,578	$ 57,195	$ 64,112
Real estate-construction	94,143	77,944	109,971	107,179
Real estate-mortgage (1)	280,100	259,091	287,461	283,853
Real estate-commercial (2)	441,794	429,863	442,998	441,716
Consumer (2) (3)	190,946	185,269	167,832	180,155
Other	2,416	2,340	2,446	3,237
Ending Balance	$ 1,082,678	$ 1,027,085	$ 1,067,903	$ 1,080,252

(1) The real estate-mortgage segment included residential 1-4 family, multi-family, second mortgages and equity lines of credit.
(2) The real estate-commercial segment included commercial-owner occupied and commercial non-owner occupied.
(3) The consumer segment includes consumer automobile loans.

The maturity distribution and rate sensitivity of the Company's loan portfolio as of March 31, 2024 is presented below:

Table 6: Maturity/Repricing Schedule of Loan Portfolio

As of March 31, 2024

ars in thousands)	Commercial and industrial	Real estate-construction	Real estate-mortgage (1)	Real estate-commercial (2)	Consumer (3)	Other	Total
able Rate:							
in 1 year	$ 12,199	$ 67,506	$ 64,735	$ 47,696	$ 7,510	$ 2,027	$ 201,673
5 years	-	328	27,929	26,784	2	127	55,170
15 years	-	3,989	40,821	-	27	-	44,837
r 15 years	-	-	-	-	-	-	-
d Rate:							
in 1 year	$ 1,643	$ 5,090	$ 6,416	$ 31,612	$ 1,181	$ -	$ 45,942
5 years	26,939	20,376	43,314	202,766	99,907	-	393,302
15 years	16,414	12,639	38,391	132,569	50,308	292	250,613
r 15 years	-	43	65,855	1,571	8,897	-	76,366
	$ 57,195	$ 109,971	$ 287,461	$ 442,998	$ 167,832	$ 2,446	$ 1,067,903

(1) The real estate-mortgage segment included residential 1-4 family, multi-family, second mortgages and equity lines of credit.
(2) The consumer segment includes consumer automobile loans.

The maturity distribution and rate sensitivity of the Company's loan portfolio as of September 30, 2023 is presented below:

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TABLE 6: MATURITY/REPRICING SCHEDULE OF LOAN PORTFOLIO

	As of September 30, 2023						
(dollars in thousands)	Commercial and industrial	Real estate-construction	Real estate-mortgage (1)	Real estate-commercial	Consumer (2)	Other	Total
Variable Rate:							
Within 1 year	$ 14,668	$ 55,433	$ 62,666	$ 43,650	$ 7,764	$ 1,898	$ 186,079
1 to 5 years	408	38	26,698	25,096	2	128	52,370
5 to 15 years	-	4,788	36,579	970	26	-	42,363
After 15 years	-	-	-	-	77	-	77
Fixed Rate:							
Within 1 year	$ 1,519	$ 7,930	$ 7,427	$ 24,741	$ 1,512	$ 98	$ 43,227
1 to 5 years	27,375	16,365	43,419	198,650	87,395	-	373,204
5 to 15 years	29,309	9,545	40,037	143,305	84,965	292	307,453
After 15 years	-	44	63,274	5,383	9,204	-	77,905
	$ 73,279	$ 94,143	$ 280,100	$ 441,795	$ 190,945	$ 2,416	$ 1,082,678

(1) The real estate-mortgage estate-commercial segment included residential 1-4 family, multi-family, second mortgages commercial-owner occupied and equity lines of credit. commercial non-owner occupied.
(2) (3) The consumer segment includes consumer automobile loans.

For more information about the Company's loan portfolio as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, see Part I, Item 1, "Financial Statements" under the heading "Note 3. Loans and the Allowance for Credit Losses on Loans" in this Quarterly Report on Form 10-Q.

Nonperforming Assets

The following table summarizes information concerning credit ratios and nonperforming assets. Balances and ratios presented assets as of September 30, 2023, are in accordance with ASC 326, whereas balances March 31, 2024 and ratios presented as of December 31, 2022 are presented in accordance with previously applicable GAAP. December 31, 2023.

The Company continued to experience low levels of NPAs in 2023, the three months ended March 31, 2024, however, the economic environment could impact performance, which could increase NPAs in future periods. Refer to Part I, Item 1, "Financial Statements" under the heading "Note 3. Loans and the Allowance for Credit Losses on Loans" in this Quarterly Report on Form 10-Q for more information.

TABLE Table 7: NONPERFORMING ASSETS Nonperforming Assets

(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Total loans	$ 1,082,678	$ 1,027,085	$ 1,067,903	$ 1,080,252
Nonaccrual loans	1,918	1,243	194	188
Loans past due 90 days or more and accruing interest	797	840	878	1,780

Repossessed assets			1,080	215
Total Nonperforming Assets	$ 2,715	$ 2,083	$ 2,152	$ 2,183
ACLL	$ 11,844	$ 10,526	$ 11,948	$ 12,206
Nonaccrual loans to total loans	0.18 %	0.12 %	0.02 %	0.02 %
ACLL to total loans	1.09 %	1.02 %	1.12 %	1.13 %
ACLL to nonaccrual loans	617.52 %	846.82 %	6158.76 %	6492.55 %
Annualized year-to-date net charge-offs to average loans	0.08 %	0.02 %		

The adoption As shown in the table above, as of ASC 326 replaced previous impaired March 31, 2024 compared to December 31, 2023, the nonaccrual loan category increased by $6 thousand or 3.2%, the 90 days past due and TDR accounting guidance, still accruing category decreased by $902 or 50.7% and the evaluation of ACLL includes loans previously designated as impaired repossessed assets category increased by $865 or TDRs together with other loans that share similar risk characteristics. 402.3%.

