REFINITIV

DELTA REPORT

10-Q

PLBC - PLUMAS BANCORP

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

The following comparison report has been automatically generated

TOTAL DELTAS	1304
CHANGES	304
DELETIONS	639
ADDITIONS	361

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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED September 30, 2023 March 31, 2024**

☐ TRANSITION REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM __________ TO ___________

COMMISSION FILE NUMBER: 000-49883

PLUMAS BANCORP
(Exact Name of Registrant as Specified in Its Charter)

California	75-2987096
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
5525 Kietzke Lane, Suite 100, Reno, Nevada	89511
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code **(775) 786-0907**

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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule12b-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 ☒

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

Title of Each Class:	Trading Symbol	Name of Each Exchange on which Registered:
Common Stock, no par value	PLBC	The NASDAQ Stock Market LLC

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of November 8, 2023 May 3, 2024: 5,870,223 5,895,595 shares.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PLUMAS BANCORP AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets				
Cash and cash equivalents	$ 90,567	$ 183,426	$ 128,231	$ 85,655
Investment securities available for sale, net of allowance for credit losses of $0	438,265	444,703	447,445	489,181
Loans held for sale	-	2,301		
Loans, less allowance for credit losses of $12,947 at September 30, 2023 and $10,717 at December 31, 2022	948,719	903,968		
Loans, less allowance for credit losses of $13,157 at March 31, 2024 and $12,867 at December 31, 2023			966,141	948,604
Other real estate owned	440	-	357	357
Premises and equipment, net	19,064	18,100	12,960	18,948
Right-of-use assets			25,295	2,926
Bank owned life insurance	16,006	16,020	16,206	16,110
Goodwill	5,502	5,502	5,502	5,502
Accrued interest receivable and other assets	54,311	47,024	38,196	43,133
Total assets	$ 1,572,874	$ 1,621,044	$ 1,640,333	$ 1,610,416
Liabilities and Shareholders' Equity				
Deposits:				
Non-interest bearing	$ 736,683	$ 766,549	$ 665,975	$ 692,768
Interest bearing	665,803	691,260	633,713	640,887
Total deposits	1,402,486	1,457,809	1,299,688	1,333,655
Repurchase agreements	16,145	18,624	19,331	23,054
Lease liability			25,424	3,001
Accrued interest payable and other liabilities	24,318	15,297	14,399	13,389
Other borrowings	10,000	-	120,000	90,000
Junior subordinated deferrable interest debentures	-	10,310		
Total liabilities	1,452,949	1,502,040	1,478,842	1,463,099
Commitments and contingencies (Note 5)				
Shareholders' equity:				
Common stock, no par value; 22,500,000 shares authorized; issued and outstanding – 5,868,423 shares at September 30, 2023 and 5,850,216 at December 31, 2022	27,896	27,372		
Common stock, no par value; 22,500,000 shares authorized; issued and outstanding – 5,895,595 shares at March 31, 2024 and 5,871,523 at December 31, 2023			28,492	28,033
Retained earnings	145,694	128,388	156,414	151,748
Accumulated other comprehensive loss, net	(53,665)	(36,756)	(23,415)	(32,464)
Total shareholders' equity	119,925	119,004	161,491	147,317
Total liabilities and shareholders' equity	$ 1,572,874	$ 1,621,044	$ 1,640,333	$ 1,610,416

