REFINITIV

DELTA REPORT

10-Q

JMSB - JOHN MARSHALL BANCORP, IN

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

The following comparison report has been automatically generated

TOTAL DELTAS	1215
CHANGES	456
DELETIONS	474
ADDITIONS	285

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023 March 31, 2024

or

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

For the transition period from _______to _______

Commission File Number: 001-41315

John Marshall Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Virginia	81-5424879
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

1943 Isaac Newton Square East
Suite 100
Reston, VA 20190
(Address of Principal Executive Offices)

(703) 584-0840
(Registrant's telephone number)

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

Title of Each Class	Trading symbol	Name of Exchange on which registered
Common Stock, $0.01 par value per share	JMSB	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 accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of November 3, 2023 May 3, 2024, there were 14,126,084 14,221,106 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

Table of Contents

PART I —FINANCIAL INFORMATION

Item 1. Financial Statements

JOHN MARSHALL BANCORP, INC.

Consolidated Balance Sheets

(In thousands, except share and per share data)

(Unaudited)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets				
Cash and due from banks	$ 7,642	$ 6,583	$ 5,696	$ 7,424
Interest-bearing deposits in other banks	185,014	55,016	147,320	91,581
Total cash and cash equivalents	192,656	61,599	153,016	99,005
Securities available-for-sale, at fair value	169,084	357,576	158,757	169,993
Securities held-to-maturity at amortized cost, fair value of $75,733 and $81,161 as of September 30, 2023 and December 31, 2022, respectively	96,347	99,415		
Securities held-to-maturity at amortized cost, fair value of $77,995 and $79,532 as of March 31, 2024 and December 31, 2023, respectively			94,662	95,505
Less: Allowance for investment credit losses	—	—	—	—
Securities held-to-maturity, net	96,347	99,415	94,662	95,505
Restricted securities, at cost	5,007	4,425	4,962	5,012
Equity securities, at fair value	2,443	2,115	2,960	2,792
Loans, net of unearned income	1,820,132	1,789,508	1,825,931	1,859,967
Less: Allowance for loan credit losses	(20,036)	(20,208)	(18,671)	(19,543)
Loans, net	1,800,096	1,769,300	1,807,260	1,840,424
Bank premises and equipment, net	1,264	1,219	1,244	1,281
Accrued interest receivable	5,701	5,531	6,410	6,110

Bank owned life insurance	-	21,170		
Right of use assets	4,136	4,611	3,872	4,176
Other assets	21,468	21,274	18,694	18,251
Total assets	$ 2,298,202	$ 2,348,235	$ 2,251,837	$ 2,242,549
Liabilities and Shareholders' Equity				
Liabilities				
Deposits:				
Non-interest bearing demand deposits	$ 437,880	$ 476,697	$ 404,669	$ 411,374
Interest-bearing demand deposits	675,819	691,945	644,580	607,971
Savings deposits	57,408	95,241	50,664	52,061
Time deposits	810,516	803,857	801,077	835,194
Total deposits	1,981,623	2,067,740	1,900,990	1,906,600
Federal funds purchased	—	25,500	—	10,000
Federal Reserve Bank borrowings	54,000	—	77,000	54,000
Subordinated debt	24,687	24,624	24,729	24,708
Accrued interest payable	2,610	1,035	2,949	4,559
Lease liabilities	4,415	4,858	4,141	4,446
Other liabilities	10,300	11,678	7,478	8,322
Total liabilities	$ 2,077,635	$ 2,135,435	$ 2,017,287	$ 2,012,635
Commitments and contingencies				
Shareholders' Equity				
Preferred stock, par value $0.01 per share; authorized 1,000,000 shares; none issued	$ —	$ —	$ —	$ —
Common stock, nonvoting, par value $0.01 per share; authorized 1,000,000 shares; none issued	—	—	—	—
Common stock, voting, par value $0.01 per share; authorized 30,000,000 shares; issued and outstanding, 14,126,084 shares at September 30, 2023, including 45,871 unvested shares, 14,098,986 shares at December 31, 2022, including 55,185 unvested shares	141	141		
Common stock, voting, par value $0.01 per share; authorized 30,000,000 shares; issued and outstanding, 14,209,606 shares at March 31, 2024, including 45,929 unvested shares, 14,148,533 shares at December 31, 2023, including 47,318 unvested shares			142	141
Additional paid-in capital	95,510	94,726	96,469	95,636
Retained earnings	141,886	146,630	150,592	146,388
Accumulated other comprehensive loss	(16,970)	(28,697)	(12,653)	(12,251)
Total shareholders' equity	$ 220,567	$ 212,800	$ 234,550	$ 229,914
Total liabilities and shareholders' equity	$ 2,298,202	$ 2,348,235	$ 2,251,837	$ 2,242,549

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

Table of Contents

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023

Interest and Dividend Income						
Interest and fees on loans	$ 21,925	$ 18,222	$ 63,355	$53,740	$23,623	$20,425
Interest on investment securities, taxable	1,507	2,323	5,895	5,597	1,269	2,251
Interest on investment securities, tax-exempt	10	30	45	90	9	19
Dividends	75	62	222	185	82	75
Interest on deposits in banks	2,746	571	4,654	897	1,936	683
Total interest and dividend income	$ 26,263	$ 21,208	$ 74,171	$60,509	$26,919	$23,453
Interest Expense						
Deposits	$ 13,273	$ 3,068	$ 33,590	$ 6,090	$13,931	$ 8,559
Federal funds purchased	—	—	10	—	2	9
Federal Home Loan Bank advances	—	—	67	42		
Federal Home Loan Bank advances and letter of credit fees					—	67
Federal Reserve Bank borrowings	662	—	1,001	—	893	—
Subordinated debt	349	448	1,047	1,461	349	349
Total interest expense	$ 14,284	$ 3,516	$ 35,715	$ 7,593	$15,175	$ 8,984
Net interest income	$ 11,979	$ 17,692	$ 38,456	$52,916	$11,744	$14,469
Provision for (recovery of) credit losses	(829)	—	(2,471)	—	(776)	(774)
Net interest income after provision for (recovery of) credit losses	$ 12,808	$ 17,692	$ 40,927	$52,916	$12,520	$15,243
Non-interest Income						
Service charges on deposit accounts	$ 85	$ 79	$ 239	$ 240	$ 88	$ 72
Bank owned life insurance	23	255	224	445	—	100
Other service charges and fees	160	175	677	469	149	203
Losses on sale of available-for-sale securities	(17,114)	—	(17,316)	—	—	(202)
Insurance commissions	54	47	310	312	252	206
Gain on sale of government guaranteed loans	27	—	50	—	133	—
Non-qualified deferred compensation plan asset gains (losses), net	(60)	(107)	112	(498)		
Non-qualified deferred compensation plan asset gains, net					124	89
Other income	10	1	140	5	72	98
Total non-interest income (loss)	$ (16,815)	$ 450	$ (15,564)	$ 973		
Total non-interest income					$ 818	$ 566
Non-interest Expenses						
Salaries and employee benefits	$ 5,052	$ 5,072	$ 14,929	$15,754	$ 4,810	$ 4,912
Occupancy expense of premises	445	461	1,363	1,435	451	470
Furniture and equipment expenses	282	323	882	989	297	296
Other operating expenses	1,881	2,102	6,087	6,247	2,366	2,092
Total non-interest expenses	$ 7,660	$ 7,958	$ 23,261	$24,425	$ 7,924	$ 7,770
Income (Loss) before income taxes	$ (11,667)	$ 10,184	$ 2,102	$29,464		
Income tax expense (benefit)	(1,530)	2,139	1,446	5,863		
Net income (loss)	$ (10,137)	$ 8,045	$ 656	$23,601		
Earnings (loss) per share, basic	$ (0.72)	$ 0.57	$ 0.05	$ 1.69		
Earnings (loss) per share, diluted	$ (0.72)	$ 0.57	$ 0.05	$ 1.67		
Income before income taxes					$ 5,414	$ 8,039
Income tax expense					1,210	1,735
Net income					$ 4,204	$ 6,304
Earnings per share, basic					$ 0.30	$ 0.45
Earnings per share, diluted					$ 0.30	$ 0.44

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

Table of Contents

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net Income (Loss)	$ (10,137)	$ 8,045	$ 656	$ 23,601
Other comprehensive income (loss):				
Unrealized (loss) on available-for-sale securities, net of tax of $(503) and $(3,709) for the three months ended September 30, 2023 and September 30, 2022, respectively. Unrealized (loss) on available-for-sale securities, net of tax of $(500) and $(8,081) for the nine months ended September 30, 2023 and September 30, 2022, respectively.	(1,891)	(13,952)	(1,880)	(30,401)
Reclassification adjustment for losses on available-for-sale securities included in net income, net of tax of $(3,594) for the three months ended September 30, 2023. Reclassification adjustment for losses on available-for-sale securities included in net income, net of tax of $(3,636) for the nine months ended September 30, 2023.	13,520	—	13,680	—
Amortization of unrealized gains on securities transferred to held-to-maturity, net of tax of $(7) and $(10) for the three months ended September 30, 2023 and September 30, 2022, respectively. Amortization of unrealized gains on securities transferred to held-to-maturity, net of tax of $(19) and $(31) for the nine months ended September 30, 2023 and September 30, 2022, respectively.	(24)	(36)	(73)	(115)
Total other comprehensive income (loss)	$ 11,605	$ (13,988)	$ 11,727	$ (30,516)
Total comprehensive income (loss)	$ 1,468	$ (5,943)	$ 12,383	$ (6,915)

	Three months ended March 31,	
	2024	2023
Net Income	$ 4,204	$ 6,304
Other comprehensive income:		
Unrealized gain/(loss) on available-for-sale securities, net of tax of $(101) and $981 for the three months ended March 31, 2024 and March 31, 2023, respectively	(380)	3,689
Reclassification adjustment for losses on available-for-sale securities included in net income, net of tax of $42 for the three months ended March 31, 2023	—	(160)
Amortization of unrealized gains on securities transferred to held-to-maturity, net of tax of $(6) and $(7) for the three months ended March 31, 2024 and March 31, 2023, respectively	(22)	(27)
Total other comprehensive (loss) income	$ (402)	$ 3,502
Total comprehensive income	$ 3,802	$ 9,806

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

Table of Contents

Consolidated Statements of Shareholders' Equity

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

(In thousands, except share and per share data)

(Unaudited)

	Shares	Common Stock	Additional Paid- In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total Shareholders' Equity
Balance, June 30, 2022	13,968,053	$ 140	$ 93,935	$ 130,383	$ (16,928)	$ 207,530
Net income	—	—	—	8,045	—	8,045
Other comprehensive loss	—	—	—	—	(13,988)	(13,988)
Exercise of stock options	43,615	—	492	—	—	492
Restricted stock vesting, net of 54 shares surrendered	366	—	—	—	—	—
Share-based compensation	—	—	133	—	—	133
Balance, September 30, 2022	14,012,034	$ 140	$ 94,560	$ 138,428	$ (30,916)	$ 202,212
Balance, June 30, 2023	14,079,847	$ 141	$ 95,380	$ 152,024	$ (28,575)	$ 218,970
Net income (loss)	—	—	—	(10,137)	—	(10,137)
Other comprehensive income	—	—	—	—	11,605	11,605
Dividend declared on common stock ($0.22 per share)	—	—	—	(1)	—	(1)
Restricted stock vesting, net of 54 shares surrendered	366	—	—	—	—	—
Share-based compensation	—	—	130	—	—	130
Balance, September 30, 2023	14,080,213	$ 141	$ 95,510	$ 141,886	$ (16,970)	$ 220,567

	Shares	Common Stock	Additional Paid- In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total Shareholders' Equity
Balance, December 31, 2022	14,043,801	$ 141	$ 94,726	$ 146,630	$ (28,697)	$ 212,800
Net income	—	—	—	6,304	—	6,304
Adoption of ASC 326 - Financial Instruments - Credit Losses	—	—	—	(2,292)	—	(2,292)
Other comprehensive income	—	—	—	—	3,502	3,502
Exercise of stock options	26,625	—	312	—	—	312
Restricted stock vesting, net of 33 shares surrendered	6,381	—	—	—	—	—
Share-based compensation	—	—	197	—	—	197
Balance, March 31, 2023	14,076,807	$ 141	$ 95,235	$ 150,642	$ (25,195)	$ 220,823
Balance, December 31, 2023	14,101,215	$ 141	$ 95,636	$ 146,388	$ (12,251)	$ 229,914
Net income	—	—	—	4,204	—	4,204
Other comprehensive loss	—	—	—	—	(402)	(402)
Exercise of stock options, net of 423 shares surrendered	60,637	1	704	—	—	705
Restricted stock vesting, net of 141 shares surrendered	2,248	—	(3)	—	—	(3)
Share-based compensation	—	—	132	—	—	132
Balance, March 31, 2024	14,164,100	$ 142	$ 96,469	$ 150,592	$ (12,653)	$ 234,550

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

Table of Contents

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Shareholders' Equity
For the Nine Months Ended September 30, 2023 and 2022
(In thousands, except share and per share data)
(Unaudited)

	Shares	Common Stock	Additional Paid- In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total Shareholders' Equity
Balance, December 31, 2021	13,669,772	$ 137	$ 91,107	$ 117,626	$ (400)	$ 208,470
Net income	—	—	—	23,601	—	23,601
Other comprehensive loss	—	—	—	—	(30,516)	(30,516)
Dividend declared on common stock ($0.20 per share)	—	—	—	(2,799)	—	(2,799)
Exercise of stock options	325,649	3	3,051	—	—	3,054
Restricted stock vesting, net of 97 shares surrendered	16,613	—	—	—	—	—
Share-based compensation	—	—	402	—	—	402
Balance, September 30, 2022	14,012,034	$ 140	$ 94,560	$ 138,428	$ (30,916)	$ 202,212
Balance, December 31, 2022	14,043,801	$ 141	$ 94,726	$ 146,630	$ (28,697)	$ 212,800
Net income	—	—	—	656	—	656
Adoption of ASC 326 - Financial Instruments - Credit Losses	—	—	—	(2,292)	—	(2,292)
Other comprehensive income	—	—	—	—	11,727	11,727
Dividend declared on common stock ($0.22 per share)	—	—	—	(3,108)	—	(3,108)
Exercise of stock options	27,375	—	320	—	—	320
Restricted stock vesting, net of 87 shares surrendered	9,037	—	—	—	—	—
Share-based compensation	—	—	464	—	—	464
Balance, September 30, 2023	14,080,213	$ 141	$ 95,510	$ 141,886	$ (16,970)	$ 220,567

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

Table of Contents

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023
Cash Flows from Operating Activities				
Net income	$ 656	$ 23,601	$ 4,204	$ 6,304
Adjustment to reconcile net income to net cash provided by operating activities:				
Depreciation	364	430	112	117
Right of use asset amortization	924	1,033	304	334
Provision for (recovery of) credit losses	(2,471)	—		
Recovery of credit losses			(776)	(774)
Share-based compensation expense	464	402	132	197
Net (accretion)/amortization of securities	(197)	68		
Net accretion of securities			(73)	(82)
Fair value adjustment on equity securities	(112)	498	(124)	(89)
Amortization of debt issuance costs	63	296	21	21
Net gains on premises and equipment	(16)	1	—	1
Losses on available-for-sale securities	17,316	—	—	202
Deferred tax expense	603	670		
Deferred tax (benefit) expense			(14)	221
Net increase in cash surrender value of life insurance	(224)	(73)	—	(100)
Gain on sale of government guaranteed loans	(50)	—	(133)	—
Changes in assets and liabilities:				
(Increase) decrease in accrued interest receivable	(170)	199	(300)	60
Increase in other assets	(3,305)	(732)		
Increase (decrease) in accrued interest payable	1,575	(200)		
(Decrease) in other liabilities	(2,855)	(1,030)		
(Increase) decrease in other assets			(322)	1,181
Decrease in accrued interest payable			(1,610)	(63)
Decrease in other liabilities			(1,246)	(1,519)
Net cash provided by operating activities	$ 12,565	$ 25,163	$ 175	$ 6,011
Cash Flows from Investing Activities				
Net (increase) in loans	$ (31,178)	$ (58,645)		
Net decrease in loans			$ 32,424	$ 18,236
Proceeds from sale of government guaranteed loans originally classified as held for investment	586	—	1,746	—
Purchase of available-for-sale securities	—	(206,889)		
Purchase of held-to-maturity securities	—	(1,003)		
Proceeds from sale of available-for-sale securities	156,011	—	—	11,511
Proceeds from maturities, calls and principal repayments of available-for-sale securities	30,353	41,151	10,846	10,272
Proceeds from maturities, calls and principal repayments of held-to-maturity securities	2,921	5,712	797	856
Net (purchases) redemptions of restricted securities	(582)	530		
Net redemptions (purchases) of restricted securities			50	(104)
Net purchases of equity securities	(216)	(542)	(44)	(386)
Proceeds from bank owned life insurance contracts	21,394	—		
Proceeds from sale of premises and equipment	82	—	—	50
Purchases of bank premises and equipment	(475)	(142)	(75)	(400)
Net cash provided by (used in) investing activities	$ 178,896	$ (219,828)		
Net cash provided by investing activities			$ 45,744	$ 40,035
Cash Flows from Financing Activities				
Net (decrease) increase in deposits	$ (86,116)	$ 181,788	$ (5,610)	$ 20,902

Net repayment of Federal Home Loan Bank advances	—	(18,000)	—	(25,500)
Proceeds from Federal Reserve Bank borrowings	54,000	—	23,000	—
Issuance of subordinated debt	—	24,579		
Repayment of subordinated debt	—	(25,000)		
Cash dividends paid	(3,108)	(2,799)		
Repayment of federal funds purchased	(25,500)	—		
Net (repayment) of federal funds purchased			(10,000)	—
Issuance of common stock for share options exercised	320	3,054	705	312
Net cash (used in) provided by financing activities	$ (60,404)	$ 163,622		
Restricted stock vesting, net of 141 shares surrendered			(3)	-
Net cash provided by (used in) financing activities			$ 8,092	$ (4,286)
Net increase in cash and cash equivalents	$ 131,057	$ (31,043)	$ 54,011	$ 41,760
Cash and cash equivalents, beginning of period	61,599	105,799	99,005	61,599
Cash and cash equivalents, end of period	$ 192,656	$ 74,756	$153,016	$103,359
Supplemental Disclosures of Cash Flow Information				
Cash payments for:				
Interest	$ 34,076	$ 7,497	$ 16,764	$ 9,027
Income taxes	4,110	4,387		
Supplemental Disclosures of Noncash Transactions				
Unrealized gain (loss) on securities available-for-sale	$ 14,936	$ (38,480)		
Unrealized (loss) gain on securities available-for-sale			$ (481)	$ 4,469
Right of use asset obtained in exchange for new operating lease liability	505	56	—	490

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

Table of Contents

JOHN MARSHALL BANCORP, INC.

Notes to Consolidated Financial Statements

(Dollars in thousands, unless otherwise stated)

(Unaudited)

Note 1— Nature of Business and Summary of Significant Accounting Policies

Nature of Banking Activities

John Marshall Bancorp, Inc. (the “Company”), headquartered in Reston, Virginia, became the registered bank holding company under the Bank Holding Company Act of 1956 for its wholly-owned subsidiary, John Marshall Bank (the “Bank”), on March 1, 2017. This reorganization was completed through a one-for-one share exchange in which the Bank’s shareholders received one share of voting common stock of the Company in exchange for each share of the Bank’s voting common stock. The Company was formed on April 21, 2016 under the laws of the Commonwealth Virginia. The Bank was formed on April 5, 2005 under the laws of the Commonwealth of Virginia and was chartered as a bank on February 9, 2006, by the Virginia Bureau of Financial Institutions. The Bank is a member of the Federal Reserve System and is subject to the rules and regulations of the Virginia Bureau of Financial Institutions, the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (“FDIC”). The Bank opened for business on April 17, 2006 and provides banking services to its customers primarily in the Washington, D.C. metropolitan area.

Basis of Presentation

The accounting and reporting policies of John Marshall Bancorp, Inc. conform to generally accepted accounting principles in the United States of America ("GAAP") and reflect practices of the banking industry. The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial reporting and with applicable quarterly reporting regulations of the U.S. Securities and Exchange Commission ("SEC"). They do not include all of the information and notes required by GAAP for complete financial statements. As such, these consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of and for the year ended December 31, 2022 December 31, 2023, included in the Company's 2022 2023 Annual Report on Form 10-K filed with the SEC on March 23, 2023 March 20, 2024.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions between the Company and the Bank have been eliminated. In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet 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 allowance for loan credit losses.

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. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results to be expected for any other interim period or for the full year. All amounts and disclosures included in this quarterly report as of December 31, 2022 December 31, 2023, were derived from the Company's audited consolidated financial statements. Certain items in the prior period financial statements have been reclassified to conform to the current presentation. These reclassifications had no effect on prior year net income or shareholders' equity.

Significant Accounting Policies and Estimates

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

The Company's significant accounting policies followed in the preparation of the unaudited consolidated financial statements are disclosed in Note 1 of the audited financial statements and notes for the year ended December 31, 2022 December 31, 2023 and are contained in the

---

Table of Contents

Company's 2022 2023 Annual Report on Form 10-K. There have been no significant changes to the application of significant accounting policies since December 31, 2022, except for the following:

Accounting Standards Adopted in 2023

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

In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell.

The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. At adoption, the after tax impact to retained earnings was a reduction of $(2.3) million based on our evaluation as of that date. This adjustment consisted of increases to the allowance for credit losses on loans, as well as the Company's allowance for unfunded loan commitments.

The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. The Company did not record an allowance for credit losses for securities classified as available-for-sale or held-to-maturity upon adoption. Refer to Note 2 – Investment Securities for further discussion.

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

ASU 2022-02: On January 1, 2023, the Company adopted ASU 2022-02, "Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures." ASU 2022-02 addresses areas identified by the Financial Accounting Standards Board as part of its post-implementation review of the credit losses standard (ASU 2016-13) that introduced the CECL model. The amendments eliminate the accounting guidance for troubled debt restructurings ("TDRs") by creditors that have adopted the CECL model and enhance the disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. In addition, the amendments require that the Company disclose current-period gross write-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. The Company adopted the standard prospectively and it did not have a material impact on the financial statements.

Allowance for Credit Losses - Held-to-Maturity Securities

The Company estimates expected credit losses on held-to-maturity securities on an individual basis based on a Probability of Default/Loss Given Default ("PD/LGD") methodology primarily using security-level credit ratings. The primary indicators of credit quality for the Company's held-to-maturity portfolio are security type and credit rating, which are influenced by a number of factors including obligor cash flow, geography, seniority, among other factors. The Company's held-to-maturity securities with credit risk are municipal bonds, which had a credit rating of AA or better as of September 30, 2023. All other held-to-maturity securities are covered by the explicit or implied guarantee of the United States government or one of its agencies.

Changes in the allowance for credit loss are recorded as provision for (or recovery of) credit losses in the Consolidated Statements of Income. The Company did not have an allowance for credit losses on held-to-maturity securities as of September 30, 2023 or upon adoption of ASC 326. Refer to Note 2 – Investment Securities for further discussion.