Management believes the Company has excellent credit quality review processes in place to identify problem loans quickly. For a detailed discussion of the Company's nonperforming assets, refer to Part I, Item 1, "Financial Statements" under the heading "Note 3. Loans and the Allowance for Credit Losses on Loans" in this Quarterly Report on Form 10-Q.

Allowance for Credit Losses

As of September 30, 2023 March 31, 2024, the ACL was $12.1 million, comprised of $12.2 million and included an ACLL of $11.8 million $12.0 million and a reserve an allowance for unfunded commitments of $293 $239 thousand. The increase decrease in the ACLL ACL during the first nine three months of 2023 2024 was due primarily to growth the reduction in the portfolio and size of the adoption loan portfolio,primarily the consumer automobile segment (within the consumer segment). The consumer automobile segment declined $12.2 million, or 7.6% during the first quarter of CECL, which resulted in an implementation adjustment on January 1, 2023 of $641 thousand. 2024. The following table summarizes the ACL as of September 30, 2023. March 31, 2024:

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TABLE Table 8: ALLOWANCE FOR CREDIT LOSSES Allowance for Credit Losses

(dollars in thousands)	September 30, 2023	March 31, 2024	December 31, 2023
Total ACLL	$ 11,844	$ 11,948	$ 12,206
Total reserve for unfunded commitments	293	239	236
Total ACL	$ 12,137	$ 12,187	$ 12,442
ACLL to total loans	1.09 %		

For more information regarding the ACL and ACLL, refer to Part I, Item 1, "Financial Statements" under the heading "Note 1. Description of Business and Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of the Company's 2023 Form 10-K and Part I, Item 1, "Financial Statements" under the heading "Note 3. Loans and the Allowance for Credit Losses on Loans" in this Quarterly Report on Form 10-Q.

The ACLL represents an amount that, in management's judgement, will be adequate to absorb expected credit losses in the loan portfolio; however, if elevated levels of risk are identified, provision for credit losses may increase in future periods. The following tables present the Company's loan loss experience for the periods indicated:

TABLE Table 9: ALLOWANCE FOR CREDIT LOSSES ON LOANS Allowance for Credit Losses on Loans

For the nine months ended September 30, 2023								
(dollars in thousands)	Commercial and Industrial	Real Estate Construction	Real Estate - Mortgage (1)	Real Estate - Commercial	Consumer (2)	Other	Unallocated	Total
Allowance for credit losses on loans:								
Balance, beginning	$ 673	$ 552	$ 2,575	$ 4,499	$ 2,065	$ 156	$ 6	$ 10,526
Day 1 impact of adoption of CECL	(11)	19	87	1,048	(365)	(137)	-	641
Charge-offs	(159)	-	-	-	(813)	(228)	-	(1,200)
Recoveries	64	-	28	-	393	41	-	526
Provision for credit losses	78	258	192	244	270	315	(6)	1,351
Ending Balance	$ 645	$ 829	$ 2,882	$ 5,791	$ 1,550	$ 147	$ -	$ 11,844
Average loans	75,770	88,728	274,034	436,135	200,071	2,300		1,077,038
Ratio of net charge-offs to average loans	0.13 %	0.00 %	-0.01 %	0.00 %	0.21 %	8.13 %		0.06 %

For the three months ended March 31, 2024

(dollars in thousands)	Commercial and Industrial	Real Estate Construction	Real Estate - Mortgage (1)	Real Estate - Commercial	Consumer (2)	Other	Unallocated	Total
Allowance for credit losses on loans:								
Balance, beginning	$ 573	$ 982	$ 2,904	$ 5,742	$ 1,827	$ 178	$ -	$ 12,206
Charge-offs	-	-	-	-	(462)	(32)	-	(494)
Recoveries	4	-	13	11	123	7	-	158
Provision for credit losses	(91)	33	(72)	(129)	294	43	-	78
Ending Balance	$ 486	$ 1,015	$ 2,845	$ 5,624	$ 1,782	$ 196	$ -	$ 11,948
Average loans	$ 63,092	$ 109,761	$ 285,125	$ 443,149	$ 174,014	$ 1,753		$ 1,076,894
Ratio of net charge-offs (recoveries) to average loans	-0.01 %	0.00 %	0.00 %	0.00 %	0.19 %	1.43 %		0.03 %

	For the nine months ended September 30, 2022							
(dollars in thousands)	Commercial and Industrial	Real Estate Construction	Real Estate - Mortgage (1)	Real Estate - Commercial	Consumer (2)	Other	Unallocated	Total
Allowance for loan losses:								
Balance, beginning	$ 683	$ 459	$ 2,390	$ 4,787	$ 1,362	$ 184	$ -	$ 9,865
Charge-offs	(297)	-	(25)	-	(1,095)	(281)	-	(1,698)
Recoveries	131	-	52	22	389	99	-	693
Provision for loan losses	107	70	190	(464)	982	188	-	1,073
Ending Balance	$ 624	$ 529	$ 2,607	$ 4,345	$ 1,638	$ 190	$ -	$ 9,933
Average loans	67,481	65,368	227,401	400,889	123,895	6,810		891,844
Ratio of net charge-offs to average loans	0.25 %	0.00 %	-0.01 %	-0.01 %	0.57 %	2.67 %		0.11 %