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Interest Income:						
Interest and fees on loans	$ 14,273	$ 11,637	$ 40,314	$ 32,933	$ 14,592	$ 12,694
Interest and fees on loans held for sale	3	50	49	485		
Interest on investment securities	3,811	2,552	11,404	6,024	4,396	3,728
Other	955	1,766	3,286	2,595	1,038	1,365
Total interest income	19,042	16,005	55,053	42,037	20,026	17,787
Interest Expense:						
Interest on deposits	1,180	183	2,511	561	1,186	466
Interest on junior subordinated deferrable interest debentures	-	89	141	267	-	141
Interest on borrowings					1,367	13
Other	123	17	273	50	16	18
Total interest expense	1,303	289	2,925	878	2,569	638
Net interest income before provision for credit losses	17,739	15,716	52,128	41,159	17,457	17,149
Provision for Credit Losses	(200)	300	2,675	1,000	821	1,525
Net interest income after provision for credit losses	17,939	15,416	49,453	40,159	16,636	15,624
Non-Interest Income:						
Gain on sale of buildings					19,854	-
Interchange revenue	919	864	2,458	2,478	739	718
Service charges	737	666	2,051	1,835	715	617
Gain on sale of loans	14	353	234	2,688	-	230
Gain on termination of swaps	-	-	1,707	-	-	1,707
Loss on sale of investment securities					(19,826)	-
Other	643	671	1,930	1,867	658	653
Total non-interest income	2,313	2,554	8,380	8,868	2,140	3,925
Non-Interest Expenses:						
Salaries and employee benefits	5,114	4,380	15,047	12,700	5,366	5,067
Occupancy and equipment	1,352	1,220	3,945	3,468	1,690	1,340
Other	2,976	2,598	8,772	7,736	3,341	2,817
Total non-interest expenses	9,442	8,198	27,764	23,904	10,397	9,224
Income before provision for income taxes	10,810	9,772	30,069	25,123	8,379	10,325
Provision for Income Taxes	2,840	2,544	7,814	6,497	2,125	2,699
Net income	$ 7,970	$ 7,228	$ 22,255	$ 18,626	$ 6,254	$ 7,626
Basic earnings per share	$ 1.36	$ 1.24	$ 3.80	$ 3.19	$ 1.06	$ 1.30
Diluted earnings per share	$ 1.34	$ 1.23	$ 3.75	$ 3.15	$ 1.05	$ 1.28

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Net income	$ 7,970	$ 7,228	$ 22,255	$ 18,626
Other comprehensive loss:				
Change in net unrealized loss on securities	(21,712)	(23,356)	(22,003)	(63,822)
Change in unrealized gain on cash flow hedge	-	489	(295)	1,506
Less: reclassification adjustments for net gain included in net income	-	-	(1,707)	-
Net unrealized holding loss	(21,712)	(22,867)	(24,005)	(62,316)
Related tax effect:				
Change in net unrealized loss on securities	6,418	6,904	6,504	18,866
Change in unrealized gain on cash flow hedge	-	(145)	87	(445)
Reclassification of gain included in net income	-	-	505	-
Income tax effect	6,418	6,759	7,096	18,421
Other comprehensive loss	(15,294)	(16,108)	(16,909)	(43,895)
Total comprehensive income (loss)	$ (7,324)	$ (8,880)	$ 5,346	$ (25,269)

	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Net income	$ 6,254	$ 7,626
Other comprehensive income:		
Change in net unrealized gain (loss) income on securities	(6,979)	7,645
Change in unrealized gain on cash flow hedge	-	(295)
Less: reclassification adjustments for net (gain) loss included in net income	19,826	(1,707)
Net unrealized holding income	12,847	5,643
Related tax effect:		
Change in net unrealized (gain) loss on securities	2,063	(2,261)
Change in unrealized gain on cash flow hedge	-	87
Reclassification of (loss) gain included in net income	(5,861)	505
Income tax effect	(3,798)	(1,669)
Other comprehensive income	9,049	3,974
Total comprehensive income	$ 15,303	$ 11,600

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands, except shares)