Table of Contents

Allowance for Credit Losses - Available-for-Sale Securities

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

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

Changes in the allowance for credit loss are recorded as a provision for (or recovery of) credit losses in the Consolidated Statements of Income. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At September 30, 2023, there was no allowance for credit loss related to the available-for-sale portfolio. Refer to Note 2 – Investment Securities for further discussion.

Accrued interest receivable on available-for-sale securities totaled $535 thousand at September 30, 2023 and was excluded from the estimate of credit losses.

Allowance for Credit Losses - Loans

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

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

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

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

Table of Contents

Allowance for Credit Losses – Unfunded Commitments

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

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

Accrued Interest Receivable

The Company has elected to exclude accrued interest from the amortized cost basis in its determination of the allowance for credit losses for both loans and held-to-maturity securities, as well as elected the policy to write-off accrued interest receivable directly through the reversal of interest income. Accrued interest receivable totaled $4.8 million on loans and $241 thousand on held-to-maturity securities at September 30, 2023, and is included in "Accrued Interest Receivable" on the Company's Consolidated Balance Sheets.

Table of Contents

Note 2— Investment Securities

Available-for-Sale

Each of the securities in the Company's available-for-sale investment portfolio is either covered by the explicit or implied guarantee of the United States government or one of its agencies or rated investment grade or higher. All available-for-sale securities were current with no securities past due or on nonaccrual as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

The following tables summarize the amortized cost and fair value of securities available-for-sale and the corresponding amounts of gross unrealized gains and losses at September 30, 2023 March 31, 2024 and December 31, 2022, respectively. December 31, 2023.

(Dollars in thousands)	September 30, 2023 Amortized Cost	September 30, 2023 Gross Unrealized Gains	September 30, 2023 Gross Unrealized (Losses)	September 30, 2023 Fair Value	March 31, 2024 Amortized Cost	March 31, 2024 Gross Unrealized Gains	March 31, 2024 Gross Unrealized (Losses)	March 31, 2024 Fair Value
Available-for-sale								
U.S. Treasuries	$ 44,765	$ —	$ (2,571)	$ 42,194	$ 38,824	$ —	$ (1,705)	$ 37,119
U.S. government and federal agencies	13,821	—	(940)	12,881	13,879	—	(605)	13,274
Corporate bonds	3,000	—	(594)	2,406	3,000	—	(351)	2,649
Collateralized mortgage obligations	41,486	—	(7,964)	33,522				
U.S. agency collateralized mortgage obligations					40,136	—	(6,665)	33,471
Tax-exempt municipal	1,380	—	(224)	1,156	1,380	—	(181)	1,199
Taxable municipal	607	—	(27)	580	606	—	(18)	588
Mortgage-backed	85,726	—	(9,381)	76,345				
U.S. agency mortgage-backed					77,110	—	(6,653)	70,457
Total Available-for-sale Securities	$ 190,785	$ —	$ (21,701)	$ 169,084	$174,935	$ —	$(16,178)	$158,757

(Dollars in thousands)	December 31, 2022 Amortized Cost	December 31, 2022 Gross Unrealized Gains	December 31, 2022 Gross Unrealized (Losses)	December 31, 2022 Fair Value	December 31, 2023 Amortized Cost	December 31, 2023 Gross Unrealized Gains	December 31, 2023 Gross Unrealized (Losses)	December 31, 2023 Fair Value
Available-for-sale								
U.S. Treasuries	$ 63,480	$ —	$ (4,270)	$ 59,210	$ 44,793	$ —	$ (1,816)	$ 42,977
U.S. government and federal agencies	38,748	—	(3,988)	34,760	13,850	—	(575)	13,275
Corporate bonds	3,000	—	(386)	2,614	3,000	—	(477)	2,523
Collateralized mortgage obligations	44,732	—	(6,258)	38,474				
U.S. agency collateralized mortgage obligations					40,806	—	(6,496)	34,310
Tax-exempt municipal	4,993	—	(348)	4,645	1,380	—	(149)	1,231
Taxable municipal	608	—	(29)	579	606	—	(19)	587
Mortgage-backed	238,652	—	(21,358)	217,294				
U.S. agency mortgage-backed					81,255	—	(6,165)	75,090
Total Available-for-sale Securities	$ 394,213	$ —	$ (36,637)	$ 357,576	$185,690	$ —	$(15,697)	$169,993

During the three months ended September 30, 2023, the Company sold available-for-sale securities with a total par value of $161.2 million resulting in a gross pre-tax loss of $17.1 million. During the nine months ended September 30, 2023, the Company sold available-for-sale securities with a total par value of $173.2 million resulting in a gross pre-tax loss of $17.3 million. The Company did not sell or recognize any gain or loss for any securities for the three or nine months ended September 30, 2022 March 31, 2024. During the three months ended March 31, 2023, the Company sold available-for-sale securities with a total par value of $12.0 million resulting in a gross pre-tax loss of $202 thousand.

Available-for-sale securities having a market value of $87.7 million $68.8 million and $83.4 million $90.3 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, were pledged to secure public deposits and for other purposes required by law. These securities had an amortized cost of $95.4 million $74.0 million and $91.0 million $95.8 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following tables summarize the fair value of securities available-for-sale at September 30, 2023 and December 31, 2022 and the corresponding amounts of gross unrealized losses. Management uses the valuations as of month-end in determining when securities are

Table of Contents

The following tables summarize the fair value of securities available-for-sale at March 31, 2024 and December 31, 2023 and the corresponding amounts of gross unrealized losses. Management uses the valuations as of month-end in determining when securities are in an unrealized loss position. Therefore, a security's market value could have exceeded its amortized cost on other days during the prior twelve-month period.

	September 30, 2023						March 31, 2024					
	Less than 12 Months		12 Months or Longer		Total		Less than 12 Months		12 Months or Longer		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale												
U.S. Treasuries	$ —	$ —	$ 42,194	$ (2,571)	$ 42,194	$ (2,571)	$ —	$ —	$ 37,119	$ (1,705)	$ 37,119	$ (1,705)
U.S. government and federal agencies	—	—	12,881	(940)	12,881	(940)	—	—	13,274	(605)	13,274	(605)
Corporate bonds	—	—	2,406	(594)	2,406	(594)	—	—	2,649	(351)	2,649	(351)
Collateralized mortgage obligations	—	—	33,522	(7,964)	33,522	(7,964)						
U.S. agency collateralized mortgage obligations							—	—	33,471	(6,665)	33,471	(6,665)
Tax-exempt municipal	—	—	1,156	(224)	1,156	(224)	—	—	1,199	(181)	1,199	(181)
Taxable municipal	—	—	580	(27)	580	(27)	—	—	588	(18)	588	(18)
Mortgage-backed	—	—	76,345	(9,381)	76,345	(9,381)						
U.S. agency mortgage-backed							—	—	70,457	(6,653)	70,457	(6,653)
Total Available-for-sale Securities	$ —	$ —	$ 169,084	$ (21,701)	$ 169,084	$ (21,701)	$ —	$ —	$ 158,757	$ (16,178)	$ 158,757	$ (16,178)

	December 31, 2022						December 31, 2023					
	Less than 12 Months		12 Months or Longer		Total		Less than 12 Months		12 Months or Longer		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale												
U.S. Treasuries	$ 31,261	$ (1,194)	$ 27,949	$ (3,076)	$ 59,210	$ (4,270)	$ —	$ —	$ 42,977	$ (1,816)	$ 42,977	$ (1,816)

U.S. government and federal agencies	16,107	(1,078)	18,653	(2,910)	34,760	(3,988)	—	—	13,275	(575)	13,275	(575)
Corporate bonds	2,614	(386)	—	—	2,614	(386)	—	—	2,523	(477)	2,523	(477)
Collateralized mortgage obligations	16,746	(1,143)	21,728	(5,115)	38,474	(6,258)						
U.S. agency collateralized mortgage obligations							—	—	34,310	(6,496)	34,310	(6,496)
Tax-exempt municipal	4,645	(348)	—	—	4,645	(348)	—	—	1,231	(149)	1,231	(149)
Taxable municipal	337	(2)	242	(27)	579	(29)	—	—	587	(19)	587	(19)
Mortgage-backed	145,795	(9,612)	71,499	(11,746)	217,294	(21,358)						
U.S. agency mortgage-backed							—	—	75,090	(6,165)	75,090	(6,165)
Total Available-for-sale Securities	$ 217,505	$ (13,763)	$ 140,071	$ (22,874)	$ 357,576	$ (36,637)	$ —	$ —	$ 169,993	$ (15,697)	$ 169,993	$ (15,697)

The Company had 158 156 and 98 158 securities in an unrealized loss position for 12 months or longer as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The Company has evaluated available-for-sale securities in an unrealized loss position for credit related impairment at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and concluded no impairment existed based on a combination of factors, which included: (1) the securities are of high credit quality, (2) unrealized losses are primarily the result of market volatility and increases in market interest rates, (3) the contractual terms of the investments do not permit the issuer(s) to settle the securities at a price less than the par value of each investment, (4) issuers continue to make timely principal and interest payments, and (5) the Company does not intend to sell any of the investments and the accounting standard of “more likely than not” has not been met for the Company to be required to sell any of the investments before recovery of its amortized cost basis. As such, there was no allowance for credit losses on available-for-sale securities at September 30, 2023 March 31, 2024.

The table below summarizes the contractual maturities of our available-for-sale investment securities as of September 30, 2023. Issuers may have the right to call or prepay certain obligations and as such, the expected maturities of our securities may differ from the scheduled contractual maturities presented below.

	September 30, 2023	
(Dollars in thousands)	Amortized Cost	Fair Value
Available-for-sale		
Due in one year or less	$ 14,322	$ 14,055
Due after one year through five years	54,845	51,453
Due after five years through ten years	56,992	51,886
Due after ten years	64,626	51,690
Total Available-for-sale Securities	$ 190,785	$ 169,084

Table of Contents

The table below summarizes the contractual maturities of our available-for-sale investment securities as of March 31, 2024. Issuers may have the right to call or prepay certain obligations, and as such, the expected maturities of our securities may differ from the scheduled contractual maturities presented below.

	March 31, 2024	
(Dollars in thousands)	Amortized Cost	Fair Value
Available-for-sale		
Due in one year or less	$ 22,977	$ 22,567
Due after one year through five years	39,011	37,075
Due after five years through ten years	51,198	48,114
Due after ten years	61,749	51,001
Total Available-for-sale Securities	$ 174,935	$ 158,757

In the prevailing rate environments as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company's available-for-sale investment portfolio had an estimated weighted average remaining life of approximately 3.2 3.0 years and 3.8 3.0 years, respectively.

Held-to-Maturity

Each of the securities in the Company's held-to-maturity investment portfolio is either covered by the explicit or implied guarantee of the United States government or one of its agencies or rated investment grade or higher. All held-to-maturity securities were current with no securities past due or on nonaccrual as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

The following tables summarize the amortized cost and fair value of securities held-to-maturity and the corresponding amounts of gross unrealized losses at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

	September 30, 2023				March 31, 2024			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Held-to-maturity								
U.S. Treasuries	$ 6,001	$ —	$ (873)	$ 5,128	$ 6,001	$ —	$ (713)	$ 5,288
U.S. government and federal agencies	35,463	—	(6,743)	28,720	35,406	—	(5,343)	30,063
Collateralized mortgage obligations	19,773	—	(4,920)	14,853				
U.S agency collateralized mortgage obligations					19,019	—	(4,168)	14,851
Taxable municipal	6,061	—	(1,409)	4,652	6,053	—	(1,132)	4,921
Mortgage-backed	29,049	—	(6,669)	22,380				
U.S. agency mortgage-backed					28,183	—	(5,311)	22,872
Total Held-to-maturity Securities	$ 96,347	$ —	$ (20,614)	$ 75,733	$94,662	$ —	$(16,667)	$77,995

	December 31, 2022				December 31, 2023			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Held-to-maturity								
U.S. Treasuries	$ 6,000	$ —	$ (840)	$ 5,160	$ 6,001	$ —	$ (667)	$ 5,334
U.S. government and federal agencies	35,551	—	(6,135)	29,416	35,434	—	(5,100)	30,334
Collateralized mortgage obligations	21,275	—	(4,227)	17,048				
U.S agency collateralized mortgage obligations					19,395	—	(4,095)	15,300
Taxable municipal	6,073	—	(1,364)	4,709	6,057	—	(1,101)	4,956
Mortgage-backed	30,516	—	(5,688)	24,828				
U.S. agency mortgage-backed					28,618	—	(5,010)	23,608
Total Held-to-maturity Securities	$ 99,415	$ —	$ (18,254)	$ 81,161	$95,505	$ —	$(15,973)	$79,532

Held-to-maturity securities having a market value of $34.2 million$34.4 million and $31.0 million$36.1 million at September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023, respectively, were pledged to secure public deposits and for other purposes required by law. These securities had an amortized cost of $40.7 million and $42.3 million at March 31, 2024 and $37.7 million at September 30, 2023 and December 31, 2022December 31, 2023, respectively.

The following table summarizes the fair value of securities held-to-maturity at December 31, 2022 and the corresponding amounts of gross unrealized losses. Management uses the valuations as of month-end in determining when securities are in an unrealized loss position. Therefore, a security's market value could have exceeded its amortized cost on other days during the prior twelve-month period.

	December 31, 2022					
	Less than 12 Months		12 Months or Longer		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Held-to-maturity						
U.S. Treasuries	$ —	$ —	$ 5,160	$ (840)	$ 5,160	$ (840)
U.S. government and federal agencies	—	—	29,416	(6,135)	29,416	(6,135)
Collateralized mortgage obligations	—	—	17,048	(4,227)	17,048	(4,227)
Taxable municipal	—	—	4,709	(1,364)	4,709	(1,364)
Mortgage-backed	825	(159)	24,003	(5,529)	24,828	(5,688)
Total Held-to-maturity Securities	$ 825	$ (159)	$ 80,336	$ (18,095)	$ 81,161	$ (18,254)

1511

Table of Contents

The Company evaluates the credit risk of its held-to-maturity securities on at least a quarterly basis. The Company estimates expected credit losses on held-to-maturity securities on an individual basis based on a PD/LGDprobability of default/loss given default methodology primarily using security-level credit ratings. The primary indicators of credit quality for the Company's held-to-maturity portfolio are security type and credit rating, which is influenced by a number of factors including obligor cash flow, geography, seniority, and others. The Company's held-to-maturity securities with credit risk were comprised of municipal bonds and had a credit rating of AA or better as of September 30, 2023March 31, 2024. All other held-to-maturity securities are covered by the explicit or implied guarantee of the United States government or one of its agencies. The Company did not have an allowance for credit losses on held-to-maturity securities as of September 30, 2023March 31, 2024 or upon adoption of ASC 326.December 31, 2023.

The table below summarizes the contractual maturities of our held-to-maturity investment securities as of September 30, 2023March 31, 2024. Issuers may have the right to call or prepay certain obligations and as such, the expected maturities of our securities are likely to differ from the scheduled contractual maturities presented below.

	September 30, 2023		March 31, 2024	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Held-to-maturity				
Due in one year or less	$ —	$ —	$ —	$ —
Due after one year through five years	20,163	17,117	22,160	19,441
Due after five years through ten years	24,465	19,496	23,460	19,566
Due after ten years	51,719	39,120	49,042	38,988
Total Held-to-maturity Securities	$ 96,347	$ 75,733	$94,662	$77,995

In the prevailing rate environments as of September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023, the Company's held-to-maturity investment portfolio had an estimated weighted average remaining life of approximately 7.06.5 years and 7.36.7 years, respectively.

Restricted Securities

The table below summarizes the carrying amount of restricted securities as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

(Dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Federal Reserve Bank Stock	$ 3,306	$ 3,292	$ 3,314	$ 3,310
Federal Home Loan Bank Stock	1,641	1,073	1,588	1,642
Community Bankers' Bank Stock	60	60	60	60
Total Restricted Securities	$ 5,007	$ 4,425	$ 4,962	$ 5,012

Equity Securities

The Company held equity securities with readily determinable fair values totaling $2.4 million $3.0 million and $2.1 million $2.8 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. These securities consist of mutual funds held in a trust and were obtained for the purpose of economically hedging changes in the Company's nonqualified deferred compensation liability. Changes in the fair value of these securities are reflected in earnings. A loss Gains of $(60) $124 thousand and $(107) $89 thousand were recorded in non-interest income in the Consolidated Statements of Income for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively. A gain of $112 thousand and a loss of $(498) thousand were recorded in non-interest income in the Consolidated Statements of Income for the nine months ended September 30, 2023 and September 30, 2022 March 31, 2023, respectively.

16 12

Table of Contents

Note 3— Loans

The following table presents the composition of the Company's loan portfolio as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

(Dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Real Estate Loans:				
Commercial	$ 1,133,069	$ 1,118,127	$ 1,143,472	$ 1,146,116
Construction and land development	179,570	195,027	151,476	180,922
Residential	464,509	426,841	482,254	482,182
Commercial - Non-Real Estate:				
Commercial loans	37,925	44,924	42,908	45,204
Consumer - Non-Real Estate:				
Consumer loans	467	529	772	560
Total Gross Loans	$ 1,815,540	$ 1,785,448	$ 1,820,882	$ 1,854,984
Allowance for loan credit losses	(20,036)	(20,208)	(18,671)	(19,543)
Net deferred loan costs	4,592	4,060	5,049	4,983
Total net loans	$ 1,800,096	$ 1,769,300	$ 1,807,260	$ 1,840,424

Portfolio Segments

The Company currently manages its loan products and the respective exposure to credit losses by the following specific portfolio segments which are levels at which the Company develops and documents its systematic methodology to determine the allowance for loan credit losses attributable to each respective portfolio segment. These segments are:

- ***Real estate - commercial loans*** – The real estate commercial loans category contains commercial mortgage loans secured by owner occupied, non-owner occupied, and multifamily real estate.

- ***Real estate - construction and land development loans*** – The real estate construction and land development loans category contains residential and commercial construction loan financing to builders and developers and to consumers building their own homes.
- ***Real estate - residential loans*** – The real estate residential mortgage loans category contains permanent mortgage loans principally to consumers secured by residential real estate.
- ***Commercial loans*** – The commercial loans category contains business purpose loans made to provide funds for the financing of equipment, receivables, contract administration expenses, and other general corporate needs of commercial businesses.
- ***Consumer loans*** – The consumer loans category contains personal loans such as installment loans and lines of credit.

Note 4— Allowance for Loan Credit Losses

On January 1, 2023, the Company adopted the CECL methodology as required under 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 in this Quarterly Report on Form 10-Q. All loan information presented as of September 30, 2023 is in accordance with ASC 326. All loan information presented prior to September 30, 2023 is in accordance with previous applicable GAAP.

Table of Contents

Allowance for loan credit losses

The following tables present the activity in the allowance for loan credit losses for the nine months ended September 30, 2023.

	September 30, 2023						
	Real Estate						
Dollars in thousands	**Commercial**	**Construction & Land Development**	**Residential**	**Commercial**	**Consumer**	**Unallocated**	**Total**
Beginning balance, December 31, 2022	$ 13,205	$ 2,860	$ 3,044	$ 456	$ 5	$ 638	$ 20,208
Adjustment to allowance for adoption of ASC 326	(2,649)	476	4,552	367	57	(638)	2,165
Charge-offs	—	—	—	—	—	—	—
Recoveries	—	—	—	2	—	—	2
Provision for (recovery of) credit losses	2,187	(1,148)	(3,014)	(360)	(4)	—	(2,339)
Ending balance, September 30, 2023	$ 12,743	$ 2,188	$ 4,582	$ 465	$ 58	$ —	$ 20,036

The following table presents the activity for the allowance for loan losses for the nine months ended September 30, 2022.

	September 30, 2022						
	Real Estate						
Dollars in thousands	**Commercial**	**Construction & Land Development**	**Residential**	**Commercial**	**Consumer**	**Unallocated**	**Total**
Allowance for loan losses:							
Beginning Balance, December 31, 2021	$ 13,091	$ 2,824	$ 2,769	$ 711	$ 5	$ 632	$ 20,032
Charge-offs	(1)	—	—	—	—	—	(1)
Recoveries	—	—	—	1	—	—	1
Provision for (recovery of) loan losses	345	97	(186)	(208)	1	(49)	—
Ending Balance, September 30, 2022	$ 13,435	$ 2,921	$ 2,583	$ 504	$ 6	$ 583	$ 20,032

The following tables present the balance of the allowance for loan losses, the allowance by impairment methodology, total loans, and loans by impairment methodology as of December 31, 2022 and September 30, 2022, respectively. There were no collateral dependent or individually evaluated loans as of September 30, 2023.

	December 31, 2022						
	Real Estate						
Dollars in thousands	Commercial	Construction & Land Development	Residential	Commercial	Consumer	Unallocated	Total
Allowance balance attributable to loans:							
Individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment	13,205	2,860	3,044	456	5	638	20,208
Total allowance	$ 13,205	$ 2,860	$ 3,044	$ 456	$ 5	$ 638	$ 20,208
Loans:							
Individually evaluated for impairment	$ —	$ —	$ 418	$ —	$ —	$ —	$ 418
Collectively evaluated for impairment	1,118,127	195,027	426,423	44,924	529	—	1,785,030
Total loans	$ 1,118,127	$ 195,027	$ 426,841	$ 44,924	$ 529	$ —	$ 1,785,448

Table of Contents

	September 30, 2022						
	Real Estate						
Dollars in thousands	Commercial	Construction & Land Development	Residential	Commercial	Consumer	Unallocated	Total
Allowance balance attributable to loans:							
Individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment	13,435	2,921	2,583	504	6	583	20,032
Total allowance	$ 13,435	$ 2,921	$ 2,583	$ 504	$ 6	$ 583	$ 20,032
Loans:							
Individually evaluated for impairment	$ —	$ —	$ 530	$ —	$ —	$ —	$ 530
Collectively evaluated for impairment	1,091,221	199,324	385,166	45,105	585	—	1,721,401
Total loans	$ 1,091,221	$ 199,324	$ 385,696	$ 45,105	$ 585	$ —	$ 1,721,931

Impaired loans

Prior to the adoption of ASC 326, loans were considered impaired when, based on current information and events, it was probable the Company would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans include loans on nonaccrual status and accruing TDRs. When determining if the Company would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Company considered the borrower's capacity to pay, which included such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value.

The following tables present a summary of impaired loans and the related allowance as of December 31, 2022.

	December 31, 2022						
(Dollars in thousands)	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment(1)	Interest Income Recognized(1)
Real Estate Loans							
Commercial	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction and land development	—	—	—	—	—	—	—
Residential	418	418	—	418	—	427	15
Commercial	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total Impaired Loans	$ 418	$ 418	$ —	$ 418	$ —	$ 427	$ 15

(1) Amounts shown for the twelve-month period ended December 31, 2022.

Table of Contents

Note 4— Allowance for Loan Credit Losses

The following tables present the activity in the allowance for loan credit losses for the three months ended March 31, 2024 and March 31, 2023.