	For the three months ended March 31, 2023							
(dollars in thousands)	Commercial and Industrial	Real Estate Construction	Real Estate - Mortgage (1)	Real Estate - Commercial	Consumer (2)	Other	Unallocated	Total
Allowance for loan losses:								
Balance, beginning	$ 673	$ 552	$ 2,575	$ 4,499	$ 2,065	$ 156	$ 6	$ 10,526
Day 1 impact of adoption of CECL	(11)	19	87	1,048	(365)	(137)	-	641
Charge-offs	-	-	-	-	(377)	(72)	-	(449)
Recoveries	8	-	11	-	237	14	-	270
Provision for loan losses	(6)	82	199	70	81	143	(6)	563
Ending Balance	$ 664	$ 653	$ 2,872	$ 5,617	$ 1,641	$ 104	$ -	$ 11,551
Average loans	$ 77,014	$ 81,771	$ 268,620	$ 425,751	$ 200,020	$ 2,702		$ 1,055,878
Ratio of net charge-offs (recoveries) to average loans	-0.01 %	0.00 %	0.00 %	0.00 %	0.07 %	2.15 %		0.02 %

(1) The real estate-mortgage segment included residential 1-4 family, multi-family, second mortgages and equity lines of credit.
(2) The consumer segment includes consumer automobile loans.

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	For the Three Months ended September 30, 2023							
(dollars in thousands)	Commercial and Industrial	Real Estate Construction	Real Estate - Mortgage (1)	Real Estate - Commercial	Consumer (2)	Other	Unallocated	Total
Allowance for loan losses:								
Balance, beginning	$ 666	$ 707	$ 2,880	$ 5,709	$ 1,590	$ 99	$ -	$ 11,651

Charge-offs	(108)	-	-	-	(279)	(59)	-	(446)
Recoveries	52	-	8	-	81	20	-	161
Provision for credit losses	35	122	(6)	82	158	87	-	478
Ending Balance	$ 645	$ 829	$ 2,882	$ 5,791	$ 1,550	$ 147	$ -	$ 11,844
Average loans	75,848	88,266	280,221	441,878	197,421	2,546		1,086,180
Ratio of net charge-offs to average loans	0.07 %	0.00 %	0.00 %	0.00 %	0.10 %	1.53 %		0.03 %

For the Three Months ended September 30, 2022

(dollars in thousands)	Commercial and Industrial	Real Estate Construction	Real Estate - Mortgage (1)	Real Estate - Commercial	Consumer (2)	Other	Unallocated	Total
Allowance for loan losses:								
Balance, beginning	$ 596	$ 479	$ 2,676	$ 4,436	$ 1,482	$ 227	$ -	$ 9,896
Charge-offs	(1)	-	(22)	-	(473)	(91)	-	(587)
Recoveries	4	-	12	22	170	14	-	222
Provision for loan losses	25	50	(59)	(113)	459	40	-	402
Ending Balance	$ 624	$ 529	$ 2,607	$ 4,345	$ 1,638	$ 190	$ -	$ 9,933
Average loans	63,999	64,907	254,594	408,791	139,147	6,098		937,536
Ratio of net charge-offs to average loans	0.00 %	0.00 %	0.00 %	-0.01 %	0.22 %	1.26 %		0.04 %

(1) The real estate-mortgage segment included residential 1-4 family, multi-family, second mortgages and equity lines of credit.
(2) The consumer segment includes consumer automobile loans.

The following table shows the amount of the ACLL allocated to each category and the ratio of corresponding outstanding loan balances as of the periods indicated. March 31, 2024 and December 31, 2023. Although the ACLL is allocated into these categories, the entire ACLL is available to cover credit losses in any category.

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Table 10: ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES ON LOANS Allocation of the Allowance for Credit Losses on Loans

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
(dollars in thousands)	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans
Commercial and industrial	$ 645	6.77 %	$ 673	7.07 %	$ 486	4.07 %	$ 573	5.93 %
Real estate-construction	829	8.70 %	552	7.59 %	1,015	8.50 %	982	9.92 %
Real estate-mortgage (1)	2,882	25.87 %	2,575	25.23 %	2,845	23.81 %	2,904	26.28 %
Real estate-commercial	5,791	40.81 %	4,499	41.85 %	5,624	47.07 %	5,742	40.89 %
Consumer (2)	1,550	17.64 %	2,065	18.04 %	1,782	14.91 %	1,827	16.68 %
Other	147	0.22 %	156	0.23 %	196	1.64 %	178	0.30 %
Unallocated	-	-	6	-				
Ending Balance	$ 11,844	100.00 %	$ 10,526	100.00 %	$ 11,948	100.00 %	$ 12,206	100.00 %

(1) The real estate-mortgage segment included residential 1-4 family, multi-family, second mortgages and equity lines of credit.
(2) The consumer segment includes included consumer automobile loans.

Deposits
The Company's predominant source of funds is depository accounts, which are comprised of demand deposits, savings and money market accounts and time deposits. The Company's deposits are principally provided by individuals and businesses located within the communities served.

As of September 30, 2023 March 31, 2024, total deposits were $1.2 billion, an increase a decrease of $81.6 million $2.1 million, or 7.1% 0.2%, compared to December 31, 2022 December 31, 2023. The following table presents average balances and average rates paid on deposits for the periods presented.