	Common Stock		Retained	Accumulated Other Comprehensive Income (loss)	Total Shareholders'	Common Stock		Retained	Accumulated Other Comprehensive Income (loss)	Total Shareholders'
	Shares	Amount	Earnings	(Net of Taxes)	Equity	Shares	Amount	Earnings	(Net of Taxes)	Equity
Balance, December 31, 2021	5,816,991	$ 26,801	$ 105,681	$ 1,600	$ 134,082					
Net Income			18,626		18,626					
Other comprehensive loss				(43,895)	(43,895)					
Cash dividends on common stock			(2,802)		(2,802)					
Issuance of restricted shares	1,650				-					
Exercise of stock options and tax effect	30,075	277			277					
Stock-based compensation expense		162			162					
Balance, September 30, 2022	5,848,716	$ 27,240	$ 121,505	$ (42,295)	$ 106,450					
Balance, December 31, 2022	5,850,216	$ 27,372	$ 128,388	$ (36,756)	$ 119,004	5,850,216	$ 27,372	$ 128,388	$ (36,756)	$ 119,004
Cumulative change from adoption of ASU 2016-13			(554)		(554)			(554)		(554)
Net Income			22,255		22,255			7,626		7,626
Other comprehensive loss				(16,909)	(16,909)					
Other comprehensive income									3,974	3,974
Cash dividends on common stock			(4,395)		(4,395)			(1,463)		(1,463)
Termination of restricted shares	(825)				-					
Exercise of stock options and tax effect	19,032	261			261	11,932	137			137
Stock-based compensation expense		263			263		99			99
Balance, September 30, 2023	5,868,423	$ 27,896	$ 145,694	$ (53,665)	$ 119,925					
Balance, March 31, 2023						5,862,148	$ 27,608	$ 133,997	$ (32,782)	$ 128,823
Balance, December 31, 2023						5,871,523	$ 28,033	$ 151,748	$ (32,464)	$ 147,317
Net Income								6,254		6,254
Other comprehensive income									9,049	9,049
Cash dividends on common stock								(1,588)		(1,588)
Exercise of stock options and tax effect						24,072	359			359

Stock-based compensation expense		100			100
Balance, March 31, 2024	5,895,595	$ 28,492	$ 156,414	$ (23,415)	$ 161,491

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the Nine Months Ended September 30,		**For the Three Months Ended March 31,**	
	2023	**2022**	**2024**	**2023**
Cash Flows from Operating Activities:				
Net income	$ 22,255	$ 18,626	$ 6,254	$ 7,626
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses	2,675	1,000	821	1,525
Change in deferred loan origination costs/fees, net	(446)	(2,188)	(179)	(93)
Depreciation and amortization	1,221	1,412	448	386
Stock-based compensation expense	263	162	100	99
Loss on sale of investment securities			19,826	-
Amortization of investment security premiums	953	860	267	324
Accretion of investment security discounts	(582)	(184)	(264)	(201)
(Gain) loss on sale of other vehicles	(10)	54		
Loss on sale of other vehicles			15	-
Gain on sale of loans held for sale	(234)	(2,688)	-	(230)
Loans originated for sale	(1,188)	(22,536)	(251)	(736)
Proceeds from loan sales	5,739	53,619	-	4,627
Earnings on bank-owned life insurance	(313)	(281)	(96)	(104)
(Increase) decrease in accrued interest receivable and other assets	(1,030)	3,804		
Increase (decrease) in accrued interest payable and other liabilities	8,513	(1,240)		
Gain on sale of buildings			(19,854)	-
Decrease in accrued interest receivable and other assets			1,151	1,445
Increase in accrued interest payable and other liabilities			924	170
Net cash provided by operating activities	37,816	50,420	9,162	14,838
Cash Flows from Investing Activities:				
Proceeds from principal repayments from available-for-sale mortgage-backed securities	24,082	23,153	7,871	7,011
Proceeds from sale of investments			114,838	-
Proceeds from matured and called available-for-sale securities	1,385	470	850	1,135
Purchases of available-for-sale securities	(41,403)	(165,385)	(88,805)	(40,338)
Purchase of FHLB stock	(1,270)	(514)		
Purchase of FRB stock	(6)	(5)	(3)	(2)
Net increase in loans	(49,922)	(17,996)	(18,227)	(5,494)
Proceeds from sale of OREO	-	113		
Proceeds from sale of other vehicles	388	445	310	139
Proceeds from bank owned life insurance	322	215	-	327
Proceeds from the sale of buildings			25,690	-

Purchase of premises and equipment	(2,005)	(2,720)	(191)	(956)
Net cash used in investing activities	(68,429)	(162,224)		
Net cash provided by (used in) investing activities			42,333	(38,178)

Continued on next page.