	March 31, 2024					
	Real Estate					
Dollars in thousands	Commercial	Construction & Land Development	Residential	Commercial	Consumer	Total
Beginning balance, December 31, 2023	$ 12,841	$ 1,787	$ 4,323	$ 495	$ 97	$ 19,543
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	1	—	1
Provision for (recovery of) credit losses	(119)	(502)	(140)	(19)	(93)	(873)
Ending balance, March 31, 2024	$ 12,722	$ 1,285	$ 4,183	$ 477	$ 4	$ 18,671

	March 31, 2023						
	Real Estate						
Dollars in thousands	Commercial	Construction & Land Development	Residential	Commercial	Consumer	Unallocated	Total
Beginning balance, December 31, 2022	$ 13,205	$ 2,860	$ 3,044	$ 456	$ 5	$ 638	$ 20,208
Adjustment to allowance for adoption of ASC 326	(2,649)	476	4,552	367	57	(638)	2,165
Charge-offs	—	—	—	—	—	—	—
Recoveries	—	—	—	1	—	—	1
Provision for (recovery of) credit losses	(742)	(139)	330	(148)	(56)	—	(755)
Ending balance, March 31, 2023	$ 9,814	$ 3,197	$ 7,926	$ 676	$ 6	$ —	$ 21,619

There were no collateral dependent or individually evaluated loans as of March 31, 2024 or December 31, 2023.

Delinquency Information

The following tables present a summary of past due and nonaccrual loans by segment as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

	September 30, 2023								March 31, 20				
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Still Accruing	Nonaccrual Loans	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Curren
Real Estate Loans													
Commercial	$ —	$ —	$ —	$ —	$1,133,069	$1,133,069	$ —	$ —	$ —	$ —	$ —	$ —	$1,143,4
Construction and land development	—	—	—	—	179,570	179,570	—	—	—	—	—	—	151,4
Residential	—	—	—	—	464,509	464,509	—	—	—	—	—	—	482,2
Commercial	—	—	—	—	37,925	37,925	—	—	—	—	—	—	42,9
Consumer	—	—	—	—	467	467	—	—	—	—	—	—	7
Total Loans	$ —	$ —	$ —	$ —	$1,815,540	$1,815,540	$ —	$ —	$ —	$ —	$ —	$ —	$1,820,8

	December 31, 2022								December 31,				
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Still Accruing	Nonaccrual Loans	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Curren
Real Estate Loans													
Commercial	$ —	$ —	$ —	$ —	$1,118,127	$1,118,127	$ —	$ —	$ —	$ —	$ —	$ —	$1,146,1
Construction and land development	—	—	—	—	195,027	195,027	—	—	—	—	—	—	180,9
Residential	—	—	—	—	426,841	426,841	—	—	—	—	—	—	482,1
Commercial	—	—	—	—	44,924	44,924	—	—	—	—	—	—	45,2
Consumer	—	—	—	—	529	529	—	—	—	—	—	—	5
Total Loans	$ —	$ —	$ —	$ —	$1,785,448	$1,785,448	$ —	$ —	$ —	$ —	$ —	$ —	$1,854,9

Table of Contents

Credit Quality Indicators

The Company assesses credit quality indicators based on internal risk rating of loans. Each loan is evaluated at least annually with more frequent evaluation of more severely criticized loans. The indicators represent the rating for loans as of the date presented is based on the most recent credit review performed. Internal risk rating definitions are:

Pass: These include satisfactory loans that have acceptable levels of risk.

Special Mention: Loans classified as special mention have a potential weakness that requires close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date. These credits do not expose the Company to sufficient risk to warrant further adverse classification.

Substandard: A substandard asset is inadequately protected by the current worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as substandard must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in a substandard asset with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be received in the future.

The Company has a portfolio of smaller homogenous loans that are not individually risk rated and include residential permanent and construction mortgages, home equity lines of credit, and consumer installment loans. For these loans, management uses payment status

Table of Contents

as the primary credit quality indicator. The payment status of these loans is then translated into an internal risk rating. The following table summarizes the translation of past due status to risk rating for loans that are not individually risk rated.

Days Past Due	Internal Risk Rating
0 - 29 days	Pass
30-59 days	Special Mention
60-89 days	Substandard
90-119 days	Doubtful
120+ days	Loss

Table of Contents

The following table presents the Company's recorded investment in loans by credit quality indicator by year of origination as of September 30, 2023 March 31, 2024.

	Term Loans by Year of Origination								Term Loans by Year of Origination						
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving	Total	2024	2023	2022	2021	2020	Prior	Revolving
Real Estate Loans - Commercial															
Pass	$56,696	$303,898	$205,417	$122,694	$97,273	$342,686	$ 3,168	$1,131,832	$2,003	$67,539	$318,376	$208,036	$124,290	$406,721	$ 3,405
Special mention	—	—	—	1,237	—	—	—	1,237	—	—	13,102	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Real Estate Loans - Commercial	$56,696	$303,898	$205,417	$123,931	$97,273	$342,686	$ 3,168	$1,133,069	$2,003	$67,539	$331,478	$208,036	$124,290	$406,721	$ 3,405
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real Estate Loans - Construction and land development															
Pass	$33,136	$ 58,071	$ 31,471	$ 18,087	$ 30	$ 8,845	$ 27,780	$ 177,420	$9,810	$49,617	$ 37,101	$ 15,565	$ 5,804	$ 7,040	$ 24,419

Special mention	—	—	—	—	2,150	—	—	2,150	—	—	—	—	—	2,120	—
Substandard	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Real Estate Loans - Construction and land development	$33,136	$ 58,071	$ 31,471	$ 18,087	$ 2,180	$ 8,845	$ 27,780	$ 179,570	$9,810	$49,617	$ 37,101	$ 15,565	$ 5,804	$ 9,160	$ 24,419
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real Estate Loans - Residential															
Pass	$61,683	$115,508	$134,133	$ 88,589	$25,147	$ 22,213	$ 17,236	$ 464,509	$6,627	$81,655	$114,125	$130,588	$ 86,610	$ 44,948	$ 17,701
Special mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Real Estate Loans - Residential	$61,683	$115,508	$134,133	$ 88,589	$25,147	$ 22,213	$ 17,236	$ 464,509	$6,627	$81,655	$114,125	$130,588	$ 86,610	$ 44,948	$ 17,701
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial Loans															
Pass	$ 3,425	$ 7,354	$ 2,146	$ 3,384	$ 5,245	$ 5,198	$ 11,173	$ 37,925	$3,075	$ 5,891	$ 6,587	$ 1,810	$ 2,373	$ 8,152	$ 15,020
Special mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Commercial Loans	$ 3,425	$ 7,354	$ 2,146	$ 3,384	$ 5,245	$ 5,198	$ 11,173	$ 37,925	$3,075	$ 5,891	$ 6,587	$ 1,810	$ 2,373	$ 8,152	$ 15,020
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer Loans															
Pass	$ 399	$ 6	$ 29	$ —	$ —	$ 12	$ 21	$ 467	$ 526	$ 184	$ 4	$ 23	$ —	$ 6	$ 29
Special mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Consumer Loans	$ 399	$ 6	$ 29	$ -	$ —	$ 12	$ 21	$ 467	$ 526	$ 184	$ 4	$ 23	$ —	$ 6	$ 29
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

22*Modifications with Borrowers Experiencing Financial Difficulty*

Table of Contents

The following table presents the Company’s recorded investment in loans by credit quality indicators as of December 31, 2022.

	December 31, 2022					
(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Loss	Total Loans
Real Estate Loans						
Commercial	$ 1,116,890	$ 1,237	$ —	$ —	$ —	$ 1,118,127
Construction and land development	192,877	2,150	—	—	—	195,027
Residential	426,841	—	—	—	—	426,841
Commercial	44,924	—	—	—	—	44,924

Consumer	529	—	—	—	—	529
Total Loans	$ 1,782,061	$ 3,387	$ —	$ —	$ —	$ 1,785,448

The allowance for loan credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination. The starting point for the estimate of the allowance for loan credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. As part of the Company's loan modification program to borrowers experiencing financial difficulty, the Company may provide concessions to minimize the economic loss and improve long-term loan performance and collectability. The Company did not make any loan modifications to borrowers experiencing financial difficulty during the three or nine months ended September 30, 2023 March 31, 2024 and March 31, 2023.

The Company had a recorded investment in TDRs 16

Table of $418 thousand as of December 31, 2022, all of which were in compliance with their modified terms at December 31, 2022. There were no loans modified in TDRs that subsequently defaulted within 12 months of their modification date during the three or nine months ended September 30, 2022. As of December 31, 2022, none of the Bank's TDRs required a specific reserve. As of December 31, 2022, there were no additional commitments to disburse funds on loans classified TDRs. The Company adopted ASU 2022-02 on January 1, 2023, which eliminated the accounting guidance for TDRs. Contents

Unfunded Commitments

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable by the Company. The allowance for off-balance sheet credit exposures is adjusted as a provision for (or recovery of) credit losses in the Consolidated Statements of Income. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for loan credit losses. The allowance for credit losses for unfunded loan commitments of $908 $717 thousand and $303 $620 thousand at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, is separately classified within Other Liabilities on the Consolidated Balance Sheets. The provision for credit losses recorded during the three months ended March 31, 2024 was primarily due to an increase in unfunded commitments.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the nine three months ended September 30, 2023 March 31, 2024 and March 31, 2023.

(Dollars in thousands)	**Allowance for Credit Losses Unfunded Commitments**
Beginning balance, December 31, 2022	$ 303
Adjustment to allowance for unfunded commitments for adoption of ASC 326	737
Provision for (recovery of) credit losses	(132)
Ending balance, September 30, 2023	$ 908

(Dollars in thousands)	**Allowance for Credit Losses Unfunded Commitments**
Beginning balance, December 31, 2023	$ 620
Provision for credit losses	97
Ending balance, March 31, 2024	$ 717

(Dollars in thousands)	**Allowance for Credit Losses Unfunded Commitments**
Beginning balance, December 31, 2022	$ 303
Adjustment to allowance for unfunded commitments for adoption of ASC 326	737
Provision for (recovery of) credit losses	(19)
Ending balance, March 31, 2023	$ 1,021

Note 5— Derivatives

The Company enters into interest rate swap agreements (“swaps”) with commercial loan customers to provide a facility for customers to manage their interest rate risk. These swaps are matched in exact offsetting terms with swaps that the Company enters into with an independent third party. These swaps qualify as derivatives, but are not designated as hedging instruments.

Table of Contents

Note 5— Derivatives

The Company enters into interest rate swap agreements (“swaps”) with commercial loan customers to provide a facility for customers to manage their interest rate risk. These swaps are matched in exact offsetting terms with swaps that the Company enters into with an independent third party. These swaps qualify as derivatives, but are not designated as hedging instruments.

The following tables summarize the Company’s swaps at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

	September 30, 2023					March 31, 2024				
(Dollars in thousands)	Notional Amount	Estimated Fair Value	Weighted Average Years to Maturity	Receive Rate	Pay Rate	Notional Amount	Estimated Fair Value	Weighted Average Years to Maturity	Receive Rate	Pay Rate
Interest rate swap agreements:										
Pay fixed/receive variable swaps	$ 19,591	$ 1,390	3.5 years	6.60 %	3.39 %	$ 19,297	$ 1,026	3.4 years	6.31 %	4.08 %
Pay variable/receive fixed swaps	19,591	(1,390)	3.5 years	3.39 %	6.60 %	19,297	(1,026)	3.4 years	4.08 %	6.31 %
Total interest rate swap agreements	$ 39,182	$ —	3.5 years	5.00 %	5.00 %	$ 38,594	$ —	3.4 years	5.20 %	5.20 %

	December 31, 2022					December 31, 2023				
(Dollars in thousands)	Notional Amount	Estimated Fair Value	Weighted Average Years to Maturity	Receive Rate	Pay Rate	Notional Amount	Estimated Fair Value	Weighted Average Years to Maturity	Receive Rate	Pay Rate
Interest rate swap agreements:										
Pay fixed/receive variable swaps	$ 13,767	$ 1,217	2.8 years	6.02 %	2.59 %	$ 19,444	$ 846	3.2 years	5.87 %	3.39 %
Pay variable/receive fixed swaps	13,767	(1,217)	2.8 years	2.59 %	6.02 %	19,444	(846)	3.2 years	3.39 %	5.87 %
Total interest rate swap agreements	$ 27,534	$ —	2.8 years	4.31 %	4.31 %	$ 38,888	$ —	3.2 years	4.63 %	4.63 %

Table of Contents

The estimated fair value of the swaps at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were recorded in other assets and liabilities in the Consolidated Balance Sheets. The associated net gains and losses on the swaps are recorded in other income in the Consolidated Statements of Income.

Note 6— Deposits and Borrowings

The following tables show the components of the Company's funding sources.

(Dollars in thousands)	September 30, 2023	December 31, 2022
Deposits:		
Non-interest bearing demand deposits(1)	$ 437,880	$ 476,697
Interest-bearing demand deposits(1)	675,819	691,945
Savings deposits	57,408	95,241
Time deposits(2)	810,516	803,857
Total Deposits	$ 1,981,623	$ 2,067,740

(Dollars in thousands)	Stated Interest Rate	Weighted-Average Interest Rate	September 30, 2023 Carrying Value	December 31, 2022 Carrying Value
Short-term Debt:				
Federal Reserve Bank borrowings	4.80 %	4.80 %	$ 54,000	—
Total Short-term Debt			$ 54,000	—
Long-term Debt:				
Subordinated debt	5.25 %	5.25 %	$ 24,687	$ 24,624
Total Long-term Debt			$ 24,687	$ 24,624

(1) Overdraft demand deposits reclassified to loans totaled $5 thousand at September 30, 2023 and $1 thousand at December 31, 2022, respectively.

(Dollars in thousands)	March 31, 2024	December 31, 2023
Deposits:		
Non-interest bearing demand deposits(1)	$ 404,669	$ 411,374
Interest-bearing demand deposits(1)	644,580	607,971
Savings deposits	50,664	52,061
Time deposits(2)	801,077	835,194
Total Deposits	$ 1,900,990	$ 1,906,600

(1) Overdraft demand deposits reclassified to loans totaled $1 thousand at both March 31, 2024 and December 31, 2023.
(2) The aggregate amount of certificates of deposit with a minimum denomination of $250,000 was $358.6 million $356.8 million and $318.7 million $359.3 million at September 30, 2023 March 30, 2024 and December 31, 2022 December 31, 2023, respectively.

(Dollars in thousands)	Stated Interest Rate	Weighted-Average Interest Rate	March 31, 2024 Carrying Value	December 31, 2023 Carrying Value
Short-term Debt:				
Federal Reserve Bank borrowings	4.76 %	4.76 %	$ 77,000	54,000
Total Short-term Debt			$ 77,000	54,000
Long-term Debt:				
Subordinated debt	5.25 %	5.25 %	$ 24,729	$ 24,708
Total Long-term Debt			$ 24,729	$ 24,708

The Company obtains certain deposits through the efforts of third-party brokers. Brokered deposits totaled $288.9 million $306.1 million and $352.0 million $320.6 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and were included primarily in time deposits on the Company's Consolidated Balance Sheets. Reciprocal IntraFi certificates of deposit totaled $41.7 million and $25.7 million at September 30, 2023 and December 31, 2022, respectively. Reciprocal IntraFi demand and money market deposits totaled $265.6 million and $197.3 million at September 30, 2023 and December 31, 2022, respectively.

Table of Contents

At September 30, 2023 March 31, 2024, there were no depositors that represented 5% or more of the Company's total deposits.

The Company completed a private placement of a $25.0 million fixed-to-floating subordinated note on June 15, 2022. Subject to limited exceptions permitting earlier redemption, the note is callable, in whole or in part, commencing July 1, 2027. Unless redeemed earlier, the note will mature on July 1, 2032. The note bears interest at a fixed rate of 5.25% to but excluding July 1, 2027, and will bear interest at a floating rate equal to the three-month Secured Overnight Financing Rate plus 245 basis points thereafter. The note is carried at its principal amount, less unamortized issuance costs.

The Company from time to time uses FHLB advances as a source of funding and to manage interest rate risk. FHLB advances are secured by a blanket floating lien on all real estate mortgage loans secured by 1-to-4 family residential, multi-family and commercial real estate properties. At September 30, 2023 March 31, 2024, the Company did not have any outstanding FHLB advances. Available borrowing capacity based on collateral value amounted to approximately $444.7 million $452.8 million as of September 30, 2023 March 31, 2024.

The Company also has the capacity to borrow up to $24.8 million $111.9 million at the Federal Reserve discount window of which $0 had been drawn upon at September 30, 2023 March 31, 2024. The Bank had loans pledged at the Federal Reserve discount window totaling $26.5 million $138.9 million as of September 30, 2023 March 31, 2024.

On March 12, 2023, the Federal Reserve Bank of Richmond ("Reserve Bank") made available the Bank Term Funding Program ("BTFP"), which enhances the ability of banks to borrow against the par value of certain high-quality, unencumbered investments. On May 15, 2023, In January 2024, the Company obtained a refinanced its $54.0 million BTFP advance to secure lower funding costs relative to wholesale deposits. and advanced an additional $23.0 million from the BTFP. The $77 million BTFP advance has a term of one year, bears interest at a fixed rate of 4.80% 4.76% and can be prepaid without penalty prior to maturity. At September 30, 2023 March 31, 2024, the Company had pledged as collateral for the BTFP advance investment securities with an amortized cost and fair value of $55.5 million $77.9 million and $42.6 million $62.6 million, respectively.

The Company also has federal funds lines of credit with correspondent banks available for overnight borrowing of $110.0 million, of which $0 had been drawn upon at September 30, 2023 March 31, 2024.

Table of Contents

The following table shows the carrying amount of the Company's time deposits by contractual maturity as of September 30, 2023 March 31, 2024.

(Dollars in thousands)	September 30, 2023	March 31, 2024
2023	$ 146,873	
2024	477,572	$ 443,700
2025	144,346	241,722
2026	40,324	89,284
2027	1,117	25,292
2028		549
Thereafter	284	530
Total	$ 810,516	$ 801,077

Note 7— Commitments and Contingencies

The Company is party to financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual notional amount of those instruments.

The Company uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments. Refer to Note 4 – Allowance for Loan Credit Losses for further discussion regarding the Company's estimate of lifetime credit losses for off-balance sheet exposure.

The following table summarizes the contract or notional amount of the Company's exposure to off-balance sheet risk as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

(Dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Commitments to extend credit	$ 288,081	$ 240,084	$ 258,684	$ 235,560
Standby letters of credit	$ 19,804	$ 14,677	$ 16,351	$ 16,329

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

Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. Those lines of credit may not be drawn upon to the total extent to which the Company is committed.

Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Note 8— Fair Value Measurements

Determination of Fair Value

The Company determines the fair values of its financial instruments based on the fair value hierarchy established by Accounting Standards Codification ("ASC") Topic 820 – *Fair Value Measurement*, which defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market and in an orderly transaction between market participants on the measurement date.

The fair value measurements and disclosures topic specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets and 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.

Table of Contents

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

Assets Measured at Fair Value on a Recurring Basis

In accordance with ASC Topic 820, the following describes the valuation techniques used by the Company to measure certain financial assets recorded at fair value on a recurring basis in the financial statements.

Securities Available-for-sale and Equity Securities

Securities available-for-sale and equity securities with readily determinable fair values 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 (Level 2). If the inputs used to provide the evaluation for certain securities are unobservable and/or there is little, if any, market activity then the security would fall to the lowest level of the hierarchy (Level 3).

The Company's investment portfolio is primarily valued using fair value measurements that are considered to be Level 2. The Company has contracted with a third party portfolio accounting service vendor for valuation of its portfolio of debt securities. The vendor's primary source for security valuation is ICE Data Services, which evaluates securities based on market data. ICE Data Services utilizes evaluated pricing models that vary by asset class and include available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary models, vast descriptive terms and conditions databases, as well as extensive quality control programs.

The vendor utilizes proprietary valuation matrices for valuing all municipals securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance and rating to incorporate additional spreads to the industry benchmark curves.

Table of Contents

Interest Rate Swap Agreements

Interest rate swap agreements are measured by alternative pricing sources using a discounted cash flow method that incorporates current market interest rates. Based on the complex nature of interest rate swap agreements, the markets these instruments trade in are not as efficient and are less liquid than that of the more mature Level 1 markets. These characteristics classify interest rate swap agreements as Level 2 in the fair value hierarchy.

Loan Servicing Rights

Under the U.S Small Business Administration ("SBA") 7(a) program, the Bank can sell in the secondary market the guaranteed portion of its SBA 7(a) loans and retain the related unguaranteed portion of these loans, as well as the servicing on such loans, for which it is paid a fee. The loan servicing spread is generally a minimum of 1.00% on all SBA 7(a) loans. The Company generally offers SBA 7(a) loans within a range of $50,000 to $2.0 million. The Company holds rights to service the guaranteed portion of SBA loans sold in the secondary market. Loan servicing rights are capitalized at estimated fair value when acquired through the origination of loans that are subsequently sold with the servicing rights retained. Loan servicing rights are amortized to servicing income on loans sold approximately in proportion to and over the period of estimated net servicing income. The value of loan servicing rights at the date of the sale of loans is estimated based on the discounted present value of expected future cash flows using key assumptions for servicing income and costs and expected prepayment rates on the underlying loans. The estimated fair value is periodically evaluated for impairment by comparing actual cash flows and estimated future cash flows from the loan servicing assets to those estimated at the time that the loan servicing assets were originated. Fair values are estimated using expected future discounted cash flows based on current market rates of interest. For purposes of measuring impairment, the loan servicing rights must be stratified by one or more predominant risk characteristics of the underlying loans. The Company stratifies its capitalized loan servicing rights based on product type and term of the underlying loans. The amount of impairment recognized is the amount, if any, by which the amortized cost of the loan servicing rights exceeds their fair value. Impairment, if deemed temporary, is recognized through a valuation allowance to the extent that fair value is less than the recorded amount. Under the SBA 7(a) program, the loans carry an SBA guaranty for up to 85% of the loan. Typical maturities for this type of loan vary but can be up to ten years. SBA 7(a) loans are fixed or adjustable rate loans based on the Prime Rate.

At March 31, 2024, the Bank's SBA 7(a) loan servicing portfolio, which is not included in the Company's consolidated financial statements, totaled $2.8 million. At March 31, 2024, SBA servicing rights of $47 thousand were recorded in other assets in the Consolidated Balance Sheets. The SBA servicing rights' fair values were estimated using discounted cash flow analyses with an average discount rate of 11.32% and average conditional prepayment rates of 12.16%. There was no valuation allowance on loan servicing rights at March 31, 2024.