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TABLE 11: DEPOSITS Deposits

	Nine months ended September 30,				Three Months ended March 31,			
	2023		2022		2024		2023	
(Dollars in thousands)	**Average Balance**	**Average Rate**	Average Balance	Average Rate	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**
Interest-bearing transaction	$ 80,672	0.02 %	$ 75,641	0.01 %	$ 94,434	0.01 %	$ 70,254	0.02 %
Money market	432,224	1.38 %	385,929	0.15 %	452,198	2.29 %	428,941	0.80 %
Savings	106,537	0.03 %	126,965	0.03 %	89,035	0.03 %	115,880	0.03 %
Time deposits	204,647	2.88 %	161,885	0.82 %	238,076	3.66 %	148,563	1.47 %
Total interest bearing	824,080	1.44 %	750,420	0.26 %	873,743	2.19 %	763,638	0.74 %
Demand	382,908		420,527		344,098		421,779	
Total deposits	$ 1,206,988		$ 1,170,947		$ 1,217,841		$ 1,185,417	

The average rate paid on interest-bearing deposits by the Company for the three months ended March 31, 2024 was 2.19% compared to 0.74% for the three months ended March 31, 2023. Interest bearing, money market, and time deposits had the largest increases from the same period in the prior year, totaling $24.2 million, $23.3 million, and $89.5 million, while savings and demand deposits decreased $26.8 million and $85.8 million as seen in the table above. The increase in money market and time deposits was driven in part by depositors seeking increased yields. The Company remains focused on increasing lower-cost deposits by actively targeting new noninterest-bearing deposits and savings deposits.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the estimated amounts of total uninsured deposits were approximately $216.1 million $212.3 million and $254.7 million, $220.3 million or 17.3% and 17.9% of total deposits, respectively. The following table shows maturities of the estimated amounts of uninsured time deposits as of September 30, 2023 March 31, 2024. The estimate of uninsured deposits generally represents deposit accounts that exceed the FDIC insurance limit of $250,000 and is calculated based on the same methodologies and assumptions used for purposes of the Bank's regulatory reporting requirements.

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Table 12: MATURITIES OF UNINSURED TIME DEPOSITS Maturities of Uninsured Time Deposits

(dollars in thousands)	**As of September 30, 2023**	**As of March 31, 2024**
Maturing in:		
Within 3 months	$ 31,109	$ 21,969
4 through 6 months	24,796	23,644
7 through 12 months	18,158	16,973
Greater than 12 months	10,169	9,936
	$ 84,232	$ 72,522

Capital Resources

Total stockholders' stockholders' equity as of September 30, 2023 March 31, 2024 was $99.5 million $107.6 million, up 0.8% from $98.7 million $106.8 million on December 31, 2022 December 31, 2023. The increase was primarily related to current year earnings, partially offset by unrealized losses in the market value of securities available for sale, available-for-sale, which are recorded as a component of accumulated other comprehensive loss, the adoption and cash dividend payments. The unrealized loss in market value of CECL and dividends paid by the Company. The Company's securities available-for-sale are fixed income debt securities, and their unrealized loss position is was a result of changes in rising market interest rates rather than credit quality issues. The Company expects to recover its investments in debt securities through scheduled payments of principal and interest and does not expect these unrealized losses are not expected to affect the net income earnings or regulatory capital of the Company or its subsidiaries.

The assessment of capital adequacy depends on such factors as asset quality, liquidity, earnings performance, and changing competitive conditions and economic forces. The adequacy of the Company's and the Bank's capital is regularly reviewed. The Company targets regulatory capital levels that will assure an adequate level of capital to support anticipated asset growth and to absorb potential losses. While the Company will continue to look for opportunities to invest capital in profitable growth, the Company will also consider investing capital in other transactions, such as share repurchases, that facilitate improving shareholder return, as measured by ROE and EPS.

The Bank's capital position remains strong as evidenced by the regulatory capital measurements. Under the banking regulations, Total Capital is composed of core capital (Tier 1) and supplemental capital (Tier 2). Tier 1 capital consists of common stockholders' stockholders' equity less goodwill. Tier 2 capital consists of certain qualifying debt and a qualifying portion of the ACL. In addition, the Bank has made the one-time irrevocable election to continue treating accumulated other comprehensive income (loss) under regulatory standards that were in place prior to the Basel III Capital Rules in order to eliminate volatility of regulatory capital that can result from fluctuations in accumulated other comprehensive income (loss) income and the inclusion of accumulated other comprehensive income (loss) income in regulatory capital, as would otherwise be required under the Basel III Capital Rule. As a result of this election, changes in accumulated other comprehensive income (loss) income, , including unrealized losses on securities available for sale, do not affect regulatory capital amounts shown in the table below for the Bank, but transactions that would cause the Bank to realize such unrealized losses would affect such regulatory capital amounts.

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Pursuant to applicable regulations and regulatory guidance, the Company is treated as a small bank holding company and will not be subject to regulatory capital requirements. For more information, refer to “Regulation and Supervision” included in Item 1, “Business”
of the Company’s 2022 2023 Form 10-K.

On September 17, 2019, the FDIC finalized a rule that introduces an optional simplified measure of capital adequacy for qualifying community banking organizations (i.e., the community bank leverage ratio (CBLR) framework), as required by the EGRRCPA. The CBLR framework is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework.

In order to qualify for the CBLR framework, a community banking organization must have a Tier 1 leverage ratio of greater than 9%, less than $10 billion in total consolidated assets, and limited amounts of off-balance-sheet exposures and trading assets and liabilities. A qualifying community banking organization that opts into the CBLR framework and meets all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the Prompt Corrective Action regulations and will not be required to report or calculate risk-based capital. The CBLR framework was available for banks to begin using in their March 31, 2020, Call Report. The Bank did not opt into the CBLR framework.

The following is a summary of the Bank’s capital ratios as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. As shown below, these ratios were all well above the recommended regulatory minimum levels.