PLUMAS BANCORP AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

(Continued)

	For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	**2022**	**2024**	**2023**
Cash Flows from Financing Activities:				
Net (decrease) increase in demand, interest bearing and savings deposits	$ (96,444)	$ 81,184		
Net increase (decrease) in time deposits	41,121	(8,987)		
Net decrease in demand, interest bearing and savings deposits			$ (32,990)	$ (50,888)
Net decrease in time deposits			(977)	(176)
Net decrease in securities sold under agreements to repurchase	(2,479)	(4,328)	(3,723)	(1,710)
Cash dividends paid on common stock	(4,395)	(2,802)	(1,588)	(1,463)
Redemption of Trust Preferred Securities	(10,310)	-	-	(10,310)
Increase in other borrowings	10,000	-	30,000	10,000
Proceeds from exercise of stock options	261	277	359	137
Net cash (used in) provided by financing activities	(62,246)	65,344		
Decrease in cash and cash equivalents	(92,859)	(46,460)		
Net cash used in by financing activities			(8,919)	(54,410)
Increase (decrease) in cash and cash equivalents			42,576	(77,750)
Cash and Cash Equivalents at Beginning of Year	183,426	380,584	85,655	183,426
Cash and Cash Equivalents at End of Period	$ 90,567	$ 334,124	$ 128,231	$ 105,676
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the period for:				
Interest expense	$ 2,224	$ 885	$ 2,569	$ 632
Income taxes	$ 26	$ 4,215		
Non-Cash Investing Activities:				
Supplemental noncash disclosures				
Real estate and vehicles acquired through foreclosure	$ 440	$ 470	$ 220	$ 303
Common stock retired in connection with the exercise of stock options			$ 39	$ 154
Lease liabilities arising from obtaining right-of-use assets			$ 22,588	$ -
Non-Cash Financing Activities:				
Common stock retired in connection with the exercise of stock options	$ 154	$ 84		

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY

1. THE BUSINESS OF PLUMAS BANCORP

During 2002, Plumas Bancorp (the "Company") was incorporated as a bank holding company for the purpose of acquiring Plumas Bank (the "Bank") in a one bank holding company reorganization. This corporate structure gives the Company and the Bank greater flexibility in terms of operation, expansion and diversification. The Company formed Plumas Statutory Trust I ("Trust I") for the sole purpose of issuing trust preferred securities on September 26, 2002. The Company formed Plumas Statutory Trust II ("Trust II") for the sole purpose of issuing trust preferred securities on September 28, 2005. In March 2023 the Trusts were dissolved. Plumas Bancorp's Principal Executive Office is located in Reno, Nevada.

The Bank operates thirteen branches in California, including branches in Alturas, Chester, Chico, Fall River Mills, Greenville, Kings Beach, Portola, Quincy, Redding, Susanville, Tahoe City, Truckee and Yuba City. The Bank's newest branch was opened in April 2023 and is located in Chico, California. The Bank's administrative headquarters are in Quincy, California. In December 2015 the Bank opened a branch in Reno, Nevada, its first branch outside of California, and in 2018 the Bank purchased a branch located in Carson City, Nevada. In addition, the Bank operates a lending office specializing in government-guaranteed lending in Auburn, California, and a commercial/agricultural lending office in Klamath Falls, Oregon. The Bank's primary source of revenue is generated from providing loans to customers who are predominately small and middle market businesses and individuals residing in the surrounding areas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company and the consolidated accounts of its wholly-owned subsidiary, Plumas Bank. All significant intercompany balances and transactions have been eliminated.

Plumas Statutory Trust I and Trust II are not consolidated into the Company's consolidated financial statements and, accordingly, are accounted for under the equity method. The Company's investment in Trust I of $374,000 and Trust II of $188,000 are included in accrued interest receivable and other assets on the consolidated balance sheet at December 31, 2022. The junior subordinated deferrable interest debentures issued and guaranteed by the Company and held by Trust I and Trust II are reflected as debt on the consolidated balance sheet at December 31, 2022. In March 2023 the Company redeemed the debentures and the Trusts were dissolved.
The accounting and reporting policies of Plumas Bancorp and subsidiary conform with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position at September 30, 2023 March 31, 2024 and the results of its operations and its cash flows for the three and nine-month periods. Our condensed consolidated balance sheet at December 31, 2022 2023 is derived from audited financial statements.