Table of Contents

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

		Fair Value Measurements at September 30, 2023 Using				Fair Value Measurements at March 31, 2024 Using		
(Dollars in thousands)	Balance as of September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:								
Securities available-for-sale:								
U.S. Treasuries	$ 42,194	$ —	$ 42,194	$ —	$ 37,119	$ —	$ 37,119	$ —
U.S. government and federal agencies	12,881	—	12,881	—	13,274	—	13,274	—
Corporate bonds	2,406	—	2,406	—	2,649	—	2,649	—
Collateralized mortgage obligations	33,522	—	33,522	—				
U.S. agency collateralized mortgage obligations					33,471	—	33,471	—
Tax-exempt municipal	1,156	—	1,156	—	1,199	—	1,199	—
Taxable municipal	580	—	580	—	588	—	588	—
Mortgage-backed	76,345	—	76,345	—				
U.S. agency mortgage-backed					70,457	—	70,457	—
Equity securities, at fair value	2,443	2,443	—	—	2,960	2,960	—	—

Interest rate swap agreements	1,390	—	1,390	—	1,026	—	1,026	—
Mortgage servicing rights	9	—	—	9				
Loan servicing rights					47	—	—	47
Total assets at fair value	$ 172,926	$ 2,443	$ 170,474	$ 9	$ 162,790	$ 2,960	$ 159,783	$ 47
Liabilities:								
Interest rate swap agreements	$ 1,390	$ —	$ 1,390	$ —	$ 1,026	$ —	$ 1,026	$ —
Total liabilities at fair value	$ 1,390	$ —	$ 1,390	$ —	$ 1,026	$ —	$ 1,026	$ —

		Fair Value Measurements at December 31, 2022 Using				Fair Value Measurements at December 31, 2023 Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
(Dollars in thousands)	Balance as of December 31, 2022	(Level 1)	(Level 2)	(Level 3)	Balance as of December 31, 2023	(Level 1)	(Level 2)	(Level 3)
Assets:								
Securities available-for-sale:								
U.S. Treasuries	$ 59,210	$ —	$ 59,210	$ —	$ 42,977	$ —	$ 42,977	$ —
U.S. government and federal agencies	34,760	—	34,760	—	13,275	—	13,275	—
Corporate bonds	2,614	—	2,614	—	2,523	—	2,523	—
Collateralized mortgage obligations	38,474	—	38,474	—				
U.S. agency collateralized mortgage obligations					34,310	—	34,310	—
Tax-exempt municipal	4,645	—	4,645	—	1,231	—	1,231	—
Taxable municipal	579	—	579	—	587	—	587	—
Mortgage-backed	217,294	—	217,294	—				
U.S. agency mortgage-backed					75,090	—	75,090	—
Equity securities, at fair value	2,115	2,115	—	—	2,792	2,792	—	—
Interest rate swap agreement	1,217	—	1,217	—	846	—	846	—
Loan servicing rights					22	—	—	22
Total assets at fair value	$ 360,908	$ 2,115	$ 358,793	$ —	$ 173,653	$ 2,792	$ 170,839	$ 22
Liabilities:								
Interest rate swap agreement	$ 1,217	$ —	$ 1,217	$ —	$ 846	$ —	$ 846	$ —

Total liabilities at fair value	$ 1,217	$ —	$ 1,217	$ —	$ 846	$ —	$ 846	$ —

Assets Measured at Fair Value on a Nonrecurring Non-recurring Basis

Under certain circumstances, the Company makes adjustments to fair value for assets and liabilities although they are not measured at fair value on an ongoing basis. The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a nonrecurring non-recurring basis in the financial statements:

28 22

Table of Contents

Collateral Dependent Loans

In accordance with ASC 326, loans that do not share risk characteristics are evaluated on an individual basis. The Company designates individually evaluated loans on nonaccrual status as collateral dependent loans, as well as other loans that management of the Company designates as having higher risk and loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral. The measurement of loss associated with collateral dependent loans can be based on either the observable market price of the loan or the fair value of the collateral. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the Company's collateral is real estate. The value of real estate collateral is determined utilizing a market valuation approach based on an appraisal, of one year or less, conducted by an independent, licensed appraiser using observable market data (Level 2). However, if the collateral is a house or building in the process of construction, or if an appraisal of the property is more than one-year-old and not solely based on observable market comparables, or management determines the fair value of the collateral is further impaired below the appraised value, then a Level 3 valuation is considered to measure the fair value. The value of business equipment is based upon an outside appraisal, of one year or less, if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Any fair value adjustments are recorded in the period incurred as provision for loan credit losses on the Consolidated Statements of Income. The Company had no collateral dependent loans with a recorded reserve as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

Other Real Estate Owned ("OREO")

OREO is carried at the lower of cost or fair value less selling costs. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value using observable market data, the Company records the property as Level 2. When an appraised value using observable market data is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the property as Level 3 valuation. Any fair value adjustments are recorded in the period incurred and expensed against current earnings. The Company had no OREO as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

The following tables present the carrying value and estimated fair value, including the level within the fair value hierarchy, of the Company's financial instruments as of September 30, 2023 and December 31, 2022 March 31, 2024 or December 31, 2023.

		Fair Value Measurements at September 30, 2023 Using					Fair Value Measurements at March 31, 2024 U		
(Dollars in thousands)	**Carrying Value as of September 30, 2023**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Fair Value as of September 30, 2023**	**Carrying Value as of March 31, 2024**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:									
Cash and cash equivalents	$ 192,656	$ 192,656	$ —	$ —	$ 192,656	$ 153,016	$ 153,016	$ —	$ —
Securities:									

Available-for-sale	169,084	—	169,084	—	169,084	158,757	—	158,757	—
Held-to-maturity	96,347	—	75,733	—	75,733	94,662	—	77,995	—
Equity securities, at fair value	2,443	2,443	—	—	2,443	2,960	2,960	—	—
Restricted securities, at cost	5,007	—	5,007	—	5,007	4,962	—	4,962	—
Loans, net	1,800,096	—	—	1,660,836	1,660,836	1,807,260	—	—	1,671,566
Interest rate swap agreements	1,390	—	1,390	—	1,390	1,026	—	1,026	—
Mortgage servicing rights	9	—	—	9	9				
Loan servicing rights						47	—	—	47
Accrued interest receivable	5,701	—	5,701	—	5,701	6,410	—	6,410	—
Liabilities:									
Deposits	$ 1,981,623	$ —	$ 1,977,757	$ —	$ 1,977,757	$ 1,900,990	$ —	$ 1,900,160	$ —
Federal Reserve Bank borrowings	54,000	—	54,000	—	54,000	77,000	—	77,000	—
Subordinated debt	24,687	—	—	21,269	21,269	24,729	—	—	21,681
Interest rate swap agreements	1,390	—	1,390	—	1,390	1,026	—	1,026	—
Accrued interest payable	2,610	—	2,610	—	2,610	2,949	—	2,949	—

Table of Contents

		Fair Value Measurements at December 31, 2022 Using			
(Dollars in thousands)	Carrying Value as of December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as of December 31, 2022
Assets:					
Cash and cash equivalents	$ 61,599	$ 61,599	$ —	$ —	$ 61,599
Securities:					
Available-for-sale	357,576	—	357,576	—	357,576

Held-to-maturity	99,415	—	81,161	—	81,161
Equity securities, at fair value	2,115	2,115	—	—	2,115
Restricted securities, at cost	4,425	—	4,425	—	4,425
Loans, net	1,769,300	—	—	1,676,887	1,676,887
Interest rate swap agreement	1,217	—	1,217	—	1,217
Bank owned life insurance	21,170	—	21,170	—	21,170
Accrued interest receivable	5,531	—	5,531	—	5,531
Liabilities:					
Deposits	$ 2,067,740	$ —	$ 2,065,248	$ —	$ 2,065,248
Subordinated debt	24,624	—	—	22,457	22,457
Federal funds purchased	25,500	—	25,500	—	25,500
Interest rate swap agreement	1,217	—	1,217	—	1,217
Accrued interest payable	1,035	—	1,035	—	1,035

		Fair Value Measurements at December 31, 2023 Using			
(Dollars in thousands)	Carrying Value as of December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as of December 31, 2023
Assets:					
Cash and cash equivalents	$ 99,005	$ 99,005	$ —	$ —	$ 99,005
Securities:					
Available-for-sale	169,993	—	169,993	—	169,993
Held-to-maturity	95,505	—	79,532	—	79,532
Equity securities, at fair value	2,792	2,792	—	—	2,792
Restricted securities, at cost	5,012	—	5,012	—	5,012
Loans, net	1,840,424	—	—	1,730,205	1,730,205
Interest rate swap agreement	846	—	846	—	846
Loan servicing rights	22	—	—	22	22
Accrued interest receivable	6,110	—	6,110	—	6,110
Liabilities:					
Deposits	$ 1,906,600	$ —	$ 1,906,835	$ —	$ 1,906,835
Federal Reserve Bank borrowings	54,000		54,000		54,000
Federal funds purchased	10,000	—	10,000	—	10,000
Subordinated debt	24,708	—	—	21,873	21,873
Interest rate swap agreement	846	—	846	—	846
Accrued interest payable	4,559	—	4,559	—	4,559

Note 9— Earnings per Common Share

Earnings per common share is calculated in accordance with ASC 260 - *Earnings Per Share*, which provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method.

Under the two-class method, basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted-average number of voting common shares outstanding during the applicable period, excluding outstanding participating securities. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method.

The following table summarizes the computation of earnings per share for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Earnings (Loss) per common share - basic:						
Income (Loss) available to common shareholders (in thousands):						
Net income (loss)	$ (10,137)	$ 8,045	$ 656	$ 23,601		
Earnings per common share - basic:						
Income available to common shareholders (in thousands):						
Net income					$ 4,204	$ 6,304
Less: Income attributable to unvested restricted stock awards	—	(33)	(2)	(103)	(14)	(23)
Net income (loss) available to common shareholders	$ (10,137)	$ 8,012	$ 654	$ 23,498		
Net income available to common shareholders					$ 4,190	$ 6,281
Weighted average shares outstanding:						
Common shares outstanding, including unvested restricted stock	14,126,114	14,047,746	14,174,804	13,963,307	14,176,570	14,117,981
Less: Unvested restricted stock	(46,088)	(58,332)	(48,282)	(60,983)	(45,584)	(50,934)
Weighted-average common shares outstanding - basic	14,080,026	13,989,414	14,126,522	13,902,324	14,130,986	14,067,047
Earnings (Loss) per common share - basic	$ (0.72)	$ 0.57	$ 0.05	$ 1.69		
Earnings per common share - basic					$ 0.30	$ 0.45
Earnings (Loss) per common share - diluted:						
Income (loss) available to common shareholders (in thousands):						
Net income (loss)	$ (10,137)	$ 8,045	$ 656	$ 23,601		
Earnings per common share - diluted:						
Income available to common shareholders (in thousands):						
Net income					$ 4,204	$ 6,304
Less: Income attributable to unvested restricted stock awards	—	(33)	(2)	(103)	(14)	(23)
Net income (loss) available to common shareholders	$ (10,137)	$ 8,012	$ 654	$ 23,498		
Net income available to common shareholders					$ 4,190	$ 6,281
Weighted average shares outstanding:						
Common shares outstanding, including unvested restricted stock	14,126,114	14,047,746	14,174,804	13,963,307	14,176,570	14,117,981
Less: Unvested restricted stock	(46,088)	(58,332)	(48,282)	(60,983)	(45,584)	(50,934)
Plus: Effect of dilutive options	—	118,872	72,656	163,563	50,268	89,677
Weighted-average common shares outstanding - diluted	14,080,026	14,108,286	14,199,179	14,065,887	14,181,254	14,156,724
Earnings (Loss) per common share - diluted	$ (0.72)	$ 0.57	$ 0.05	$ 1.67		
Earnings per common share - diluted					$ 0.30	$ 0.44

Outstanding options to purchase common stock were considered in the computation of diluted earnings per share for the periods presented. No All stock options outstanding as of September 30, 2023 March 31, 2024 and March 31, 2023 were included in computing diluted earnings per share for the three months ended September 30, 2023 as the Company reported a net loss March 31, 2024 and the impact would have been anti-dilutive. All stock options outstanding as of September 30, 2023 were included in computing diluted earnings per share for the nine months ended September 30, 2023 March 31, 2023, as none had anti-dilutive effects. All stock options outstanding as of September 30, 2022 were included in computing diluted earnings per share for the three and nine months ended September 30, 2022, respectively, as none had anti-dilutive effects.

Table of Contents

Note 10— Stock Based Compensation Plan

The Company's share-based compensation plan, approved by stockholders and effective April 28, 2015 (the "2015 Plan"), provides for the grant of share-based awards in the form of incentive stock options, non-incentive stock options, restricted stock and restricted stock units to directors and employees. The Company has reserved 976,211 shares of voting common stock for issuance under the 2015 Plan, which will remain in effect until April 28, 2025. The Company's Compensation Committee administers the 2015 Plan and has the authority to determine the terms and conditions of each award thereunder. As of September 30, 2023 March 31, 2024, 301,242 277,529 shares are available to grant in future periods under the 2015 Plan.

The Company's previous share-based compensation plan, the 2006 Stock Option Plan (the "2006 Plan"), provided for the grant of share-based awards in the form of incentive stock options and non-incentive stock options to directors and employees. As amended, the 2006 Plan provided for awards of up to 1,490,700 shares. In April 2015, the 2006 Plan was terminated and replaced with the 2015 Plan. Options outstanding prior to April 28, 2015 were granted under the 2006 Plan and shall be subject to the provisions of the 2006 Plan.

To date, options granted under the 2015 Plan typically vest over five years and expire 10 years from the grant date. Under the 2015 Plan, the exercise price of options may not be less than 100% of fair market value at the grant date with a maximum term for an option award of 10 years from the grant date.

Table of Contents

The table below provides a summary of the stock options activity for the nine three months ended September 30, 2023 March 31, 2024.

	September 30, 2023			March 31, 2024		
	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at January 1, 2023	189,934	$ 11.76				
Outstanding at January 1, 2024				162,147	$ 11.77	
Granted	—	—		—	—	
Exercised	(27,375)	11.75		(60,637)	11.77	
Forfeited or expired	(412)	9.44		—	—	
Outstanding at September 30, 2023	162,147	11.77	$ 985,741			
Exercisable September 30, 2023	162,147	$ 11.77	$ 985,741			
Outstanding at March 31, 2024				101,510	11.77	$ 623,959
Exercisable March 31, 2024				101,510	$ 11.77	$ 623,959

The aggregate intrinsic value of stock options in the table above represents the total amount by which the current market value of the underlying stock exceeds the exercise price of the option that would have been received by the Company had all option holders exercised their options on September 30, 2023 March 31, 2024. The intrinsic value of options exercised was $370 $455 thousand for the nine months ended September 30, 2023, and $693 thousand and $4.4 million for the three and nine months ended September 30, 2022, respectively. There were no options exercised during the three months ended September 30, 2023 March 31, 2024 and $363 thousand for the three months ended March 31, 2023. These amounts and the intrinsic values noted in the table above change based on changes in the market value of the Company's voting common stock.

The table below provides a summary of the stock options outstanding and exercisable as of September 30, 2023 March 31, 2024.

September 30, 2023		March 31, 2024	
Options Outstanding	Options Exercisable	Options Outstanding	Options Exercisable

Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Number Exercisable	Weighted Average Remaining Contractual Life in Years	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Number Exercisable	Weighted Average Remaining Contractual Life in Years
$11.01 - $12.00	161,085	1.57	161,085	1.57	100,448	1.08	100,448	1.08
$12.01 - $13.00	1,062	1.23	1,062	1.23	1,062	0.73	1,062	0.73
Total	162,147	1.57	162,147	1.57	101,510	1.07	101,510	1.07

There were no options granted during the three or nine months ended September 30, 2023 March 31, 2024 or September 30, 2022 March 31, 2023.

The Company did not record any share-based compensation expense applicable to the Company's share-based compensation plans for stock options during the three or nine months ended September 30, 2023 March 31, 2024 or September 30, 2022 March 31, 2023.

The Company does not have any unrecognized share-based compensation expense related to nonvested options as of September 30, 2023 March 31, 2024.

Table of Contents

The table below provides a summary of the restricted stock awards granted under the 2015 plan for the nine three months ended September 30, 2023 March 31, 2024.

	September 30, 2023		March 31, 2024	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2023	55,185	$ 21.80		
Nonvested at January 1, 2024			47,318	$ 23.12
Granted	180	21.78	1,000	17.63
Vested	(9,124)	19.15	(2,389)	15.79
Forfeited	(370)	15.50	—	—
Nonvested at September 30, 2023	45,871	22.37		
Nonvested at March 31, 2024			45,929	23.38

Compensation expense for restricted stock grants is recognized over the vesting period of the awards based on the fair value of the Company's voting common stock at issue date. The fair value of the stock was determined using the closing stock price on the day of grant. The restricted stock grants vest over two to five years. The Company awarded 500 did not award any restricted stock grants during the nine three months ended September 30, 2022 March 31, 2023.

Share-based compensation expense applicable to the Company's share-based compensation plans for restricted stock grants was $130 $132 thousand and $133 $197 thousand for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, respectively. The total fair value of the shares, which vested during the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, was $8 $48 thousand and $10 $139 thousand, respectively.

Share-based compensation expense applicable to the Company's share-based compensation plans for restricted stock grants was $464 thousand and $402 thousand for the nine months ended September 30, 2023 and September 30, 2022, respectively. The total fair value 26

Table of the shares, which vested during the nine months ended September 30, 2023 and September 30, 2022, was $218 thousand and $381 thousand, respectively. Contents

Unrecognized share-based compensation expense related to nonvested restricted stock grants amounted to $631 $922 thousand as of September 30, 2023 March 31, 2024. This amount is expected to be recognized over a weighted-average period of 1.5 1.8 years.

Note 11— Regulatory Capital

The Company is a bank holding company with less than $3 billion in assets and does not (i) have significant off balance sheet exposure, (ii) engage in significant non-banking activities, or (iii) have a material amount of securities registered under the Securities Exchange Act of 1934, as amended ("Exchange Act"). As a result, the Company qualifies as a small bank holding company under the Federal Reserve's Small Bank Holding Company Policy Statement and is currently not subject to consolidated regulatory capital requirements.

The Bank is subject to capital adequacy standards adopted by the Federal Reserve, including the capital rules that implemented the Basel III regulatory capital reforms developed by the Basel Committee on Banking Supervision. Failure to meet minimum capital requirements can initiate certain mandatory – possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Management believes that the Bank met all capital adequacy requirements to which it was subject as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital to risk-weighted assets, common equity Tier 1 to risk-weighted assets, and Tier 1 capital to average assets.

In addition to the minimum regulatory capital required for capital adequacy purposes, the Bank is required to maintain a minimum capital conservation buffer above those minimums in the form of common equity. The capital conservation buffer, which was phased in ratably over a four year period beginning January 1, 2016, is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of common equity Tier 1 to risk-weighted assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases, and discretionary compensation paid to certain officers, based on the amount of the

Table of Contents

shortfall. The capital conservation buffer was 2.5% at September 30, 2023 March 31, 2024, and is applicable for the common equity Tier 1, Tier 1, and total capital ratios.

On January 1, 2023, the Company adopted ASC 326, which replaced the incurred loss methodology with the CECL methodology for estimating credit losses and generally applies to financial assets measured at amortized cost. The Federal Reserve and FDIC have adopted rules to identify which credit loss allowances under the CECL model are eligible for inclusion in regulatory capital and to provide banking organizations the option to phase in over a three-year transition period ending January 1, 2026 the day-one impact on regulatory capital that may result from the adoption of the CECL model. The Company implemented the CECL model on January 1, 2023 and elected to apply the provisions of the CECL deferral transition in the determination of its risk based capital ratios. The impact of the application of this deferral transition on the ratios was not significant.

As of September 30, 2023 March 31, 2024, the most recent notification from the Reserve Bank categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the institution must maintain minimum total risk-based, common equity Tier 1, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since the notification that management believes have changed the Bank's category.

The table below provides a summary of the Bank's capital ratios as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

	Actual		Minimum Capital Requirement[1]		Minimum To Be Well Capitalized Under Prompt Corrective Action		Actual		Minimum Capital Requirement[1]		Minimum To Be Well Capi Under Prompt Corrective	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ra
As of September 30, 2023												
As of March 31, 2024												

Total capital (to risk weighted assets)	$280,891	15.7 %	$ 188,433	10.5 %	$ 179,460	10.0 %	$286,038	16.1 %	$ 186,320	10.5 %	$ 177,447	
Tier 1 capital (to risk weighted assets)	261,666	14.6 %	152,541	8.5 %	143,568	8.0 %	267,795	15.1 %	150,830	8.5 %	141,958	
Common equity tier 1 capital (to risk weighted assets)	261,666	14.6 %	125,622	7.0 %	116,649	6.5 %	267,795	15.1 %	124,213	7.0 %	115,341	
Tier 1 capital (to average assets)	261,666	11.3 %	92,625	4.0 %	115,781	5.0 %	267,795	11.8 %	90,500	4.0 %	113,125	

As of December 31, 2022												
As of December 31, 2023												
Total capital (to risk weighted assets)	$283,471	15.6 %	$ 190,798	10.5 %	$ 181,712	10.0 %	$282,082	15.7 %	$ 188,448	10.5 %	$ 179,475	
Tier 1 capital (to risk weighted assets)	262,960	14.4 %	155,219	8.5 %	146,089	8.0 %	263,637	14.7 %	152,553	8.5 %	143,580	
Common equity tier 1 capital (to risk weighted assets)	262,960	14.4 %	127,828	7.0 %	118,697	6.5 %	263,637	14.7 %	125,632	7.0 %	116,658	
Tier 1 capital (to average assets)	262,960	11.3 %	93,083	4.0 %	116,354	5.0 %	263,637	11.6 %	91,163	4.0 %	113,954	

(1) Including capital conservation buffer.

Note 12— Revenue

Certain of the Company's non-interest revenue streams are derived from short-term contacts associated with services provided to deposit account holders as well as other ancillary services, which are accounted for in accordance with ASC 606 – *Revenue Recognition*. For most of these revenue streams, the duration of the contract does not extend beyond the services performed. Due to the short duration of most customer contracts that generate non-interest income, no significant judgments must be made in the determination of the amount and timing of revenue recognized.

Table of Contents

The following table shows the components of non-interest income for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
(Dollars in thousands)	**2023**	**2022**	**2023**	**2022**	**2024**	**2023**
Service charges on deposit accounts (1)						
Overdrawn account fees	$ 20	$ 19	$ 55	$ 60	$ 21	$ 14
Account service fees	65	60	184	180	67	58
Other service charges and fees (1)						
Interchange income	101	108	304	306	88	99
Other charges and fees	59	67	373	163	61	104
Bank owned life insurance	23	255	224	445	—	100
Losses on sale of available-for-sale securities	(17,114)	—	(17,316)	—	—	(202)
Net gains (losses) on premises and equipment (1)	—	—	16	(1)		
Insurance commissions (1)	54	47	310	312	252	206
Gain on sale of government guaranteed loans	27	—	50	—	133	—
Non-qualified deferred compensation plan asset gains (losses), net	(60)	(107)	112	(498)	124	89
Other operating income (2)	10	1	124	6		
Other income (2)					72	98
Total non-interest income	$ (16,815)	$ 450	$ (15,564)	$ 973	$ 818	$ 566

(1) Income within the scope of ASC 606.