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Table 13: REGULATORY CAPITAL Regulatory Capital

(dollars in thousands)	2023 Regulatory Minimums	September 30, 2023	2022 Regulatory Minimums	December 31, 2022
Common Equity Tier 1 Capital to Risk-Weighted Assets	4.500 %	11.28 %	4.500 %	10.80 %
Tier 1 Capital to Risk-Weighted Assets	6.000 %	11.28 %	6.000 %	10.80 %
Total Capital to Risk-Weighted Assets	8.000 %	12.26 %	8.000 %	11.70 %
Tier 1 Leverage to Average Assets	4.000 %	9.46 %	4.000 %	9.43 %
Risk-Weighted Assets		$ 1,232,099		$ 1,177,600

(dollars in thousands)	2024 Regulatory Minimums	March 31, 2024	2023 Regulatory Minimums
Common Equity Tier 1 Capital to Risk-Weighted Assets	4.500 %	11.72 %	4.500
Tier 1 Capital to Risk-Weighted Assets	6.000 %	11.72 %	6.000
Total Capital to Risk-Weighted Assets	8.000 %	12.73 %	8.000
Tier 1 Leverage to Average Assets	4.000 %	9.76 %	4.000
Risk-Weighted Assets		$ 1,205,523	

The Basel III Capital Rules established a “capital conservation buffer” of 2.5 percent above the regulatory minimum risk-based capital ratios, which is not included in the table above. Including the capital conservation buffer, the minimum ratios are a Common Equity Tier 1 capital risk-based ratio of 7.0 percent, a Tier 1 capital risk-based ratio of 8.5 percent, and a Total capital risk-based ratio of 10.5 percent. The Bank exceeded these ratios as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

On July 14, 2021, the Company issued $30.0 million ($29.4 million, net of issuance costs) of 3.5 percent fixed-to-floating rate subordinated notes due 2031 (the Notes) in a private placement transaction. The Notes initially bear interest at a fixed rate of 3.5 percent for five years and convert to three-month SOFR plus 286 basis points, resetting quarterly, thereafter. The Notes were structured to qualify as Tier 2 capital of the Company for regulatory purposes (should the Company be subject to regulatory capital requirements) and are included in the Company’s Tier 2 capital as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Liquidity

Liquidity is the ability of the Company to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. Liquid assets include cash, interest-bearing deposits with banks, federal funds sold, investments in securities and loans maturing within one year. Additional sources of liquidity available to the Company include cash flows from operations, loan payments and payoffs, deposit growth, maturities, calls and sales of securities, the issuance of brokered certificates of deposits and the capacity to borrow additional funds.

A major source of the Company’s liquidity is its large, stable deposit base. In addition, secondary liquidity sources are available through the use of borrowed funds if the need should arise, including secured advances from the FHLB and FRB. As of September 30, 2023 March 31, 2024, the Company had $430.4 million $431.3 million in total FHLB borrowing availability based on loans and securities currently available for pledging. pledging and of that amount, the Company’s remaining availability totaled $361.8 million. The Company believes that the availability at the FHLB is sufficient to meet future cash-flow needs. The Company also has available short-term, unsecured borrowed funds in the form of federal funds lines of credit with correspondent banks.

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Based on the Company’s management of liquid assets, the availability of borrowed funds and the ability to generate liquidity through liability funding, management believes that the Company maintains overall liquidity sufficient to satisfy its depositors’ requirements and to meet its customers’ future borrowing needs. The Bank also participates in the IntraFi Cash Sweep, a product which provides the Bank the capability of providing additional deposit insurance to customers through three types of account arrangements. The Company experienced a change in liquidity mix beginning during the fourth quarter of 2022 and continuing throughout 2023 as short-term FHLB borrowings were utilized to fund loan growth. Notwithstanding the foregoing, the Company’s ability to maintain sufficient liquidity may be affected by numerous factors, including economic conditions nationally and in the

Company's markets. The Company is closely monitoring changes in the industry and market conditions that may affect the Company's liquidity, including the potential impacts on the Company's liquidity of declines in the fair value of the Company's securities portfolio as a result of rising market interest rates and developments in the financial services industry that may change the availability of traditional sources of liquidity or market expectations with respect to available sources and amounts of additional liquidity. Depending on its liquidity levels, its capital position, conditions in the capital markets and other factors, the Company may from time to time consider the issuance of debt, equity, other securities or other possible capital markets transactions, the proceeds of which could provide additional liquidity for the Company's operations.

The following table sets forth information relating to the Company's sources of liquidity and the outstanding commitments for use of liquidity as of September 30, 2023March 31, 2024. Dividing the total short-term sources of liquidity by the outstanding commitments for use of liquidity derives the liquidity coverage ratio.

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Table 14: LIQUIDITY SOURCES AND USESLiquidity Sources and Uses

(dollars in thousands)	September 30, 2023 Total	In Use	Available	March 31, 2024 Total	In Use	Available
Sources:						
Federal funds lines of credit	$ 100,000	$ -	$ 100,000	$ 90,000	$ -	$ 90,000
Federal Home Loan Bank advances	430,380	69,450	360,930	431,281	(69,450)	361,831
Federal funds sold & balances at the Federal Reserve	-	-	62,722	76,408	-	76,408
Securities, available for sale and unpledged at fair value	-	-	119,905	114,859	-	114,859
Total funding sources			$ 643,557	$ 712,548	$ (69,450)	$ 643,098
Uses: (1)						
Unfunded loan commitments and lending lines of credit			89,807			$ 87,727
Letters of credit			226			262
Total potential short-term funding uses			90,033			$ 87,989
Liquidity coverage ratio			714.8%			730.9%

(1) Represents partial draw levels based on loan segment.

As a result of the ability to generate liquidity through liability funding and management of liquid assets, management believes the Company maintains overall liquidity sufficient to satisfy operational requirements and contractual obligations. The Company's internal sources of liquidity are deposits, loan and investment repayments and securities available-for-sale. The Company's primary external source of liquidity is advances from the FHLB.

In the ordinary course of business, the Company has entered into contractual obligations and has made other commitments to make future payments. As of September 30, 2023March 31, 2024, there have been no material changes outside the ordinary course of business as disclosed in the Company's contractual obligations disclosed in the Company's 20222023 Form 10-K.

Off-Balance Sheet Arrangements

As of September 30, 2023March 31, 2024, there were no material changes in the Company's off-balance sheet arrangements disclosed in the Company's 20222023 Form 10-K.

Non-GAAP Financial Measures

In reporting the results as of and for the three and nine months ended September 30, 2023March 31, 2024, the accounting and reporting policies of the Company has provided supplemental conform to GAAP in the United States and prevailing practices in the banking industry. However, certain non-GAAP measures are used by management to supplement the evaluation of the Company's performance which include financial measures presented on a tax equivalent, tangible, or adjusted basis.

Management believes that the use of these non-GAAP measures provides meaningful information about operating performance by enhancing comparability with other financial periods, other financial institutions, and between different sources of interest income. The non-GAAP measures used by management enhance comparability by excluding the effects of balances of intangible assets, including goodwill, that vary significantly between institutions, and tax benefits that are not consistent across different opportunities for investment. These non-GAAP financial measures are a supplement to GAAP, which is used to prepare the Company's financial statements, and should not be considered in isolation an alternative to GAAP-basis financial statements, and other bank holding companies may define or as a substitute for comparable calculate these or similar measures calculated in accordance with GAAP. In addition, the Company's non-GAAP financial measures may not be comparable to non-GAAP financial measures of other companies. The Company uses the non-GAAP financial measures discussed herein in its analysis of the Company's performance. The Company's management believes that these non-GAAP financial measures provide additional understanding of ongoing operations and enhance comparability of results of operations with prior periods presented without the impact of items or events that may obscure trends in the Company's underlying performance. differently. A reconciliation of the non-GAAP financial measures used by the Company to evaluate and measure the Company's performance to the most directly comparable GAAP financial measures is presented below.

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TABLE Table 15: Non-GAAP FINANCIAL MEASURES Financial Measures

(dollar in thousands, except share and per share data)	Three Months Ended September 30, 2023	Three Months Ended June 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Fully Taxable Equivalent Net Interest Income					
Net interest income (GAAP)	$ 11,426	$ 12,099	$ 11,571	$ 36,338	$ 31,526
FTE adjustment	42	56	83	156	228
Net interest income (FTE) (non-GAAP)	$ 11,468	$ 12,155	$ 11,654	$ 36,494	$ 31,754
Noninterest income (GAAP)	3,482	3,477	3,365	10,380	10,380
Total revenue (FTE) (non-GAAP)	$ 14,950	$ 15,632	$ 15,019	$ 46,874	$ 42,134
Noninterest expense (GAAP)	12,881	13,147	11,565	38,196	33,368
Average earning assets	$ 1,359,721	$ 1,322,886	$ 1,223,985	$ 1,324,847	$ 1,234,368
Net interest margin	3.33 %	3.67 %	3.75 %	3.67 %	3.42 %
Net interest margin (FTE) (non-GAAP)	3.35 %	3.69 %	3.78 %	3.68 %	3.44 %
Efficiency ratio	86.40 %	84.41 %	77.43 %	81.76 %	79.62 %
Efficiency ratio (FTE) (non-GAAP)	86.16 %	84.10 %	77.01 %	81.49 %	79.19 %

(dollar in thousands, except share and per share data)	Three Months Ended March 31, 2024	Three Months Ended December 31, 2023	Ma
Fully Taxable Equivalent Net Interest Income			
Net interest income (GAAP)	$ 11,540	$ 11,861	$
FTE adjustment	37	38	
Net interest income (FTE) (non-GAAP)	$ 11,577	$ 11,899	$
Noninterest income (GAAP)	3,222	3,493	
Total revenue (FTE) (non-GAAP)	$ 14,799	$ 15,392	$
Noninterest expense (GAAP)	12,703	12,211	
Average earning assets	$ 1,342,081	$ 1,365,072	$
Net interest margin	3.45 %	3.45 %	
Net interest margin (FTE) (non-GAAP)	3.46 %	3.46 %	
Efficiency ratio	86.05 %	79.53 %	
Efficiency ratio (FTE) (non-GAAP)	85.83 %	79.34 %	

Tangible Book Value Per Share	September 30, 2023	September 30, 2022	December 31, 2022			
Total Stockholders Equity (GAAP)	$ 99,526	$ 93,512	$ 98,734	$ 107,630	$ 106,778	$
Less goodwill	1,650	1,650	1,650	1,650	1,650	
Less core deposit intangible	198	242	231	176	187	
Tangible Stockholders Equity (non-GAAP)	$ 97,678	$ 91,620	$ 96,853	$ 105,804	$ 104,941	$
Shares issued and outstanding, including nonvested restricted stock	5,038,066	4,996,728	4,999,083	5,040,391	5,040,095	
Book value per share	$ 19.75	$ 18.71	$ 19.75	$ 21.35	$ 21.19	$
Tangible book value per share	$ 19.39	$ 18.34	$ 19.37	$ 20.99	$ 20.82	$

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Cautionary Statement Regarding Forward-Looking Statements