(2) Includes other operating income within the scope of ASC 606 amounting to $10 $9 thousand and $33 $8 thousand for the three and nine months ended September 30, 2023 March 31, 2024 and March 31, 2023, respectively. Includes other operating income of $64 thousand and $91 thousand related to swap fee income on a back-to-back loan swaps for the nine three months ended September 30, 2023 March 31, 2024 and March 31, 2023, respectively, which is outside the scope of ASC 606. There was no swap fee income on back-to-back loan swaps for the three months ended September 30, 2023. Includes other operating income within the scope of ASC 606 amounting to $1 thousand and $6 thousand for the three and nine months ended September 30, 2022, respectively.

As previously disclosed, the Company surrendered all of its Bank Owned Life Insurance ("BOLI") policies in July 2023.

A description of the Company's revenue streams accounted for under ASC 606 follows:

Service charges on deposit accounts

Service charges on deposit accounts consist of overdrawn account fees and account service fees. Overdrawn account fees are recognized at the point in time that the overdraft occurs. Account service fees consist primarily of account analysis and other maintenance fees and are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Payment for service charges on deposit accounts is received immediately or in the following month through a direct charge to customers' accounts.

Other service charges and fees

Other service charges and fees are primarily comprised of interchange income and other charges and fees. Interchange income is earned whenever the Company's debit and credit cards are processed through card payment networks such as Visa. Other charges and fees include revenue from processing wire transfers, cashier's checks, and other transaction based services. The Company's performance obligation for these charges and fees are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Table of Contents

Net gains (losses) on premises and equipment

The Company records a gain or loss on the disposition of premises and equipment when control of the property transfers or is involuntarily converted to a monetary asset (e.g., insurance proceeds). This income is reflected in other operating income on the Company's Consolidated Statements of Income.

Table of Contents

Insurance commissions

The Company performs the function of an insurance intermediary by introducing the policyholder and insurer and is compensated in the form of a commission for placement of an insurance policy based on a percentage of premiums issued and maintained during the period. Revenue is recognized when received.

Note 13— Other Operating Expenses

The following table shows the components of other operating expenses for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
(Dollars in thousands)	2023	2022	2023	2022	2024	2023
Advertising expense	$ 87	$ 47	$ 239	$ 147	$ 97	$ 77
Data processing	493	484	1,374	1,412	527	434
FDIC insurance	275	140	771	410	260	213
Professional fees	(141)	281	154	852	286	158
State franchise tax	604	523	1,785	1,570	570	577
Director costs	186	200	629	615	211	255
Other operating expenses	377	427	1,135	1,241	415	378
Total other operating expenses	$ 1,881	$ 2,102	$ 6,087	$ 6,247	$ 2,366	$ 2,092

Note 14— Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in accumulated other comprehensive income (loss), by category, net of tax for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

	September 30, 2023			March 31, 2024		
(Dollars in thousands)	Unrealized Gain (Loss) on Available-for-sale Securities	Unrealized Gains on Securities Transferred from Available-for-sale to Held-to-maturity	Accumulated Other Comprehensive Income (Loss)	Unrealized (Loss) on Available-for-sale Securities	Unrealized Gains on Securities Transferred from Available-for-sale to Held-to-maturity	Accumulated Other Comprehensive (Loss)

Beginning balance, January 1, 2023	$ (28,942)	$ 245	$ (28,697)			
Beginning balance, January 1, 2024				$ (12,400)	$ 149	$ (12,251)
Net change during the period	11,800	(73)	11,727	(380)	(22)	(402)
Ending balance, September 30, 2023	$ (17,142)	$ 172	$ (16,970)			
Ending Balance, March 31, 2024				$ (12,780)	$ 127	$ (12,653)

	September 30, 2022			March 31, 2023		
(Dollars in thousands)	**Unrealized Loss on Available-for-sale Securities**	**Unrealized Gains on Securities Transferred from Available-for-sale to Held-to-maturity**	**Accumulated Other Comprehensive Loss**	**Unrealized Gain on Available-for-sale Securities**	**Unrealized Gains on Securities Transferred from Available-for-sale to Held-to-maturity**	**Accumulated Other Comprehensive (Loss)**
Beginning balance, January 1, 2022	$ (789)	$ 389	$ (400)			
Beginning balance, January 1, 2023				$ (28,942)	$ 245	$ (28,697)
Net change during the period	(30,401)	(115)	(30,516)	3,529	(27)	3,502
Ending Balance, September 30, 2022	$ (31,190)	$ 274	$ (30,916)			
Ending Balance, March 31, 2023				$ (25,413)	$ 218	$ (25,195)

The Company did not have any items reclassified out of accumulated other comprehensive income (loss) to net income during the three months ended March 31, 2024. Items reclassified out of accumulated other comprehensive income (loss) to net income during the nine three months ended September 30, 2023 March 31, 2023 consisted of losses on securities classified as available-for-sale. The losses on these transactions totaled $17.3 million $202 thousand and the related tax benefit was $3.6 million. $42 thousand. Losses are included in the "Losses on sale of available-for-sale securities" line item and the related tax is presented in the "Income tax expense" line item in the Consolidated Statements of Income. The Company did not have any items reclassified out of accumulated other comprehensive income (loss) to net income during the nine months ended September 30, 2022.

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

The following discussion and analysis of the consolidated financial condition and results of operations of the Company and its subsidiary should be read in conjunction with the consolidated financial statements and related notes presented in Item 1, Financial Statements, of this Form 10-Q. Historical results of operations and the percentage relationships among any amounts included, and any trends that may appear, may not indicate results of operations or trends in operations for any future periods.

Use of Non-GAAP Financial Measures

This discussion and analysis contains financial information determined by methods other than in accordance with GAAP. Management believes that the supplemental non-GAAP information provides a better comparison of period-to-period operating performance. Additionally, the Company believes this information is utilized by regulators and market analysts to evaluate a company's financial condition and therefore, such information is useful to investors. Non-GAAP measures used in this report consist of core non-interest tax-equivalent net interest income core income tax expense, core and tax-equivalent net income, core earnings per share (basic and diluted), core return on average assets (annualized), core return on average equity (annualized) and core non-interest income as a percentage of average assets (annualized) excluding the impact of losses recognized in July 2023 on the sale of available-for-sale securities and taxes paid on the early surrender of bank owned life insurance policies. interest margin.

These disclosures should not be viewed as a substitute for financial results in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures which may be presented by other companies. Where the non-GAAP financial measure is used, the comparable GAAP financial measure, as well as reconciliation to that comparable GAAP financial measure, as well as a statement of the company's reasons for utilizing the non-GAAP financial measure, can be found within this discussion and analysis.

Cautionary Note on Forward-Looking Statements

In addition to historical information, this Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on certain assumptions and describe future plans, strategies and expectations of the Company. These forward-looking statements are generally identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," "will," "should," "may," "view," "opportunity," "potential," or similar expressions. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. These forward-looking statements are based on our beliefs and assumptions and on the information available to us at the time that these disclosures were prepared, and involve known and unknown risks, uncertainties and other factors that may cause our actual results to differ materially from any future results expressed or implied by such forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are reasonable, we can give no assurance such expectations will prove to have been correct. Should any known or unknown risks and uncertainties develop into actual events, those developments could have material adverse effects on our business, financial condition and results of operations. Factors that could have a material adverse effect on the operations of the Company and the Bank include, but are not limited to, the following:

- the concentration of our business in the Washington, D.C. metropolitan area and the effect of changes in the economic, political and environmental conditions on this market;
- adequacy of our allowance for loan credit losses, allowance for unfunded commitments credit losses, and allowance for credit losses associated with our held-to-maturity and available-for-sale securities portfolios;
- deterioration of our asset quality;
- future performance of our loan portfolio with respect to recently originated loans;
- the level of prepayments on loans and mortgage-backed securities;
- liquidity, interest rate and operational risks associated with our business;
- changes in our financial condition or results of operations that reduce capital;
- our ability to maintain existing deposit relationships or attract new deposit relationships;
- changes in consumer spending, borrowing and savings habits;
- inflation and changes in interest rates that may reduce our margins or reduce the fair value of financial instruments;
- changes in the monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve;
- additional risks related to new lines of business, products, product enhancements or services;
- increased competition with other financial institutions and fintech companies;
- adverse changes in the securities markets;

- changes in the financial condition or future prospects of issuers of securities that we own;

- our ability to maintain an effective risk management framework;

Table of Contents

- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory structure and in regulatory fees and capital requirements;
- compliance with legislative or regulatory requirements;
- results of examination of us by our regulators, including the possibility that our regulators may require us to increase our allowance for loan credit losses or to write-down assets or take similar actions;
- potential claims, damages, and fines related to litigation or government actions;
- the effectiveness of our internal controls over financial reporting and our ability to remediate any future material weakness in our internal controls over financial reporting;
- geopolitical conditions, including acts or threats of terrorism and/or military conflicts, or actions taken by the U.S. or other governments in response to acts or threats of terrorism and/or military conflicts, negatively impacting business and economic conditions in the U.S. and abroad;
- the effects of weather-related or natural disasters, which may negatively affect our operations and/or our loan portfolio and increase our cost of conducting business;
- public health events (such as the COVID-19 pandemic) and governmental and societal responses thereto;
- technological risks and developments, and cyber threats, attacks, or events;
- the additional requirements of being a public company;
- changes in accounting policies and practices;
- our ability to successfully capitalize on growth opportunities;
- our ability to retain key employees;
- deteriorating economic conditions, either nationally or in our market area, including higher unemployment and lower real estate values;
- implications of our status as a smaller reporting company and as an emerging growth company; and
- other factors discussed in Item 1A. Risk Factors in the Company's 2022 2023 Annual Report on Form 10-K filed with the SEC. SEC on March 20, 2024.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary note.

Overview

We are a bank holding company headquartered in Reston, Virginia primarily serving the Washington, D.C. metropolitan area. The material business operations of our organization are performed through the Bank. As a result, the discussion and analysis within this section primarily relate to activities conducted at the Bank.

As with most community banks, the Bank derives a significant portion of its income from interest received on loans and investments. The Bank's primary source of funding is deposits, both interest-bearing and non-interest-bearing. To account for credit risk inherent in all loans, the Bank maintains an allowance for loan credit losses to absorb lifetime losses on existing loans. The Bank establishes and maintains this allowance by recording a provision for credit losses against earnings. In addition to net interest income, the Bank also generates income through service charges on deposits, insurance commission income, income from bank owned life insurance, merchant services fee income, swap fee income and gain on sale of the guaranteed portion of Small Business Administration ("SBA") SBA 7(a) loans. In order to maintain its operations, the Bank incurs various operating expenses which are further described within the "Results of Operations" later in this section.

As of September 30, 2023 March 31, 2024, the Company had total consolidated assets of $2.30 $2.25 billion, total loans net of unearned income of $1.82 billion, total deposits of $1.98 $1.90 billion and total shareholders' equity of $220.6 $234.5 million.

Critical Accounting Policies and Estimates

The Company's accounting and reporting policies conform to GAAP, as well as general practices within the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements may reflect different estimates,

assumptions, and judgments. Certain policies inherently rely more extensively on the use of estimates, assumptions, and judgments and as such may have a greater possibility of producing results that could be materially different than originally reported.

Our most significant accounting policies are described in Item 7. Management's Discusion Discussion and Analysis of Financial Condition and Results of Operations and Note 1 to our audited financial statements for the year ended December 31, 2022 December 31, 2023, included in the Company's 2022 2023 Annual Report on Form 10-K filed with the SEC and in Note 1 to our unaudited financial statements, which are included elsewhere in this Quarterly Report on Form 10-Q. March 20, 2024.

Selected Financial Data

The following table contains selected historical consolidated financial data as of the dates and for the periods shown. The selected balance sheet data as of September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 and the selected income statement data for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 have been derived from our consolidated financial statements.

(Dollars in thousands, except per share data)	As of or for the Three Months Ended		As of or for the Nine Months Ended		As of or for the Three Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023
Balance Sheet Data:						
Loans, net of unearned income	$ 1,820,132	$ 1,725,114	$ 1,820,132	$ 1,725,114	$ 1,825,931	$ 1,771,272
Allowance for loan credit losses	20,036	20,032	20,036	20,032	18,671	21,619
Total assets	2,298,202	2,305,540	2,298,202	2,305,540	2,251,837	2,351,307
Deposits	1,981,623	2,063,341	1,981,623	2,063,341	1,900,990	2,088,642
Shareholders' equity	220,567	202,212	220,567	202,212	234,550	220,823
Asset Quality Data:						
Net (charge-offs) recoveries to average total loans, net of unearned income (annualized)	0.00 %	0.00 %	0.00 %	0.00 %		
Net (charge-offs) recoveries to average total loans, net of unearned income					0.00 %	0.00 %
Allowance for loan credit losses to nonperforming loans	NM	NM	NM	NM	NM	NM
Allowance for loan credit losses to total gross loans net of unearned income	1.10 %	1.16 %	1.10 %	1.16 %	1.02 %	1.22 %

Non-performing assets to total assets	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Non-performing loans to total loans	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Capital Ratios (Bank level):						
Equity-to-total assets ratio	10.6 %	9.7 %	10.6 %	9.7 %	11.3 %	10.3 %
Total risk-based capital ratio	15.7 %	15.4 %	15.7 %	15.4 %	16.1 %	16.1 %
Tier 1 risk-based capital ratio	14.6 %	14.3 %	14.6 %	14.3 %	15.1 %	14.9 %
Common equity tier 1 ratio	14.6 %	14.3 %	14.6 %	14.3 %	15.1 %	14.9 %
Leverage ratio	11.3 %	11.0 %	11.3 %	11.0 %	11.8 %	11.5 %
Income Statement Data:						
Interest and dividend income	$ 26,263	$ 21,208	$ 74,171	$ 60,509	$ 26,919	$ 23,453
Interest expense	14,284	3,516	35,715	7,593	15,175	8,984
Net interest income	$ 11,979	$ 17,692	$ 38,456	$ 52,916	$ 11,744	$ 14,469
Provision for (recovery of) credit losses	(829)	—	(2,471)	—	(776)	(774)
Non-interest income (loss)	(16,815)	450	(15,564)	973		
Non-interest income					818	566
Non-interest expense	7,660	7,958	23,261	24,425	7,924	7,770
Income (loss) before taxes	$ (11,667)	$ 10,184	$ 2,102	$ 29,464		
Income tax expense (benefit)	(1,530)	2,139	1,446	5,863		
Net income (loss)	$ (10,137)	$ 8,045	$ 656	$ 23,601		
Income before taxes					$ 5,414	$ 8,039
Income tax expense					1,210	1,735
Net income					$ 4,204	$ 6,304
Per Share Data and Shares Outstanding:						
Weighted average common shares (basic)	14,080,026	13,989,414	14,126,522	13,902,324	14,130,986	14,067,047
Weighted average common shares (diluted)	14,080,026	14,108,286	14,199,179	14,065,887	14,181,254	14,156,724
Common shares outstanding	14,126,084	14,070,080	14,126,084	14,070,080	14,209,606	14,125,208
Earnings (loss) per share, basic	$ (0.72)	$ 0.57	$ 0.05	$ 1.69		
Earnings (loss) per share, diluted	$ (0.72)	$ 0.57	$ 0.05	$ 1.67		
Earnings per share, basic					$ 0.30	$ 0.45
Earnings per share, diluted					$ 0.30	$ 0.44
Book value per share	$ 15.61	$ 14.37	$ 15.61	$ 14.37	$ 16.51	$ 15.63
Performance Ratios:						
Return on average assets ("ROAA") (1)	(1.73)%	1.38 %	0.04 %	1.40 %	0.75 %	1.10 %
Return on average equity ("ROAE") (2)	(18.24)%	15.07 %	0.40 %	15.03 %	7.23 %	11.83 %
Net interest margin(3)	2.08 %	3.10 %	2.25 %	3.19 %		
Non-interest expense to average assets (annualized)(4)	1.30 %	1.36 %	1.33 %	1.45 %		
Tax-equivalent net interest margin (Non-GAAP)(3)					2.11 %	2.57 %
Non-interest expense to average assets (4)					1.41 %	1.35 %
Efficiency ratio(5)	(158.4)%	43.9 %	101.6 %	45.3 %	63.1 %	51.7 %

NM – Not meaningful

(1) ROAA is calculated by dividing year-to-date net income annualized by year-to-date average assets.

(2) ROAE is calculated by dividing year-to-date net income annualized by year-to-date average equity.

Table of Contents

(3) Net Tax-equivalent net interest margin for all periods presented are reported on a tax-equivalent basis using the federal statutory tax rate of 21%.
(4) Non-interest expense to average assets is calculated by dividing year-to-date annualized non-interest expense by year-to-date average assets.

Table of Contents

(5) The efficiency ratio is calculated by dividing non-interest expense by the sum of net interest income and non-interest income.

Results of Operations – Nine Three Months Ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023

Overview

The Company reported net income of $656 thousand $4.2 million for the nine three months ended September 30, 2023 March 31, 2024, a decrease of $22.9 million $2.1 million when compared to the same period in 2022. As disclosed in our second quarter Form 10-Q filed August 9, 2023, during July the Company sold certain lower-yielding available-for-sale investment securities with a total par value of $161.2 million and agreed to surrender $21.4 million of bank owned life insurance ("BOLI") contracts, resulting in a non-recurring, after-tax loss of $14.6 million that was recorded during the third quarter of 2023 (the "Restructuring") three months ended March 31, 2023. Core net income (Non-GAAP) defined as reported net income excluding the non-recurring after-tax loss and taxes paid in conjunction with the surrender of the Bank's BOLI policies resulting from the Restructuring was $15.3 million, a decrease of $8.3 million when Diluted earnings per share were $0.30 compared to the same period in 2022. The following table reconciles net income to core net income, which is a non-GAAP measure, and outlines reported (GAAP) and core (Non-GAAP) diluted earnings per share annualized ROAA and annualized ROAE as follows: of $0.44 for the three months ended March 31, 2023.

	For the Nine Months Ended			
(Dollars in thousands except per share amounts)		**September 30, 2023**		**September 30, 2022**
Net income (GAAP)	$	656	$	23,601
Add: Loss on securities sale, net of tax		13,520		-
Add: Non-recurring tax and 10% modified endowment contract penalty on early surrender of BOLI policies		1,101		-
Core net income (Non-GAAP)(1)	$	15,277	$	23,601
Earnings per share - diluted (GAAP)	$	0.05	$	1.67
Core earnings per share - diluted (Non-GAAP)(2)	$	1.08	$	1.67
Return on average assets (annualized) (GAAP)		0.04 %		1.40 %
Core return on average assets (annualized) (Non-GAAP)(3)		0.87 %		1.40 %
Return on average equity (annualized) (GAAP)		0.40 %		15.03 %
Core return on average equity (annualized) (Non-GAAP)(4)		9.25 %		15.03 %

(1) Core net income reflects net income adjusted for the non-recurring tax effected loss recognized on the sale of available-for-sale securities and non-recurring tax expense associated with the surrender of the Company's BOLI policies in July 2023. Tax benefit (expense) is calculated using the federal statutory tax rate of 21%.
(2) Core earnings per share – diluted is calculated by dividing core net income by basic weighted average shares outstanding and diluted weighted average shares outstanding, respectively, for each period presented.
(3) Core return on average assets (annualized) is calculated by dividing annualizing core net income by average assets for each period presented.
(4) Core return on average equity (annualized) is calculated by dividing annualizing core net income by average equity for each period presented.

Net Interest Income and Net Interest Margin

Net interest income is the excess of interest earned on loans and investments over the interest paid on deposits and borrowings, and is the Company's primary revenue source. Net interest income is affected by overall balance sheet growth, changes in interest rates and changes in the mix of investments, loans, deposits and borrowings. The Company's interest-earning assets include loans, investment securities and interest-bearing deposits in other banks, while our interest-bearing liabilities include interest-bearing deposits and borrowings. Net interest margin represents the difference between interest received and interest paid as a percentage of average total interest-earning assets. Management seeks to maximize net interest income without exposing the Company to an excessive level of interest rate risk through management's asset and liability management policies. Interest rate risk is managed by monitoring the pricing, maturity, and repricing options of all classes of interest-bearing assets and liabilities. Management expects net interest income and net interest margin to fluctuate based on changes in interest rates and changes in the amount and composition of the Company's interest-earning assets and interest-bearing liabilities.

Table of Contents

The following table presents the average balance for each principal balance sheet category, and the amount of interest income or expense associated with that category, as well as corresponding average yields earned and rates paid for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

Average Balance Sheets and Interest Rates on Interest-Earning Assets and Interest-Bearing Liabilities

	September 30, 2023			September 30, 2022			March 31, 2024			March 3	
(Dollars in thousands)	Average Balance	Interest Income / Expense	Average Rate	Average Balance	Interest Income / Expense	Average Rate	Average Balance	Interest Income / Expense	Average Rate	Average Balance	Intere
Assets:											
Securities:											
Taxable	$ 401,623	$ 6,117	2.04 %	$ 433,128	$ 5,782	1.78 %	$ 269,380	$ 1,351	2.02 %	$ 459,817	$
Tax-exempt(1)	2,678	56	2.80 %	5,002	114	3.05 %	1,380	11	3.21 %	3,437	
Total securities	$ 404,301	$ 6,173	2.04 %	$ 438,130	$ 5,896	1.80 %	$ 270,760	$ 1,362	2.02 %	$ 463,254	$
Loans, net of unearned income(2):											
Taxable	1,748,904	62,664	4.79 %	1,626,661	53,192	4.37 %	1,813,528	23,458	5.20 %	1,744,347	
Tax-exempt(1)	28,319	875	4.13 %	22,656	694	4.10 %	22,438	209	3.75 %	28,575	
Total loans, net of unearned income	$ 1,777,223	$ 63,539	4.78 %	$ 1,649,317	$ 53,886	4.37 %	$ 1,835,966	$ 23,667	5.18 %	$ 1,772,922	$
Interest-bearing deposits in other banks	$ 119,002	$ 4,654	5.23 %	$ 134,874	$ 897	0.89 %	$ 140,894	$ 1,936	5.53 %	$ 59,501	$
Total interest-earning assets	$ 2,300,526	$ 74,366	4.32 %	$ 2,222,321	$ 60,679	3.65 %	$ 2,247,620	$ 26,965	4.83 %	$ 2,295,677	$
Total non-interest earning assets	36,572			35,066			16,924			39,018	
Total assets	$ 2,337,098			$ 2,257,387			$ 2,264,544			$ 2,334,695	
Liabilities & Shareholders' Equity:											
Interest-bearing deposits:											
NOW accounts	$ 291,217	$ 4,484	2.06 %	$ 325,647	$ 829	0.34 %	$ 313,478	$ 2,199	2.82 %	$ 258,492	$

Money market accounts	374,053	7,560	2.70 %	389,535	1,516	0.52 %	324,753	2,576	3.19 %	429,073	
Savings accounts	75,273	673	1.20 %	109,740	284	0.35 %	53,064	175	1.33 %	87,640	
Time deposits	855,076	20,873	3.26 %	658,897	3,461	0.70 %	808,845	8,981	4.47 %	814,472	
Total interest-bearing deposits	$ 1,595,619	$ 33,590	2.81 %	$ 1,483,819	$ 6,090	0.55 %	$ 1,500,140	$ 13,931	3.73 %	$ 1,589,677	$
Federal funds purchased	294	10	4.55 %	—	—	0.00 %	110	2	7.31 %	789	
Subordinated debt	24,653	1,047	5.68 %	27,476	1,461	7.11 %					
Subordinated debt, net							24,716	349	5.68 %	24,632	
Federal Reserve Bank borrowings							75,231	893	4.77 %	—	
Other borrowed funds	29,483	1,068	4.84 %	8,257	42	0.68 %	—	—	NM	6,033	
Total interest-bearing liabilities	$ 1,650,049	$ 35,715	2.89 %	$ 1,519,552	$ 7,593	0.67 %	$ 1,600,197	$ 15,175	3.81 %	$ 1,621,131	$
Demand deposits	447,778			511,504			414,033			476,462	
Other liabilities	18,483			16,321			16,362			16,820	
Total liabilities	$ 2,116,310			$ 2,047,377			$ 2,030,592			$ 2,114,413	
Shareholders' equity	$ 220,788			$ 210,010			$ 233,952			$ 220,282	
Total liabilities and shareholders' equity	$ 2,337,098			$ 2,257,387			$ 2,264,544			$ 2,334,695	
Net interest spread			1.43 %			2.98 %			1.02 %		
Net interest income and margin		$ 38,651	2.25 %		$ 53,086	3.19 %					
Tax-equivalent net interest income and margin (Non-GAAP)								$ 11,790	2.11 %		

Table of Contents

(1) Income and yields for all periods presented are reported on a tax-equivalent basis using the federal statutory tax rate of 21%.