Statements in this Quarterly Report on Form 10-Q, including without limitation, statements regarding the Company's expense reduction initiative, which use language such as "believes," "expects," "plans," "may," "will," "should," "projects," "contemplates," "anticipates," "forecasts," "intends" and similar expressions, may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on the current beliefs of the Company's management, as well as estimates and assumptions made by, and information available to, management, as of the time such statements are made. These statements are also subject to assumptions with respect to future business strategies and decisions that are subject to change. These statements are inherently uncertain, and there can be no assurance that the underlying beliefs, estimates, or assumptions will prove to be accurate. Actual results, performance, achievements, or trends could differ materially from historical results or those anticipated expressed or implied by such statements. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on the Company or its businesses or operations. Forward-looking statements in this Quarterly Report on Form 10-Q may include, without limitation: statements regarding strategic business initiatives including vendor review initiatives and new vendor relationships, and the future financial impact of those initiatives; expected future operations and financial performance; current efficiency and expense reduction initiatives, including the estimated effects and estimated future interest rate levels and fluctuations and potential impacts on the Company's NIM, cost savings thereof; future financial and economic conditions, industry conditions, and loan demand; the Company's strategic focuses; impacts of economic uncertainties; performance of the loan and securities portfolios, asset quality, quality; revenue generation; deposit growth; levels and sources of liquidity and capital resources; future levels of the ACLL allowance for loans losses, charge-offs or net recoveries; levels of or changes in interest rates and potential impacts on the provision for credit losses and the level of future charge-offs; deposit growth; management's belief regarding liquidity and capital resources; Company's NIM; changes in NIM and items affecting NIM; expected future recovery of investments in debt securities; expected impact of unrealized losses on earnings and regulatory capital of the Company or the Bank; liquidity and capital levels; cybersecurity risks; inflation; the effect of future market and industry trends; and other statements that include projections, predictions, expectations, or beliefs about future events or results, or otherwise are not statements of historical fact.

These forward-looking statements are subject to significant risks and uncertainties due to factors that could have a material adverse effect on the operations and future prospects of the Company including, but not limited to, changes in or the effects of:

- interest rates and yields, such as increases or volatility in short-term interest rates or yields on U.S. Treasury bonds and increase or volatility in U.S. Treasury bonds and increases or volatility in mortgage interest rates, and the impacts on macroeconomic conditions, customer and client behavior, the Company's funding costs, and the Company's loan and securities portfolios portfolios;
- inflation and its impacts on economic growth and customer and client behavior behavior;
- adverse developments in the financial services industry, such as the recent bank failures in 2023, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer and client behavior behavior;
- the sufficiency of liquidity and regulatory capital;
- general economic and business conditions in the United States generally and particularly in the Company's service area, including unemployment levels, supply chain disruptions, higher inflation, slowdowns in economic growth continuing economic impacts of the COVID-19 pandemic, and the ongoing conflict between Russia and Ukraine, and the impacts on customer and client behavior behavior;
- conditions within the financial markets and in the banking industry, as well as the financial condition and capital adequacy of other participants in the banking industry, and the market reactions thereto thereto;
- monetary and fiscal policies of the U.S. Government, including policies of the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve, System, the effect of these policies on interest rates and business in our markets and any changes associated with the current administration administration;
- conditions in the banking industry and the financial condition and capital adequacy of other participants in the banking industry, and market, supervisory and regulatory reactions thereto thereto;
- the quality or composition of the loan or securities portfolios and changes therein therein;
- effectiveness of expense control initiatives initiatives;
- an insufficient ACL or volatility in the ACL resulting from the CECL methodology, either alone or as may be affected by inflation, changing interest rates, or other factors factors;
- the Company's liquidity and capital positions positions;
- the value of securities held in the Company's investment portfolios portfolios;
- deposit flows flows;
- the Company's technology, efficiency, and other strategic initiatives initiatives;
- the legislative/regulatory climate, regulatory initiatives with respect to financial institutions, products and services, the Consumer Financial Protection Bureau (the CFPB) and the regulatory and enforcement activities of the CFPB CFPB;
- future levels of government defense spending particularly in the Company's service areas areas;
- uncertainty over future federal spending or budget priorities, particularly in connection with the Department of Defense, on the Company's service areas areas;
- the impact of potential changes in the political landscape and related policy changes, including monetary, regulatory and trade policies policies;
- the U.S. Government's guarantee of repayment of student or small business loans purchased by the Company Company;

- potential claims, damages and fines related to litigation or government actions actions;
- demand for loan products and the impact of changes in demand on loan growth growth;
- changes in the volume and mix of interest-earning assets and interest-bearing liabilities liabilities;
- the effects of management's investment strategy and strategy to manage the NIM NIM;
- the level of net charge-offs on loans

loans;

- performance of the Company's dealer dealer/indirect lending program
- the Company's branch realignment initiatives program;
- the strength of the Company's counterparties counterparties;
- the Company's ability to compete in the market for financial services and increased competition from both banks and non-banks, including fintech companies companies;
- demand for financial services in the Company's market area
- implementation of new technologies area;
- the Company's ability to develop and maintain secure and reliable electronic systems systems;
- any interruption or breach of security in the Company's information systems or those of the Company's third-party vendors or their service providers providers;
- reliance on third parties for key services services;
- cyber threats, attacks, or events events;

- the impact of changes in the political landscape and related policy changes, including monetary, regulatory, and trade policies policies;
- the potential adverse effects of unusual and infrequently occurring events, such as weather-related disasters, terrorist acts, financial crises, political crises, war, and other geopolitical conflicts, such as the war between Russia and Ukraine [or or in the conflict between Israel and Hamas], Middle East, or public health events, such as the COVID-19 pandemic, and of governmental and societal responses thereto, on, among other things, the Company's operations, liquidity, and credit quality quality;
- the use of inaccurate assumptions in management's modeling systems systems;
- technological risks and developments developments;
- the commercial and residential real estate markets markets;
- the demand in the secondary residential mortgage loan markets markets;
- expansion of the Company's product offerings offerings;
- effectiveness of expense control initiatives initiatives;
- changes in management management; and
- changes in accounting principles, standards, rules policies, guidelines and interpretations and elections made by the Company thereunder, and the related impact on the Company's financial statements.