(2) The Company did not have any loans on non-accrual nonaccrual as of September 30, 2023 March 31, 2024 or September 30, 2022 March 31, 2023.

Net Tax-equivalent net interest margin as presented above is calculated by dividing tax-equivalent net interest income by total average earning assets. Net interest income, on a tax equivalent tax-equivalent basis, is a financial measure that the Company believes provides a more accurate picture of the interest margin for comparative purposes. Tax-equivalent net interest income is calculated by adding the tax benefit on certain securities and loans, whose interest is tax-exempt, to total interest income then subtracting total interest expense. The following table, “Tax-Equivalent Net Interest Income,” reconciles net interest income to tax-equivalent net interest income, which is a non-GAAP measure.

Table of Contents

Tax-Equivalent Net Interest Income

(Dollars in thousands)	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023
GAAP Financial Measurements:				
Interest Income - Loans	$ 63,355	$ 53,740	$23,623	$20,425
Interest Income - Securities and Other Interest-Earning Assets	10,816	6,769	3,296	3,028
Interest Expense - Deposits	33,590	6,090	13,931	8,559
Interest Expense - Borrowings	2,125	1,503	1,244	425
Total Net Interest Income	$ 38,456	$ 52,916		
Total Net Interest Income (GAAP)			$11,744	$14,469
Non-GAAP Financial Measurements:				
Add: Tax Benefit on Tax-Exempt Interest Income - Loans	184	146	44	61
Add: Tax Benefit on Tax-Exempt Interest Income - Securities	11	24	2	5
Total Tax Benefit on Tax-Exempt Interest Income (1)	$ 195	$ 170	$ 46	$ 66
Tax-Equivalent Net Interest Income	$ 38,651	$ 53,086		
Tax-Equivalent Net Interest Income (Non-GAAP)			$11,790	$14,535

(1) Tax benefit was calculated using the federal statutory tax rate of 21%.

Net interest income decreased $14.4 million $2.7 million or 27.2% 18.9% on a fully tax-equivalent basis for the nine three months ended September 30, 2023 March 31, 2024, compared to the nine three months ended September 30, 2022 March 31, 2023. The decrease in net interest income was driven by the increase in the costs of interest-bearing liabilities outpacing the increase in yield on interest-earning assets.

On a fully tax-equivalent basis, the net interest margin was 2.25% 2.11% for the nine three months ended September 30, 2023 March 31, 2024, compared to 3.19% 2.57% for the nine three months ended September 30, 2022 March 31, 2023. The decrease in net interest margin was primarily due to increases an increase in the cost of interest-bearing deposits and other borrowed funds outpacing liabilities, which more than offset the increase in yield yields on loans, investments, and securities. interest-bearing deposits in other banks. The cost of interest-bearing liabilities increased 2.22% from 0.67% was 3.81% for the nine months ended September 30, 2022 first quarter of 2024 compared to 2.89% 2.25% for the nine months ended September 30, 2023. same quarter of the prior year. The increase in the cost of interest-bearing liabilities was primarily due to higher interest expense a 1.55% increase in the cost of interest-bearing deposits resulting from the repricing of the Company’s time deposits coupled with an increase in rates offered on deposits money market, NOW and other borrowings. savings deposit accounts since the first quarter of 2023. The increase in the overall cost of interest-bearing liabilities during in the nine months ended September 30, 2023 first quarter of 2024 relative to the same period of the prior year is largely due to Federal Reserve Bank rate hikes increases totaling 5.25% by the Federal Reserve since the beginning of between March 2022 which is increasing cost of funds and compressing net interest margins broadly across the banking industry. July 2023.

The loan portfolio’s yield for the nine three months ended September 30, 2023 March 31, 2024 was 4.78% 5.18% compared to 4.37% 4.69% for the nine three months ended September 30, 2022 March 31, 2023. The increase of 0.41% 0.49% was primarily attributable to an increase in yield on the Company’s variable rate loans as a result of an increase in interest rates subsequent to September 30, 2022 March 31, 2023 coupled with a higher weighted average yield on loans originated since the third first quarter of 2022.

The investment securities portfolio's yield for the nine months ended September 30, 2023 was 2.04% compared to 1.80% for the nine months ended September 30, 2022. The increase of 0.24% was primarily due to the Company realizing the full benefit of higher yields on investment securities purchased during the latter part of the second quarter of 2022. 2023.

The yield on interest-bearing deposits due from banks for the nine three months ended September 30, 2023 March 31, 2024 was 5.23% 5.53% compared to 0.89% 4.66% for the nine three months ended September 30, 2022 March 31, 2023. The increase of 4.34% 0.87% was primarily due to a higher federal funds rate during the nine three months ended September 30, 2023 March, 2024 when compared to the same period of 2022. 2023.

The following table presents the effects of changing rates and volumes on net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects

Table of Contents

attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated to volume.

Table of Contents

Rate/Volume Analysis

	For the Nine Months Ended September 30, 2023 and 2022			For the Three Months Ended March 31, 2024 and 2023		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
(Dollars in thousands)	Volume	Rate	Total Increase (Decrease)	Volume	Rate	Total Increase (Decrease)
Interest-earning Assets:						
Securities:						
Taxable	$ (506)	$ 841	$ 335	$ (957)	$ (18)	$ (975)
Tax-exempt(1)	(53)	(5)	(58)	(17)	4	(13)
Total securities	$ (559)	$ 836	$ 277	$ (974)	$ (14)	$ (988)
Loans, net of unearned income:						
Taxable	4,381	5,091	9,472	895	2,369	3,264
Tax-exempt(1)	174	7	181	(58)	(25)	(83)
Total loans, net of unearned income(2)	$ 4,555	$ 5,098	$ 9,653	$ 837	$ 2,344	$ 3,181
Interest-bearing deposits in other banks	$ (480)	$ 4,237	$ 3,757	$1,113	$ 140	$ 1,253
Total interest-earning assets	$ 3,516	$ 10,171	$ 13,687	$ 976	$ 2,470	$ 3,446
Interest-bearing Liabilities:						
Interest-bearing deposits:						
NOW accounts	$ (546)	$ 4,201	$ 3,655	$ 611	$ 826	$ 1,437
Money market accounts	(375)	6,419	6,044	(874)	975	101
Savings accounts	(308)	697	389	(115)	45	(70)
Time deposits	4,716	12,696	17,412	(84)	3,988	3,904
Total interest-bearing deposits	$ 3,487	$ 24,013	$ 27,500	$ (462)	$ 5,834	$ 5,372
Federal funds purchased	10	—	10	(7)	—	(7)
Subordinated debt	(120)	(294)	(414)	1	(1)	—
Other borrowed funds	790	236	1,026	819	7	826
Total interest-bearing liabilities	$ 4,167	$ 23,955	$ 28,122	$ 351	$ 5,840	$ 6,191

Change in net interest income	$ (651)	$ (13,784)	$ (14,435)			
Change in tax-equivalent net interest income (Non-GAAP)				$ 625	$(3,370)	$ (2,745)

(1) Income and yields for all periods presented are reported on a tax-equivalent basis using the federal statutory tax rate of 21%.

(2) The Company did not have any loans on non-accrual nonaccrual as of September 30, 2023 March 31, 2024 or September 30, 2022 March 31, 2023.

Interest Income

Interest income increased by $13.7 million $3.4 million or 22.6% 14.7% to $74.4 million $27.0 million on a fully tax-equivalent basis for the nine three months ended September 30, 2023 March 31, 2024 compared to $60.7 million $23.5 million for the nine three months ended September 30, 2022 March 31, 2023, driven by both an increase in rates and volume on interest-earning assets. The increase in rate on interest-earning assets was primarily attributable to the Company's loan portfolio and interest-bearing deposits due from banks. The increase in volume of average interest-earning assets was primarily attributable to interest-bearing deposits due from banks and the Company's loan portfolio.

Fully tax-equivalent interest income on loans increased by approximately $9.7 million $3.2 million as a result of volume and an increase in rate. Average loans for increased $63 million between the comparative nine month period increased approximately $127.9 million between September 30, 2022 three months ended March 31, 2024 and September 30, 2023 March 31, 2023, which was primarily attributable to origination volume in the commercial investor real estate and residential real estate loan portfolios subsequent to September 30, 2022 March 31, 2023.

Fully tax-equivalent interest income on investment securities increased decreased by approximately $277 thousand $1.0 million primarily as a result of rate increases, partially offset by volume as a result decrease in volume. Average investment securities decreased approximately $192.5 million between the three months ended March 31, 2024 and March 31, 2023. The decrease in investment securities was primarily due to the sale of the Restructuring that took place certain low-yielding investment securities in July 2023, and to a lesser extent, the amortization of securities.

Interest income on interest-bearing deposits in other banks increased by $1.3 million as a result of an increase in volume and rate. Average interest-bearing deposits in other banks increased approximately $81.4 million between the three months ended March 31, 2024 and March 31, 2023. The increase in interest-bearing deposits in other banks was primarily due to the redeployment of proceeds

from the sale of certain low-yielding investment securities for the comparative nine month period decreased approximately $33.8 million between September 30, 2022 and September 30, 2023. in July 2023 to other higher-yielding assets, including interest-bearing deposits in other banks.

The increase in rates on loans, investment securities, and interest-bearing deposits in other banks was primarily attributable to an increase in benchmark interest rates since September 30, 2022 March 31, 2023.

Interest Expense

Interest expense increased by $28.1 million $6.2 million to $35.7 million $15.2 million for the nine three months ended September 30, 2023 March 31, 2024 compared to $7.6 million $9.0 million for the nine three months ended September 30, 2022 March 31, 2023, primarily due to an increase in rates on deposits and to a lesser extent, increase in volume of deposits. on borrowings. The increase in rates on deposits was primarily a result of the repricing of the Company's time deposits coupled with an increase in rates offered on deposit accounts subsequent to September 30, 2022 March 31, 2023 as a result of an increase in benchmark interest rates. The increase in volume on borrowings was primarily a result of the Company's utilization of BTFP advances subsequent to March 31, 2023.

Provision for Credit Losses

The Company recorded a $2.5 million $776 thousand recovery of provision for credit losses for the nine three months ended September 30, 2023 March 31, 2024 compared to no a $774 thousand recovery of provision for credit losses for the nine three months ended September 30, 2022 March 31, 2023. The recovery of provision for credit losses for the current period that is directly attributable to the funded loan portfolio and associated with unfunded loan commitments was $2.3 million and $0.2 million, respectively. $873 thousand.

The recovery of provision for credit losses during the nine three months ended September 30, 2023 March 31, 2024 was primarily a result of changes in the Company's loss driver analysis, resulting from a periodic review composition of our assumptions. The review resulted the loan portfolio, improved economic forecasts used in a lower modeled probability the quantitative portion of default, changes in prepayment and curtailment rates, the model and an assessment of management's considerations of existing economic versus historical conditions qualitative factors combined with the continued strong credit performance of our loan portfolio segments.See "Asset Quality" below for additional information on the credit quality of the loan portfolio.

Non-interest Income

The Company's recurring sources of non-interest income consist primarily of bank owned life insurance interchange income, gains on sale of government guaranteed loans, service charges on deposit accounts interchange income and insurance commissions. Generally speaking, loan fees are included in interest income on the loan portfolio and not reported as non-interest income.

The following table summarizes non-interest income for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

	Nine months ended September 30,		Three months ended March 31,	
(Dollars in thousands)	2023	2022	2024	2023
Service charges on deposit accounts				
Overdrawn account fees	$ 55	$ 60	$ 21	$ 14
Account service fees	184	180	67	58
Other service charges and fees				
Interchange income	304	306	88	99
Other charges and fees	373	163	61	104
Bank owned life insurance	224	445	—	100
Losses on sale of available-for-sale securities	(17,316)	—	—	(202)
Net gains (losses) on premises and equipment	16	(1)		
Insurance commissions	310	312	252	206
Gain on sale of government guaranteed loans	50	—	133	—
Non-qualified deferred compensation plan asset gains (losses), net	112	(498)		
Non-qualified deferred compensation plan asset gains, net			124	89
Other operating income	124	6	72	98
Total non-interest income (loss)	$ (15,564)	$ 973		
Total non-interest income			$ 818	$ 566

Non-interest income decreased $16.5 million increased $252 thousand during the nine three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. 2023. The decrease increase in non-interest income was primarily due in part to the Restructuring that resulted in a loss non-recurring losses of $17.1 million. Core non-interest income (Non-GAAP) defined as reported non-interest income excluding the $17.1 million loss stemming from the bond sale portion of the Restructuring, increased $577 $202 thousand primarily due to favorable variances of $610 thousand as a result of mark-to-market adjustments on investments related to the Company's nonqualified deferred compensation plan. The Company also had an increase in other service charges and fee income of $208 thousand primarily as a result of penalty fee income recognized on the early withdrawal of certificates of deposit, a $91 thousand increase in customer interest rate swap fee income and gains recorded on the sale of certain investment securities during the guaranteed portion first quarter of SBA 7(a) loans totaling $50 thousand. These increases were 2023, partially offset by a decrease bank-owned life insurance income of $100 thousand recognized during the prior period. As previously disclosed, the Company surrendered all of its BOLI policies in July 2023. Excluding losses from the non-recurring investment sale and BOLI income recorded during the first quarter of $221 2023, as well as changes in mark-to-market adjustments of non-qualified deferred compensation plan assets, non-interest income increased $115 thousand due to the surrender of all BOLI policies as part of the Restructuring. or 19.9%. The increase was primarily due to gains recognized on the sale of certain SBA loan sales totaling $133 thousand and increases in insurance commission related revenue.

Non-interest Expense

Generally, non-interest expense is composed of all employee expenses and costs associated with operating our facilities, obtaining and retaining customer relationships and providing banking services. The largest component of non-interest expense is salaries and employee benefits. Non-interest expense also includes operational expenses, such as occupancy and equipment expenses, data processing expenses, professional fees, advertising expenses and other general and administrative expenses, including FDIC assessments, and Virginia state franchise taxes.

The following table summarizes non-interest expense for the the nine three months ended September 30, 2023 and September 30, 2022 March 31, 2024 or March 31, 2023.

	Nine months ended September 30,		Three months ended March 31,	
(Dollars in thousands)	2023	2022	2024	2023
Salaries and employee benefits expense	$ 14,929	$ 15,754	$ 4,810	$ 4,912
Occupancy expense of premises	1,363	1,435	451	470
Furniture and equipment expenses	882	989	297	296
Advertising expense	239	147	97	77
Data processing	1,374	1,412	527	434
FDIC insurance	771	410	260	213
Professional fees	154	852	286	158
State franchise tax	1,785	1,570	570	577
Bank insurance	174	147	60	57
Vendor services	407	452	143	144
Supplies, printing, and postage	103	97	21	24
Director costs	629	615	211	255
Other operating expenses	451	545	191	153
Total non-interest expense	$ 23,261	$ 24,425	$ 7,924	$ 7,770

Non-interest expense decreased $1.2 million increased $154 thousand or 4.8% 2.0% during the nine months ended September 30, 2023 first quarter of 2024 compared to the same period in 2022 first quarter of 2023. The increase was primarily due to decreases non-recurring professional fees and directors costs totaling $138 thousand incurred during the first quarter of 2024 in connection with a strategic opportunity that was explored during the three months ended March 31, 2024 that ultimately did not materialize. The increase in data processing expense was primarily related to increased contract costs due to annual increases and increased volume based charges. These increases were partially offset by a decrease in salaries and employee benefits expense and professional fees. The decrease due to changes in salaries staffing and employee benefits was primarily due to a reduction in incentive compensation accruals when compared to the same period of the prior year. Incentive compensation accruals can fluctuate materially from quarter to quarter, based upon the Company's financial performance and conditions measured against, among other evaluation criteria, our strategic plan and budget. At the end of each year, the ultimate determination of the incentive compensation is approved by the Board of Directors. The decrease in professional fees was due to the reversal of a litigation reserve totaling $322 thousand as a result of a favorable verdict received by the Company on a multi-year legal matter that was resolved during the quarter and lower legal and consulting expenses due to timing of strategic projects. The decrease in occupancy expense of premises was due to a decrease in office rent as a result of the renegotiation of certain leases. The decrease in furniture and equipment expense was due to lower depreciation expense on fixed assets.

These decreases were partially offset by increases in FDIC insurance expense, franchise tax expense and advertising expense. The increase in FDIC insurance expense resulted from the FDIC increasing the base assessment rate for all insured depository institutions. The increase in franchise tax expense was due to an increase in the Bank's equity as that is the basis the Commonwealth of Virginia uses to assess taxes on banking institutions. The increase in advertising expense was due to increased marketing and promotional activity.

Income Taxes

Income tax expense decreased $4.4 million $525 thousand or 75.3% 30.3% to $1.4 million $1.2 million for the nine three months ended September 30, 2023 March 31, 2024 compared to $5.9 million $1.7 million for the nine three months ended September 30, 2022 March 31, 2023. Excluding the impact of the Restructuring, the Our effective tax rate for the three months ended September 30, 2023 March 31, 2024 was 20.5% 22.3% compared to 21.0% 21.6% for the same period ended September 30, 2022.

Results of Operations – Three Months Ended September 30, 2023 and September 30, 2022

Overview

The Company reported a net loss of $10.1 million for the three months ended September 30, 2023, a decrease of $18.2 million when compared to the three months ended September 30, 2022. This decrease was primarily attributable to the Restructuring, as previously

Table of Contents

discussed, that resulted in an after-tax loss of $14.6 million. Core net income (Non-GAAP) was $4.5 million for the three months ended September 30, 2022, a decrease of $3.6 million when compared to the same period in 2022. Reported (GAAP) and core (Non-GAAP) diluted earnings per share, ROAA and ROAE were as follows:

	For the Three Months Ended			
	September 30,		September 30,	
(Dollars in thousands except per share amounts)	2023		2022	
Net income (loss) (GAAP)	$	(10,137)	$	8,045
Add: Loss on securities sale, net of tax		13,520		-
Add: Non-recurring tax and 10% modified endowment contract penalty on early surrender of BOLI policies		1,101		-
Core net income (Non-GAAP)(1)	$	4,484	$	8,045
Earnings per share - diluted (GAAP)	$	(0.72)	$	0.57
Core earnings per share - diluted (Non-GAAP)(2)	$	0.32	$	0.57
Return on average assets (annualized) (GAAP)		(1.73)%		1.38 %
Core return on average assets (annualized) (Non-GAAP)(3)		0.76 %		1.38 %
Return on average equity (annualized) (GAAP)		(18.24)%		15.07 %
Core return on average equity (annualized) (Non-GAAP)(4)		8.07 %		15.07 %

(1) Core net income reflects net income adjusted for the non-recurring tax effected loss recognized on the sale of available-for-sale securities and non-recurring tax expense associated with the surrender of the Company's BOLI policies in July 2023. Tax benefit (expense) is calculated using the federal statutory tax rate of 21%.

(2) Core earnings per share – diluted is calculated by dividing core net income by basic weighted average shares outstanding and diluted weighted average shares outstanding, respectively, for each period presented.

(3) Core return on average assets (annualized) is calculated by dividing annualizing core net income by average assets for each period presented.

(4) Core return on average equity (annualized) is calculated by dividing annualizing core net income by average equity for each period presented.

Table of Contents

Net Interest Income and Net Interest Margin

The following table presents the average balance for each principal balance sheet category, and the amount of interest income or expense associated with that category, as well as corresponding average yields earned and rates paid for the three months ended September 30, 2023 and September 30, 2022.

Average Balance Sheets and Interest Rates on Interest-Earning Assets and Interest-Bearing Liabilities

	September 30, 2023					September 30, 2022				
				Interest Income /	Average				Interest Income /	Average
(Dollars in thousands)		Average Balance		Expense	Rate		Average Balance		Expense	Rate
Assets:										
Securities:										
Taxable	$	308,723	$	1,582	2.03 %	$	483,861	$	2,385	1.96 %

Tax-exempt(1)	1,684	13	3.06 %	4,999	38	3.02 %
Total securities	$ 310,407	$ 1,595	2.04 %	$ 488,860	$ 2,423	1.97 %
Loans, net of unearned income(2):						
Taxable	1,762,653	21,695	4.88 %	1,655,670	17,983	4.31 %
Tax-exempt(1)	28,067	292	4.13 %	29,126	302	4.11 %
Total loans, net of unearned income	$ 1,790,720	$ 21,987	4.87 %	$ 1,684,796	$ 18,285	4.31 %
Interest-bearing deposits in other banks	$ 200,515	$ 2,746	5.43 %	$ 103,669	$ 571	2.19 %
Total interest-earning assets	$ 2,301,642	$ 26,328	4.54 %	$ 2,277,325	$ 21,279	3.71 %
Total non-interest earning assets	29,761			37,500		
Total assets	$ 2,331,403			$ 2,314,825		
Liabilities & Shareholders' Equity:						
Interest-bearing deposits:						
NOW accounts	$ 327,309	$ 2,239	2.71 %	$ 329,780	$ 404	0.49 %
Money market accounts	341,672	2,609	3.03 %	377,736	727	0.76 %
Savings accounts	63,956	198	1.23 %	106,647	107	0.40 %
Time deposits	849,270	8,227	3.84 %	705,206	1,830	1.03 %
Total interest-bearing deposits	$ 1,582,207	$ 13,273	3.33 %	$ 1,519,369	$ 3,068	0.80 %
Federal funds purchased	99	—	— %	—	—	0.00 %
Subordinated debt	24,674	349	5.61 %	28,397	448	6.26 %
Other borrowed funds	54,000	662	4.86 %	—	—	0.00 %
Total interest-bearing liabilities	$ 1,660,980	$ 14,284	3.41 %	$ 1,547,766	$ 3,516	0.90 %
Demand deposits	430,727			538,271		
Other liabilities	19,223			16,641		
Total liabilities	$ 2,110,930			$ 2,102,678		
Shareholders' equity	$ 220,473			$ 212,247		
Total liabilities and shareholders' equity	$ 2,331,403			$ 2,314,925		
Net interest spread			1.13 %			2.81 %
Net interest income and margin		$ 12,044	2.08 %		$ 17,763	3.10 %

(1) Income and yields for all periods presented are reported on a tax-equivalent basis using the federal statutory tax rate of 21%.

(2) The Company did not have any loans on nonaccrual as of September 30, 2023 or September 30, 2022.

Net interest margin as presented above is calculated by dividing tax-equivalent net interest income by total average earning assets. Net interest income, on a tax equivalent basis, is a financial measure that the Company believes provides a more accurate picture of the interest margin for comparative purposes. Tax-equivalent net interest income is calculated by adding the tax benefit on certain securities and loans, whose interest is tax-exempt, to total interest income then subtracting total interest expense. The following table, "Tax-Equivalent Net Interest Income," reconciles net interest income to tax-equivalent net interest income, which is a non-GAAP measure.

Table of Contents

Tax-Equivalent Net Interest Income

	Three months ended September 30,	
(Dollars in thousands)	2023	2022
GAAP Financial Measurements:		
Interest Income - Loans	$ 21,925	$ 18,222
Interest Income - Securities and Other Interest-Earning Assets	4,338	2,986
Interest Expense - Deposits	13,273	3,068
Interest Expense - Borrowings	1,011	448

Total Net Interest Income	$ 11,979	$ 17,692
Non-GAAP Financial Measurements:		
Add: Tax Benefit on Tax-Exempt Interest Income - Loans	62	63
Add: Tax Benefit on Tax-Exempt Interest Income - Securities	3	8
Total Tax Benefit on Tax-Exempt Interest Income (1)	$ 65	$ 71
Tax-Equivalent Net Interest Income	$ 12,044	$ 17,763

(1) Tax benefit was calculated using the federal statutory tax rate of 21%.

Net interest income decreased $5.7 million or 32.2% on a fully tax-equivalent basis for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The decrease in net interest income was driven by the increase in the costs of interest-bearing liabilities outpacing the increase in yield on interest-earning assets.

On a fully tax-equivalent basis, the net interest margin was 2.08% for the three months ended September 30, 2023, compared to 3.10% for the three months ended September 30, 2022. The decrease in net interest margin was primarily due to an increase in the cost of interest-bearing liabilities, which more than offset the increase in yields on loans, investments, and interest-bearing deposits in other banks. The cost of interest-bearing liabilities was 3.41% for the third quarter of 2023 compared to 0.90% for the same quarter of the prior year. The increase in the cost of interest-bearing liabilities was primarily due to a 2.53% increase in the cost of interest-bearing deposits as a result of the repricing of the Company's time deposits coupled with an increase in rates offered on deposit accounts subsequent to September 30, 2022 as a result of higher market interest rates.

The loan portfolio's yield for the three months ended September 30, 2023 was 4.87% compared to 4.31% for the three months ended September 30, 2022. The increase of 0.56% was primarily attributable to an increase in yield on the Company's variable rate loans as a result of an increase in interest rates subsequent to September 30, 2022 coupled with a higher weighted average yield on loans originated since the third quarter of 2022.

The investment securities portfolio's yield for the three months ended September 30, 2023 was 2.04% compared to 1.97% for the three months ended September 30, 2022. The increase of 0.07% was primarily due to the Company realizing the full benefit of higher yields on investment securities purchased during the latter part of the second quarter of 2022.

The yield on interest-bearing deposits due from banks for the three months ended September 30, 2023 was 5.43% compared to 2.19% for the three months ended September 30, 2022. The increase of 3.24% was primarily due to a higher federal funds rate during the three months ended September 30, 2023 when compared to the same period of 2022.

The following table presents the effects of changing rates and volumes on net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated to volume.

Table of Contents

Rate/Volume Analysis

	For the Three Months Ended September 30, 2023 and 2022		
	Increase (Decrease) Due to		
(Dollars in thousands)	Volume	Rate	Total Increase (Decrease)
Interest-earning Assets:			
Securities:			
Taxable	$ (892)	$ 89	$ (803)
Tax-exempt(1)	(25)	—	(25)
Total securities	$ (917)	$ 89	$ (828)
Loans, net of unearned income:			

Taxable	1,317	2,395	3,712
Tax-exempt(1)	(10)	—	(10)
Total loans, net of unearned income(2)	$ 1,307	$ 2,395	$ 3,702
Interest-bearing deposits in other banks	$ 1,327	$ 848	$ 2,175
Total interest-earning assets	$ 1,717	$ 3,332	$ 5,049
Interest-bearing Liabilities:			
Interest-bearing deposits:			
NOW accounts	$ 81	$ 1,754	$ 1,835
Money market accounts	(253)	2,135	1,882
Savings accounts	(132)	223	91
Time deposits	1,400	4,997	6,397
Total interest-bearing deposits	$ 1,096	$ 9,109	$ 10,205
Federal funds purchased	—	—	—
Subordinated debt	(53)	(46)	(99)
Other borrowed funds	662	—	662
Total interest-bearing liabilities	$ 1,705	$ 9,063	$ 10,768
Change in net interest income	$ 12	$ (5,731)	$ (5,719)

(1) Income and yields for all periods presented are reported on a tax-equivalent basis using the federal statutory tax rate of 21%.

(2) The Company did not have any loans on nonaccrual as of September 30, 2023 or September 30, 2022.

Interest Income

Interest income increased by $5.0 million or 23.7% to $26.3 million on a fully tax-equivalent basis for the three months ended September 30, 2023 compared to $21.3 million for the three months ended September 30, 2022, driven by both an increase in rates and volume on interest-earning assets. The increase in rate and volume on interest-earning assets was primarily attributable to the loan portfolio and interest-bearing deposits due from banks.

Fully tax-equivalent interest income on loans increased by approximately $3.7 million as a result of an increase in rate and originations. Average loans increased approximately $105.9 million between the three months ended September 30, 2023 and September 30, 2022, which was primarily attributable to origination volume in the commercial real estate and residential real estate portfolios subsequent to September 30, 2022.

Fully tax-equivalent interest income on investment securities decreased by approximately $828 thousand as a result of a decrease in volume, partially offset by increase in rate. Average investment securities decreased approximately $178.5 million between the three months ended September 30, 2023 and September 30, 2022. The decrease in investment securities was primarily due to the Restructuring and sale of certain low-yielding investment securities in July 2023, and to a lesser extent, the amortization of securities.

Interest income on interest-bearing deposits in other banks increased by $2.2 million as a result of an increase in volume and rate. Average interest-bearing deposits in other banks increased approximately $96.8 million between the three months ended September 30, 2023 and September 30, 2022 March 31, 2023. The increase in interest-bearing deposits in other banks was primarily due to the redeployment of proceeds from the Restructuring to interest-bearing deposits in other banks.

Table of Contents

The increase in rates on loans, investment securities, and interest-bearing deposits in other banks was primarily attributable to an increase in benchmark interest rates since September 30, 2022.

Interest Expense

Interest expense increased by $10.8 million to $14.3 million for the three months ended September 30, 2023 compared to $3.5 million for the three months ended September 30, 2022, primarily due to an increase in rates and, to a lesser extent, volume of deposits. The increase in rates was primarily a result of the repricing of the Company's time deposits coupled with an increase in rates offered on deposit accounts subsequent to September 30, 2022 as a result of an increase in benchmark interest rates.

Provision for Credit Losses

The Company recorded a $829 thousand recovery of provision for credit losses for the third quarter of 2023 compared to no provision for the same quarter of 2022. The recovery of provision for credit losses for the current period that is directly attributable to the loan portfolio and associated with unfunded loan commitments was $593 thousand and $236 thousand, respectively.

The recovery of provision for credit losses during the three months ended September 30, 2023 was primarily a result of changes in the Company's loss driver analysis, resulting from a periodic review of our assumptions. The review resulted in a lower modeled probability of default, changes in prepayment and curtailment rates, and an assessment of management's considerations of existing economic versus historical conditions combined with the continued strong credit performance of our loan portfolio segments.

See "Asset Quality" section below for additional information on the credit quality of the loan portfolio.

Non-interest Income

The following table summarizes non-interest income for the three months ended September 30, 2023 and September 30, 2022.

	Three months ended September 30,	
(Dollars in thousands)	**2023**	**2022**
Service charges on deposit accounts		
Overdrawn account fees	$ 20	$ 19
Account service fees	65	60
Other service charges and fees		
Interchange income	101	108
Other charges and fees	59	67
Bank owned life insurance	23	255
Losses on sale of available-for-sale securities	(17,114)	—
Insurance commissions	54	47
Gain on sale of government guaranteed loans	27	—
Non-qualified deferred compensation plan asset gains (losses), net	(60)	(107)
Other operating income	10	1
Total non-interest income (loss)	$ (16,815)	$ 450

Non-interest income decreased $17.3 million during the third quarter of 2023 compared to the third quarter of 2022. The decrease in non-interest income was primarily due to the Restructuring that resulted in a loss of $17.1 million. Core non-interest income (Non-GAAP) decreased $151 thousand primarily as a result of a decrease in bank owned life insurance income of $232 thousand due to the surrender of all BOLI policies as part of the Restructuring. This decrease was partially offset by favorable variances of $47 thousand related to mark-to-market adjustments on investments related to the Company's nonqualified deferred compensation plan and gains recorded on the sale of the guaranteed portion of SBA 7(a) loans totaling $27 thousand when compared to the third quarter of 2022.

Table of Contents

Non-interest Expense

The following table summarizes non-interest expense for the three months ended September 30, 2023 and September 30, 2022.

	Three months ended September 30,	
(Dollars in thousands)	**2023**	**2022**

Salaries and employee benefits expense	$ 5,052	$ 5,072
Occupancy expense of premises	445	461
Furniture and equipment expenses	282	323
Advertising expense	87	47
Data processing	493	484
FDIC insurance	275	140
Professional fees	(141)	281
State franchise tax	604	523
Bank insurance	60	57
Vendor services	135	151
Supplies, printing, and postage	41	36
Director costs	186	200
Other operating expenses	141	183
Total non-interest expense	$ 7,660	$ 7,958

Non-interest expense decreased $298 thousand or 3.7% during the third quarter of 2023 compared to the third quarter of 2022 primarily due to a decrease in professional fees as a result of the reversal of a litigation reserve previously discussed, decrease in furniture and equipment expense due to lower depreciation expense on fixed assets, decrease in salaries and employee benefits due to lower benefit costs incurred by the Company, and decrease in occupancy expense of premises due to a decrease in office rent as a result of the renegotiation of certain leases.

These decreases were partially offset by increases in FDIC insurance expense and franchise tax expense. The increase in FDIC insurance expense resulted from the FDIC increasing the base assessment rate for all insured depository institutions. The increase in franchise tax expense was due to an increase in the Bank's equity as that is the basis the Commonwealth of Virginia uses to assess taxes on banking institutions. The Company continues to analyze cost savings opportunities on existing leases and material contracts.

Income Taxes

For the three months ended September 30, 2023, the Company recorded a tax benefit of $1.5 million primarily due to non-recurring tax benefits realized in connection with the Restructuring. Excluding the impact of the Restructuring, the effective tax rate for the three months ended September 30, 2023 was 17.7% compared to 21.0% for the same period ended September 30, 2022. The decrease in effective tax rate between the comparative periods was primarily due to changes a decrease in temporary differences. tax benefits associated with our BOLI policies as all policies were surrendered in July 2023.

Discussion and Analysis of Financial Condition

Assets, Liabilities, and Shareholders' Equity

The Company's total assets decreased $50.0 million increased $9.3 million or 2.1% 0.4% to $2.30 billion $2.25 billion at September 30, 2023 March 31, 2024 compared to $2.35 billion $2.24 billion at December 31, 2022 December 31, 2023. The decrease increase in total assets is primarily attributable to a decrease in available-for-sale securities of $188.5 million, partially offset by increases in interest-bearing deposits in banks and of $55.7 million, partially offset by a decrease in loans, net of unearned income of $130.0 million $33.2 million and $30.6 million, respectively.

The Company's total liabilities decreased $57.8 million or 2.7% to $2.08 billion at September 30, 2023 compared to $2.14 billion at December 31, 2022 investments of $12.0 million. The decrease in total liabilities was attributable to an $86.1 million decrease in deposits, primarily driven by a $73.7 million decrease in wholesale deposits (Brokered and QwickRate CDs), and $25.5 million decrease in federal funds purchased, partially offset by an increase in borrowings as a result of the BTFP advance obtained during the second quarter of 2023. The Company reduced wholesale deposits (i.e., Brokered and QwickRate CDs) by $58.7 million, increased non-interest bearing deposits by $3.9 million, and increased non-maturing deposits by $16.5 million during the three months ended September 30, 2023.

Table of Contents

The Company's total liabilities increased $4.7 million or 0.2% to $2.02 billion at March 31, 2024 compared to $2.01 billion at December 31, 2023. The increase in total liabilities was attributable to net increases of $13.0 million in borrowings, partially offset by a net decrease in deposits of $5.6 million. During the quarter ended March 31, 2024, the Company paid down its $10.0 million federal funds purchased, refinanced its $54.0 million advance and advanced an additional $23.0 million from the BTFP in January 2024 to secure lower funding costs relative to wholesale deposits and previously outstanding borrowings. Total borrowings as of March 31, 2024 consisted of subordinated debt totaling $24.7 million and the BTFP advance totaling $77.0 million. The decrease in deposits was primarily driven by an $18.9 million decrease in wholesale deposits (Brokered and QwickRate CDs) and $15.2 million decrease in certificates of deposits, partially offset by an increase in interest-bearing demand deposits of $36.6 million.

Shareholders' equity increased $7.8 million $4.6 million or 3.6% 2.0% to $220.6 million $234.6 million at September 30, 2023 March 31, 2024 compared to $212.8 million $229.9 million at December 31, 2022 December 31, 2023. The increase in shareholders' equity was primarily attributable to a decrease an increase in accumulated other comprehensive loss as a result of the realization of losses on the sale of certain low-yielding investment securities as part of the Restructuring net income and increase in additional paid-in capital as a result of option exercises during the nine three months ended September 30, 2023. These increases were March 31, 2024, partially offset by a decrease in net accumulated other comprehensive income and decreases due to retained earnings as a result of unfavorable market value related adjustments on the Company's adoption of ASC 326 on January 1, 2023 and dividends declared. available-for-sale investment portfolio. Book value per share was $15.61 $16.51 as of September 30, 2023 March 31, 2024 compared to $15.09 $16.25 as of December 31, 2022 December 31, 2023.

Investment Securities

The Company maintains a primarily fixed income investment securities portfolio that had a total carrying value of $265.4 million $253.4 million at September 30, 2023 March 31, 2024 and $457.0 million $265.5 million at December 31, 2022 December 31, 2023. The investment portfolio is used as a source of liquidity, interest income, and credit risk diversification, as well as to manage rate sensitivity and provide collateral for secured public funds and secured credit lines. Investment securities are classified as available-for-sale or held-to-maturity based on management's investment strategy and management's assessment of the intent and ability to hold the securities until maturity. Investment securities that we may sell prior to maturity in response to changes in management's investment strategy, liquidity needs, interest rate risk profile or for other reasons are classified as available-for-sale. The Company also had restricted stock and equity securities within its investment securities portfolio with total carrying values of $5.0 million and $2.4 million $3.0 million, respectively, as of September 30, 2023 March 31, 2024 and $4.4 million $5.0 million and $2.1 million $2.8 million, respectively, as of December 31, 2022 December 31, 2023.

The Company did not purchase or sell investment securities during the nine three months ended September 30, 2023. During the nine months ended September 30, 2023, the Company sold available-for-sale securities with a total par value of $173.2 million, which were comprised of $124.7 million of mortgage-backed securities, $25.1 million of U.S. government and federal agencies, $19.3 million of U.S. Treasuries, $3.5 million of municipal bonds and $0.6 million of collateralized mortgage obligations. The sale resulted in a pre-tax loss of $17.3 million March 31, 2024. The Company had $33.3 million $11.6 million in maturities and principal repayments on securities during the nine three months ended September 30, 2023 March 31, 2024, which was comprised of $29.2 million $4.6 million of mortgage-backed securities, and $4.1 million $1.0 million of collateralized mortgage obligation securities. securities, and $6.0 million of U.S. Treasuries.

The following table summarizes the amortized cost and fair value of the Company's fixed income investment portfolio as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Held-to-maturity								
U.S. Treasuries	$ 6,001	$ 5,128	$ 6,000	$ 5,160	$ 6,001	$ 5,288	$ 6,001	$ 5,334
U.S. government and federal agencies	35,463	28,720	35,551	29,416	35,406	30,063	35,434	30,334
Collateralized mortgage obligations	19,773	14,853	21,275	17,048				
U.S. agency collateralized mortgage obligations					19,019	14,851	19,395	15,300
Taxable municipal	6,061	4,652	6,073	4,709	6,053	4,921	6,057	4,956
Mortgage-backed	29,049	22,380	30,516	24,828				
U.S. agency mortgage-backed					28,183	22,872	28,618	23,608
Total Held-to-maturity Securities	$ 96,347	$ 75,733	$ 99,415	$ 81,161	$ 94,662	$ 77,995	$ 95,505	$ 79,532
Available-for-sale								
U.S. Treasuries	$ 44,765	$ 42,194	$ 63,480	$ 59,210	$ 38,824	$ 37,119	$ 44,793	$ 42,977
U.S. government and federal agencies	13,821	12,881	38,748	34,760	13,879	13,274	13,850	13,275
Corporate bonds	3,000	2,406	3,000	2,614	3,000	2,649	3,000	2,523
Collateralized mortgage obligations	41,486	33,522	44,732	38,474				
U.S. agency collateralized mortgage obligations					40,136	33,471	40,806	34,310
Tax-exempt municipal	1,380	1,156	4,993	4,645	1,380	1,199	1,380	1,231
Taxable municipal	607	580	608	579	606	588	606	587
Mortgage-backed	85,726	76,345	238,652	217,294				
U.S. agency mortgage-backed					77,110	70,457	81,255	75,090

Total Available-for-sale Securities	$ 190,785	$ 169,084	$ 394,213	$ 357,576	$174,935	$158,757	$185,690	$169,993

In the prevailing rate environments as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company's investment portfolio had an estimated weighted average remaining life of approximately 4.4 4.3 years and 4.5 4.2 years, respectively. The available-for-sale investment portfolio had

39

Table of Contents

an estimated weighted average remaining life of approximately 3.2 3.0 years and 3.8 3.0 years as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The held-to-maturity investment portfolio had an estimated weighted average remaining life of approximately 7.0 6.5 years and 7.3 6.7 years as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

53

Table of Contents

The following table summarizes the maturity composition of our fixed income investment securities as of September 30, 2023 March 31, 2024, including the weighted average yield of each maturity band. Maturities are based on the final contractual payment date, and do not reflect the effect of scheduled principal repayments, prepayments, or early redemptions that may occur. The weighted-average yield below represents the effective yield for the investment securities and is calculated based on the amortized cost of each security.

	September 30, 2023			March 31, 2024		
(Dollars in thousands)	Amortized Cost	Fair Value	Weighted-Average Yield	Amortized Cost	Fair Value	Weighted-Average Yield
Held-to-maturity						
Due in one year or less	$ —	$ —	—	$ —	$ —	—
Due after one year through five years	20,163	17,117	1.01 %	22,160	19,441	1.03 %
Due after five years through ten years	24,465	19,496	1.48 %	23,460	19,566	1.51 %
Due after ten years	51,719	39,120	1.39 %	49,042	38,988	1.39 %
Total Held-to-maturity Securities	$ 96,347	$ 75,733	1.33 %	$ 94,662	$ 77,995	1.34 %
Available-for-sale						
Due in one year or less	$ 14,322	$ 14,055	2.31 %	$ 22,977	$ 22,567	2.14 %
Due after one year through five years	54,845	51,453	1.63 %	39,011	37,075	1.85 %
Due after five years through ten years	56,992	51,886	2.33 %	51,198	48,114	2.71 %
Due after ten years	64,626	51,690	1.74 %	61,749	51,001	1.62 %
Total Available-for-sale Securities	$ 190,785	$ 169,084	1.93 %	$174,935	$158,757	2.06 %

Loan Portfolio

Gross loans, net of unearned income, increased $30.6 million decreased $34.0 million or 1.7% 1.8% to $1.82 billion $1.83 billion as of September 30, 2023 March 31, 2024 compared to $1.79 billion $1.86 billion as of December 31, 2022 December 31, 2023. The Company continues to maintain its disciplined underwriting standards while prudently pursuing loan growth opportunities that provide acceptable risk-adjusted returns. Management believes the Company's loan pipeline headed into the fourth quarter of 2023 is robust as we are seeing increased lending opportunities that meet our underwriting standards and, in many cases, fewer competitors for those loans as some market participants have scaled back lending efforts.

The following table presents the Company's composition of loans held for investment, net of deferred fees and costs, in dollar amounts and as a percentage of total gross loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent

Real Estate Loans:								
Commercial	$ 1,133,069	62.41 %	$ 1,118,127	62.62 %	$1,143,472	62.80 %	$1,146,116	61.79 %
Construction and land development	179,570	9.89 %	195,027	10.92 %	151,476	8.32 %	180,922	9.75 %
Residential	464,509	25.58 %	426,841	23.91 %	482,254	26.48 %	482,182	25.99 %
Commercial - Non Real Estate:								
Commercial loans	37,925	2.09 %	44,924	2.52 %	42,908	2.36 %	45,204	2.44 %
Consumer - Non-Real Estate:								
Consumer loans	467	0.03 %	529	0.03 %	772	0.04 %	560	0.03 %
Total Gross Loans	$ 1,815,540	100.00 %	$ 1,785,448	100.00 %	$1,820,882	100.00 %	$1,854,984	100.00 %
Allowance for loan credit losses	(20,036)		(20,208)		(18,671)		(19,543)	
Net deferred loan costs	4,592		4,060		5,049		4,983	
Total net loans	$ 1,800,096		$ 1,769,300		$1,807,260		$1,840,424	

Table of Contents

The following table summarizes the contractual maturities of the loans as of September 30, 2023 March 31, 2024 by loan type. Maturities are based on the final contractual payment date, and do not reflect the effect of scheduled principal repayments, prepayments, or early redemptions that may occur. The table also summarizes the fixed and floating rate composition of loans held for investment for contractual maturities greater than one year.