These risks and uncertainties, and the factors discussed in more detail in Part I, Item 1A. "Risk Factors," and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's 2022 2023 Form 10-K should be considered in evaluating the forward-looking statements contained herein. Forward-looking statements are not statements of historical fact. Readers are cautioned not to place undue reliance on such statements. Any forward-looking statement speaks only as of the date on which it is made, and the Company does not intend or assume any obligation to update, revise, or clarify any forward-looking statements that may be made from time to time or on behalf of the Company, whether as a result of new information, future events, or otherwise, except as otherwise required by law. In addition, past results of operations are not necessarily indicative of future results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures. Management evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating its disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

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Management's Report on Internal Control over Financial Reporting. Management of the Company is also responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

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Changes in Internal Controls. There were no changes in the Company's internal control over financial reporting during the Company's third first quarter ended September 30, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There are no pending legal proceedings to which the Company, or any of its subsidiaries, is a party or to which the property of the Company or any of its subsidiaries is subject that, in the opinion of management, may materially impact the financial condition of the Company.

Item 1A. Risk Factors.

An investment in the Company's securities involves risks. In addition to the other information set forth in this Quarterly Report on Form 10-Q, including the information addressed under "Cautionary Statement Regarding Forward-Looking Statements," investors in the Company's securities should carefully consider the risk factors discussed in the Company's 2022 2023 Form 10-K. These factors could materially and adversely affect the Company's business, financial condition, liquidity, results of operations, and capital position and could cause the Company's actual results to differ materially from its historical results or the results contemplated by the forward-looking statements contained in this report.

There have been no material changes in the risk factors faced by the Company from those disclosed in the Company's 2022 Company's 2023 Form 10-K.

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

Pursuant to the Company's equity compensation plans, participants may pay the exercise price of certain awards or satisfy tax withholding requirements associated with awards by surrendering shares of the Company's common stock that the participants already own. Additionally, participants may also surrender shares upon vesting of restricted stock awards to satisfy tax withholding requirements. Shares surrendered by participants of these plans are repurchased at current market value pursuant to the terms of the applicable awards. During the three months ended September 30, 2023 March 31, 2024, the Company did not repurchase any shares related to the equity compensation plan awards.

During the nine three months ended September 30, 2023 March 31, 2024, the Company did not have an effective share repurchase program that was authorized by the Company's Board of Directors.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None. During the three months ended March 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act informed us of the adoption or termination of any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

Item 6.

Item 6. Exhibits.

Exhibits.

Exhibit No.	Description
3.1	Articles of Incorporation of Old Point Financial Corporation, as amended effective June 22, 2000 (incorporated by reference to Exhibit 3.1 to Form 10-K filed March 12, 2009)
3.1.1	Articles of Amendment to Articles of Incorporation of Old Point Financial Corporation, effective May 26, 2016 (incorporated by reference to Exhibit 3.1.1 to Form 8-K filed May 31, 2016)
3.2	Bylaws of Old Point Financial Corporation, as amended and restated August 9, 2016 (incorporated by reference to Exhibit 3.2 to Form 10-Q filed August 10, 2016)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Old Point Financial Corporation's quarterly report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline XBRL, filed herewith: (i) Consolidated Balance Sheets (unaudited for September 30, 2023 March 31, 2024), (ii) Consolidated Statements of Income (unaudited), (iii) Consolidated Statements of Comprehensive Income (Loss) (unaudited), (iv) Consolidated Statements of Changes in Stockholders' Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to Consolidated Financial Statements (unaudited)
104	The cover page from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023 March 31, 2024, formatted in Inline XBRL (included with Exhibit 101)

SIGNATURES

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

OLD POINT FINANCIAL CORPORATION

Date: November 13, 2023 May 14, 2024	/s/Robert F. Shuford, Jr. Robert F. Shuford, Jr. Chairman, President & Chief Executive Officer (Principal Executive Officer)
Date: November 13, 2023 May 14, 2024	/s/Paul M. Pickett Paul M. Pickett Chief Financial Officer & Senior Vice President/Finance (Principal Financial & Accounting Officer)

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Exhibit 31.1

CERTIFICATIONS

I, Robert F. Shuford, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Old Point Financial Corporation;

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023 May 14, 2024	/s/Robert F. Shuford, Jr.

Robert F. Shuford, Jr.
Chairman, President & Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Paul M. Pickett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Old Point Financial Corporation;

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023 May 14, 2024

/s/Paul M. Pickett
Paul M. Pickett
Chief Financial Officer & Senior Vice President/Finance

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Old Point Financial Corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that based on their knowledge and belief:

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

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

Date: November 13, 2023 May 14, 2024	/s/Robert F. Shuford, Jr.
	Robert F. Shuford, Jr.
	Chairman, President & Chief Executive Officer
Date: November 13, 2023 May 14, 2024	/s/Paul M. Pickett
	Paul M. Pickett
	Chief Financial Officer & Senior Vice President/Finance

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