	September 30, 2023					March 31, 2024				
(Dollars in thousands)	Within 1 Year	After 1 Year Within 5 Years	After 5 years Within 15 Years	Maturing After 15 Years	Total	Within 1 Year	After 1 Year Within 5 Years	After 5 years Within 15 Years	Maturing After 15 Years	Total
Real Estate Loans:										
Residential	$ 6,751	$ 39,053	$ 39,470	$ 379,235	$ 464,509	$ 5,673	$ 41,433	$ 37,217	$397,931	$ 482,254
Commercial	42,515	314,135	764,869	11,550	1,133,069	70,878	310,842	750,427	11,325	1,143,472
Construction and land development	99,562	51,199	27,811	998	179,570	89,623	55,528	5,326	999	151,476
Commercial - Non-Real Estate:										
Commercial loans	13,178	14,074	9,771	902	37,925	10,687	19,173	12,164	884	42,908
Consumer - Non-Real Estate:										
Consumer loans	351	96	—	20	467	111	649	—	12	772
Total Gross Loans	$ 162,357	$ 418,557	$ 841,921	$ 392,705	$ 1,815,540	$176,972	$427,625	$805,134	$411,151	$1,820,882
For Maturities Over One Year:										
Floating rate loans		$ 155,677	$ 293,288	$ 380,900	$ 829,865		$170,454	$273,134	$409,278	$ 852,866
Fixed rate loans		262,880	548,633	11,805	823,318		257,171	532,000	1,873	791,044
		$ 418,557	$ 841,921	$ 392,705	$ 1,653,183		$427,625	$805,134	$411,151	$1,643,910

Asset Quality

The Company maintains policies and procedures to promote sound underwriting and mitigate credit risk. The Chief Credit Officer is responsible for establishing credit risk policies and procedures, including underwriting and hold guidelines and credit approval authority, and monitoring credit exposure and performance of the Company's lending-related transactions.

The Company's asset quality remained strong through the third first quarter of 2023. 2024. The Company did not have any nonperforming assets, which includes nonperforming loans and OREO, as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. As a result, the Company did not have any nonperforming loans, which consists of loans that are 90 days or more past due or loans placed on nonaccrual as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

The Company did not have any nonaccrual loans as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023 nor were there any loans placed on nonaccrual during those periods. A loan is placed on nonaccrual status when (i) the Company is advised by the borrower that scheduled principal or interest payments cannot be met, (ii) when management's best judgment indicates that payment in full of principal and interest can no longer be expected, or (iii) when any such loan or obligation becomes delinquent for 90 days, unless it is both well-secured and in the process of collection. As a result, the Company did not have any interest income that would have been recognized on nonaccrual loans for the three or nine months ended September 30, 2023 March 31, 2024 or the three or nine months ended September 30, 2022 March 31, 2023.

The Company did not make any loan modifications to borrowers experiencing financial difficulty during the three or nine months ended September 30, 2023 March 31, 2024 or March 31, 2023. The Company had a recorded investment in TDRs of $418 thousand as of December 31, 2022, all of which were in compliance with their modified terms at December 31, 2022. The Company adopted ASU 2022-02 on January 1, 2023, which eliminated the accounting guidance for TDRs.

Table of Contents

The following table summarizes the Company's asset quality as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

(Dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Nonaccrual loans	$ —	$ —	$ —	$ —
Loans past due 90 days and accruing interest	—	—	—	—
Other real estate owned and repossessed assets	—	—	—	—
Total nonperforming assets	$ —	$ —	$ —	$ —
Allowance for loan credit losses to nonperforming assets	NM	NM	NM	NM
Nonaccrual loans to gross loans	0.00 %	0.00 %	0.00 %	0.00 %
Nonperforming assets to period end loans and OREO	0.00 %	0.00 %	0.00 %	0.00 %

NM – Not meaningful

Allowance for Loan Credit Losses

Refer to the discussion in Note 1 of the audited financial statements and notes for the year ended December 31, 2023 contained in Item 1 of this the Company's 2023 Annual Report on Form 10-Q 10-K for management's approach to estimating the allowance for loan credit losses.

The Company recorded no charge-offs or net recoveries of $1 thousand during the three months ended September 30, 2023 or September 30, 2022. The Company recorded net recoveries of $2 thousand during the nine March 31, 2024 and three months ended September 30, 2023 compared to no net charge-offs during the nine months ended September 30, 2022 March 31, 2023. At September 30, 2023 March 31, 2024, the allowance for loan credit losses was $20.0 million $18.7 million or 1.10% 1.02% of outstanding loans, net of unearned income, compared to $20.2 million $19.5 million or 1.13% 1.05% of outstanding loans, net of unearned income, at December 31, 2022 December 31, 2023. The decrease in the allowance as a percentage of outstanding loans, net of unearned income, was primarily a result of changes in the Company's loss driver analysis, resulting from a periodic review composition and volume of our assumptions. The review resulted the loan portfolio, improved economic forecasts used in a lower modeled probability the quantitative portion of default, changes in prepayment and curtailment rates, the model and an assessment of management's considerations of existing economic versus historical conditions qualitative factors combined with the continued strong credit performance of our loan portfolio segments.

The following table summarizes the Company's loan loss experience by loan portfolio for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

	September 30, 2023		September 30, 2022	
	Net	Net	Net	Net

(Dollars in thousands)	(charge-offs) recoveries	(charge-off) recovery rate (1)	(charge-offs) recoveries	(charge-off) recovery rate (1)
Real estate loans:				
Commercial	$ —	—	$ —	—
Construction and land development	—	—	—	—
Residential	—	—	—	—
Commercial loans	—	0.00 %	1	0.01 %
Consumer loans	—	—	—	—
Total	$ —		$ 1	
Average loans outstanding during the period	$ 1,790,720		$ 1,684,796	
Allowance coverage ratio (2)		1.10 %		1.16 %
Total net (charge-off) recovery rate		0.00 %		0.00 %
Allowance to nonaccrual loans ratio(3)		NM		NM

NM – Not meaningful

(1) The net (charge-off) recovery rate is calculated by dividing annualized total net (charge-offs) recoveries during the period by average gross loans outstanding during the period.

(2) The allowance coverage ratio is calculated by dividing the allowance for loan credit losses at the end of the period by gross loans, net of unearned income at the end of the period.

(3) The allowance to nonaccrual loans ratio is calculated by dividing the allowance for loan credit losses at the end of the period by nonaccrual loans at the end of the period.

Table of Contents

The following table summarizes the Company's loan loss experience by loan portfolio for the nine months ended September 30, 2023 and September 30, 2022.

	September 30, 2023		September 30, 2022		March 31, 2024		March 31, 2023	
(Dollars in thousands)	Net (charge-offs) recoveries	Net (charge-off) recovery rate (1)	Net (charge-offs) recoveries	Net (charge-off) recovery rate (1)	Net (charge-offs) recoveries	Net (charge-off) recovery rate (1)	Net (charge-offs) recoveries	Net (charge-off) recovery rate (1)
Real estate loans:								
Commercial	$ —	—	$ (1)	(0.00)%	$ —	—	$ —	—
Construction and land development	—	—	—	—	—	—	—	—
Residential	—	—	—	—	—	—	—	—
Commercial loans	2	0.01 %	1	0.00 %	1	— %	1	— %
Consumer loans	—	—	—	—	—	—	—	—
Total	$ 2		$ —		$ 1		$ 1	
Average loans outstanding during the period	$ 1,777,223		$ 1,649,317		$1,835,966		$1,772,922	
Allowance coverage ratio (2)		1.10 %		1.16 %		1.02 %		1.22 %
Total net (charge-off) recovery rate		0.00 %		(0.00)%		0.00 %		0.00 %
Allowance to nonaccrual loans ratio(3)		NM		NM		NM		NM

NM – Not meaningful

(1) The net (charge-off) recovery rate is calculated by dividing annualized total net (charge-offs) recoveries during the period by average gross loans outstanding during the period.

(2) The allowance coverage ratio is calculated by dividing the allowance for loan credit losses at the end of the period by gross loans, net of unearned income at the end of the period.

(3) The allowance to nonaccrual loans ratio is calculated by dividing the allowance for loan credit losses at the end of the period by nonaccrual loans at the end of the period.

Table of Contents

The following tables summarize the allowance for loan credit losses by portfolio with a comparison of the percentage composition in relation to total allowance for loan credit losses and total loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

(Dollars in thousands)	September 30, 2023 Allowance for Loan Credit Losses	September 30, 2023 Percent of Allowance in Each Category to Total Allocated Allowance	September 30, 2023 Percent of Loans in Each Category to Total Loans	March 31, 2024 Allowance for Loan Credit Losses	March 31, 2024 Percent of Allowance in Each Category to Total Allocated Allowance	March 31, 2024 Percent of Loans in Each Category to Total Loans
Real Estate Loans:						
Commercial	$ 12,743	63.60 %	62.41 %	$ 12,722	68.14 %	62.80 %
Construction and land development	2,188	10.92 %	9.89 %	1,285	6.88 %	8.32 %
Residential	4,582	22.87 %	25.58 %	4,183	22.40 %	26.48 %
Commercial - Non-Real Estate:						
Commercial loans	465	2.32 %	2.09 %	477	2.55 %	2.36 %
Consumer - Non-Real Estate:						
Consumer loans	58	0.29 %	0.03 %	4	0.02 %	0.04 %
Total	$ 20,036	100.00 %	100.00 %	$ 18,671	100.00 %	100.00 %

Table of Contents

(Dollars in thousands)	December 31, 2022 Allowance for Loan Losses	December 31, 2022 Percent of Allowance in Each Category to Total Allocated Allowance	December 31, 2022 Percent of Loans in Each Category to Total Loans	December 31, 2023 Allowance for Loan Credit Losses	December 31, 2023 Percent of Allowance in Each Category to Total Allocated Allowance	December 31, 2023 Percent of Loans in Each Category to Total Loans
Real Estate Loans:						
Commercial	$ 13,205	67.48 %	62.62 %	$ 12,841	65.71 %	61.79 %
Construction and land development	2,860	14.61 %	10.92 %	1,787	9.14 %	9.75 %
Residential	3,044	15.55 %	23.91 %	4,323	22.12 %	25.99 %
Commercial - Non-Real Estate:						
Commercial loans	456	2.33 %	2.52 %	495	2.53 %	2.44 %

Consumer - Non-Real Estate:						
Consumer loans	5	0.03 %	0.03 %	97	0.50 %	0.03 %
Unallocated	638	—	—			
Total	$ 20,208	100.00 %	100.00 %	$ 19,543	100.00 %	100.00 %

Management believes that the allowance for loan credit losses is adequate to absorb lifetime credit losses inherent in the portfolio as of September 30, 2023 March 31, 2024. There can be no assurance, however, that adjustments to the provision for (recovery of) credit losses will not be required in the future. Changes in the economic assumptions underlying management's estimates and judgments; adverse developments in the economy, on a national basis or in the Company's market area; or changes in the circumstances of particular borrowers are criteria that could change and make adjustments to the provision for (recovery of) credit losses necessary.

Deposits

Total deposits decreased $86.1 million $5.6 million or 4.2% 0.3% to $1.98 billion $1.90 billion as of September 30, 2023 March 31, 2024 compared to $2.07 billion $1.91 billion as of December 31, 2022 December 31, 2023.

Non-interest bearing demand deposits decreased $38.8 million $6.7 million or 8.1% 1.6% to $437.9 million $404.7 million as of September 30, 2023 March 31, 2024 compared to $476.7 million $411.4 million at December 31, 2022 December 31, 2023. Non-interest bearing demand deposits represented 22.1% 21.3% and 23.1% 21.6% of total deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Interest-bearing deposits, which include NOW accounts, regular savings accounts, money market accounts, and time deposits, decreased $47.3 million increased $1.1 million or 3.0% 0.1% to $1.54 billion $1.50 billion as of September 30, 2023 March 31, 2024 compared to $1.59 billion $1.50 billion as of December 31, 2022 December 31, 2023. Interest-bearing deposits represented 77.9% 78.7% and 76.9% 78.4% of total deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The Company focuses on funding asset growth with deposit accounts, with an emphasis on core deposit growth, as its primary source of deposits. Core deposits consist of checking accounts, NOW accounts, money market accounts, regular savings accounts, time deposits, reciprocal IntraFi Demand® deposits, IntraFi Money Market® deposits and IntraFi CD® deposits. Core deposits totaled $1.68 billion $1.59 billion or 84.8% 83.6% of total deposits and $1.69 billion $1.58 billion or 81.9% 82.7% of total deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following table sets forth the average balances of deposits and the average interest rates paid for the three months ended September 30, 2023 and September 30, 2022.

	September 30, 2023		September 30, 2022	
(Dollars in thousands)	Average Amount	Rate	Average Amount	Rate
Non-interest bearing	$ 430,727		$ 538,271	
Interest bearing:				
NOW accounts	327,309	2.71 %	329,780	0.49 %
Money market accounts	341,672	3.03 %	377,736	0.76 %
Savings accounts	63,956	1.23 %	106,647	0.40 %
Time deposits	849,270	3.84 %	705,206	1.03 %
Total interest-bearing	1,582,207	3.33 %	1,519,369	0.80 %
Total	$ 2,012,934		$ 2,057,640	

Table of Contents

The following table sets forth the average balances of deposits and the average interest rates paid for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023

(Dollars in thousands)	Average Amount	Rate	Average Amount	Rate	Average Amount	Rate	Average Amount	Rate
Non-interest bearing	$ 447,778		$ 511,504		$ 414,033		$ 476,462	
Interest bearing:								
NOW accounts	291,217	2.06 %	325,647	0.34 %	313,478	2.82 %	258,492	1.20 %
Money market accounts	374,053	2.70 %	389,535	0.52 %	324,753	3.19 %	429,073	2.34 %
Savings accounts	75,273	1.20 %	109,740	0.35 %	53,064	1.33 %	87,640	1.13 %
Time deposits	855,076	3.26 %	658,897	0.70 %	808,845	4.47 %	814,472	2.53 %
Total interest-bearing	1,595,619	2.81 %	1,483,819	0.55 %	1,500,140	3.73 %	1,589,677	2.18 %
Total	$ 2,043,397		$ 1,995,323		$1,914,173		$2,066,139	

The following table sets forth the maturity ranges of certificates of deposit with balances of $250,000 or more as of September 30, 2023 March 31, 2024.

	September 30, 2023		March 31, 2024	
(Dollars in thousands)	Total	Uninsured	Total	Uninsured
Three months or less	$ 58,634	$ 44,384	$111,630	$ 80,630
Over three through 6 months	118,416	83,166	104,987	78,987
Over 6 through 12 months	84,976	65,226	53,031	39,281
Over 12 months	96,596	88,346	87,118	77,618
Total	$ 358,622	$ 281,122	$356,766	$276,516

The total amount of our uninsured deposits (deposits in excess of $250,000, as calculated in accordance with FDIC regulations) was estimated at $864.8 million $796.4 million at September 30, 2023 March 31, 2024 and $963.9 million $802.8 million at December 31, 2022 December 31, 2023. Included in these amounts were $167.2 million $169.3 million and $162.2 million $168.7 million of public fund deposits that are collateralized by securities as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Deposits that were not insured or not collateralized by securities represented 35% 33% and 39% 33% of total deposits, respectively, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Capital Resources

The Company is a bank holding company with less than $3 billion in assets and does not (i) have significant off balance sheet exposure, (ii) engage in significant non-banking activities, or (iii) have a material amount of securities registered under the Exchange Act. As a result, the Company qualifies as a small bank holding company under the Federal Reserve's Small Bank Holding Company Policy Statement and is currently not subject to consolidated regulatory capital requirements.

The Bank is subject to capital adequacy standards adopted by the Federal Reserve, including the capital rules that implemented the Basel III regulatory capital reforms developed by the Basel Committee on Banking Supervision.

Note 11 to the Consolidated Financial Statements, included in Item 1 of this Form 10-Q, contains additional discussion and analysis regarding the Company and Bank's regulatory capital requirements.

Shareholders' equity increased $7.8 million $4.6 million or 3.6% 2.0% to $220.6 million $234.6 million at September 30, 2023 March 31, 2024 compared to $212.8 million $229.9 million at December 31, 2022 December 31, 2023. The increase in shareholders' equity was primarily attributable to a decrease an increase in accumulated other comprehensive loss as a result of the realization of losses on the sale of certain low-yielding investment securities as part of the Restructuring net income and increase in additional paid-in capital as a result of option exercises during the nine three months ended September 30, 2023. These increases were March 31, 2024, partially offset by a decrease in net accumulated other comprehensive income and decreases due to retained earnings as a result of unfavorable market value related adjustments on the Company's adoption available-for-sale investment portfolio. Book value per share was $16.51 as of ASC 326 on January 1, 2023 and dividends declared. March 31, 2024 compared to $16.25 as of December 31, 2023.

In August of 2023, the Company's Board of Directors authorized the extension of the Company's stock repurchase program that was originally adopted in August of 2021. Under the stock repurchase program, the Company may repurchase up to 700,000 shares of its outstanding common stock, or 5.0% of outstanding shares as of September 30, 2023 March 31, 2024. The stock repurchase program will expire on August 31, 2024 or earlier if all the authorized shares have been repurchased. The Company has not repurchased any of its outstanding common stock under the program as of September 30, 2023 March 31, 2024.

Table of Contents

On April 24, 2024, the Board of Directors of the Company declared an annual cash dividend of $0.25 per outstanding share of common stock, payable on July 8, 2024, to shareholders of record as of the close of business on June 28, 2024.

Liquidity

Liquidity reflects a financial institution's ability to fund assets and meet current and future financial obligations. Liquidity is essential in all banks to meet customer withdrawals, compensate for balance sheet fluctuations, and provide funds for growth. Monitoring and managing both liquidity measurements is critical in developing prudent and effective balance sheet management. Management conducts liquidity stress testing on a quarterly basis to prepare for unexpected adverse scenarios and contemporaneously develops mitigating strategies to reduce losses in the event of an economic downturn.

The Company's principal source of liquidity and funding is its deposit base. The level of deposits necessary to support the Company's lending and investment activities is determined through monitoring loan demand. In addition to the liquidity provided by balance sheet cash flows, the Company supplements its liquidity with additional sources such as secured borrowing credit lines with the FHLB and the Reserve Bank. Specifically, the Company has pledged a portion of its commercial real estate and residential real estate loan portfolios to the FHLB and the Reserve Bank. Based on collateral pledged as of September 30, 2023 March 31, 2024, the total FHLB available borrowing capacity was $444.7 million $452.8 million. Additional borrowing capacity with the Reserve Bank was approximately $24.8 million $111.9 million as of September 30, 2023 March 31, 2024.

On March 12, 2023, the Reserve Bank made available the BTFP, which enhances the ability of banks to borrow against the par value of certain high-quality, unencumbered investments. On May 15, 2023, The Company refinanced its $54.0 million advance and advanced an additional $23.0 million from the Company obtained a $54.0 million BTFP advance in January 2024 to secure lower funding costs relative to wholesale deposits. deposits and the prior outstanding BTFP advance. The $77.0 million BTFP advance has a term of one year and matures January 2025, bears interest at a fixed rate of 4.80%. 4.76% and can be prepaid at any time without penalty prior to maturity.

Total liquidity, defined as cash and cash equivalents, unencumbered securities at fair value, and available secured borrowing capacity, was $742.5 million $788.7 million at September 30, 2023 March 31, 2024 compared to $763.5 million $638.9 million at December 31, 2022 December 31, 2023. The Company's liquidity position represented 106% 125.7% of uninsured, non-collateralized deposits at September 30, 2023 March 31, 2024.

In addition to available secured borrowing capacity, the Company had available federal funds lines with correspondent banks of $110.0 million at September 30, 2023 March 31, 2024.

Liquidity is a core pillar of the Company's operations. Conditions may arise in the future that could negatively impact the Company's future liquidity position resulting in funding mismatches. These include market constraints on the ability to convert assets into cash or accessing sources of funds (i.e., market liquidity) and contingent liquidity events. Changes in economic conditions or exposure to credit, market, operational, legal, and reputation risks also can affect a bank's liquidity. Management believes that the Company has a strong liquidity position, but any of the factors referenced above could materially impact that in the future.

Off-Balance Sheet Arrangements

The Company enters into certain off-balance sheet arrangements in the normal course of business to meet the financing needs of its customers. These off-balance sheet arrangements include commitments to extend credit, standby letters of credit and financial guarantees which would impact the Company's liquidity and capital resources to the extent customers accept and or use these commitments. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. With the exception of these off-balance sheet arrangements, the Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources, that is material to investors. For further information, see Note 7 to the Consolidated Financial Statements, included in Item 1 of this Form 10-Q, for further discussion of the nature, business purpose and elements of risk involved with these off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Table of Contents

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023 March 31, 2024. Based on their evaluation of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures designed 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 the SEC rules and regulations are designed and operating in an effective manner.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the third first fiscal quarter of 2023 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of our operations, the Company and its subsidiary are parties to various claims and lawsuits. Currently, we are not party to any material legal proceedings, and no such proceedings are, to management's knowledge, threatened against us. Although the ultimate outcome of legal proceedings cannot be ascertained at this time, it is the opinion of management that the liabilities (if any) resulting from such legal proceedings will not have a material adverse effect on the Company's business, including its consolidated financial position, results of operations, or cash flows.

Item 1A. Risk Factors

There have been no material changes in the risk factors that were disclosed in Item 1A, under the caption "Risk Factors" in our 2022 2023 Annual Report on Form 10-K, which we filed with the SEC on March 23, 2023 March 20, 2024.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) During the fiscal quarter ended March 31, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

Exhibit No.	Description
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 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.0†	Interactive data files formatted in Inline eXtensible Business Reporting Language pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (unaudited), (ii) the Consolidated Statements of Income for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 (unaudited), (iii) the Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 (unaudited), (iv) the Consolidated Statements of Shareholders' Equity for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 (unaudited), (v) the Consolidated Statements of Shareholders' Equity for the nine months ended September 30, 2023 and September 30, 2022 (unaudited), (vi) the Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 (unaudited) and (vii) (vi) the Notes to the Consolidated Financial Statements.
104†	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101.0)

† Filed herewith.

Table of Contents

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.

Date: November 8, 2023 May 14, 2024

JOHN MARSHALL BANCORP, INC.

By:	/s/ Christopher W. Bergstrom
Name:	Christopher W. Bergstrom
Title:	President, Chief Executive Officer (Principal Executive Officer)
By:	/s/ Kent D. Carstater
Name:	Kent D. Carstater
Title:	Senior Executive Vice President, Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Section 302 Certification

I, Christopher W. Bergstrom, certify that:

1. I have reviewed this quarterly report on Form 10-Q of John Marshall Bancorp, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [reserved];

(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.

/s/ Christopher W. Bergstrom Date: November 8, 2023 May 14, 2024

Christopher W. Bergstrom

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL EXECUTIVE FINANCIAL OFFICER

Section 302 Certification

I, Kent D. Carstater, certify that:

1. I have reviewed this quarterly report on Form 10-Q of John Marshall Bancorp, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [reserved];

(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.

/s/ Kent D. Carstater — Date: November 8, 2023 May 14, 2024

Kent D. Carstater
Senior Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of John Marshall Bancorp, Inc. (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. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that based on their knowledge and belief: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

/s/ Christopher W. Bergstrom

Christopher W. Bergstrom
President and Chief Executive Officer

/s/ Kent D. Carstater

Kent D. Carstater
Senior Executive Vice President and Chief Financial Officer

November 8, 2023 May 14, 2024

DISCLAIMER