The unaudited condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting on Form 10-Q. Accordingly, certain disclosures normally presented in the notes to the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted. The Company believes that the disclosures are adequate to make the information not misleading. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2022 2023 Annual Report to Shareholders on Form 10-K. The results of operations for the three and nine-month periods ended September 30, 2023, March 31, 2024, may not necessarily be indicative of future operating results. In preparing such financial statements, 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 revenues and expenses for the periods reported. Actual results could differ significantly from those estimates.

Segment Information

Management has determined that since all of the banking products and services offered by the Company are available in each branch of the Bank, all branches are located within the same economic environment and management does not allocate resources based on the performance of different lending or transaction activities, it is appropriate to aggregate the Bank branches and report them as a single operating segment. No customer accounts for more than 10 percent of revenues for the Company or the Bank.

Allowance for Credit Losses - Loans

The allowance for credit losses (ACL) is a valuation account that is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the recorded loan balance is confirmed as uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Regardless of the determination that a charge-off is appropriate for financial accounting purposes, the Company manages its loan portfolio by continually monitoring, where possible, a borrower's ability to pay through the collection of financial information, delinquency status, borrower discussion and the encouragement to repay in accordance with the original contract or modified terms, if appropriate.

Management estimates the allowance balance using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company identified and accumulated loan cohort historical loss data beginning with the first quarter of 2004 and through the current period. In situations where the Company's actual loss history was not statistically relevant, the loss history of peers, defined as financial institutions with assets greater than seven hundred and fifty million and less than three billion, were utilized to create a minimum loss rate. In its loss forecasting framework, the Company incorporates forward-looking information through the use of macroeconomic scenarios applied over the forecasted life of the assets. These macroeconomic scenarios incorporate variables that have historically been key drivers of increases and decreases in credit losses. These variables include, but are not limited to changes in environmental conditions, such as California unemployment rates, California Housing Prices, California gross domestic product, California Retail Trade Earnings and Wall Street Journal Prime Rate.

A loan is considered to be collateral dependent when repayment is expected to be provided substantially through the operation or sale of the collateral. The ACL on collateral dependent loans is measured using the amortized cost basis of the financial asset less the fair value of the underlying collateral, adjusted for costs to sell when applicable. If the value of underlying collateral is determined to be less than the recorded amount of the loan, a specific reserve for that loan is recorded. If the Company determines that the loss represented by the specific reserve is uncollectable it records a charge-off for the uncollectable portion.

The Company has identified the following portfolio segments to evaluate and measure the allowance for credit loss:

Commercial: Primarily based on the cash flow of the borrower, and secondarily on the underlying collateral provided by the borrower. A borrower's cash flow may be unpredictable, and collateral securing these loans may fluctuate in value. Most often, collateral includes accounts receivable, inventory, or equipment. Collateral securing these loans may depreciate over time, may be difficult to appraise, may be illiquid and may fluctuate in value based on the success of the business. Actual and forecast changes in California gross domestic product paired with California unemployment are believed to be corollary to losses associated with these credits.

Agricultural: Loans secured by farmland represent unique risks that are associated with the operation of an agricultural business. The valuation of farmland can vary greatly over time based on the property's access to resources including but not limited to water, crop prices, foreign exchange rates, government regulation or restrictions, and the nature of ongoing capital investment needed to maintain the quality of the property. Loans secured by crop production, and livestock are especially vulnerable to two risk factors that are largely outside the control of Company and borrowers: commodity prices and weather conditions.

Real estate - residential: The most significant drivers of potential loss within the Company's residential real estate portfolio relate to general, regional, or individual changes in economic conditions and their effect on employment and borrowers cash flow. Risk in this portfolio is best measured by changes in borrower credit score and loan-to-value. Loss estimates are based on economic outlook and its effects on employment and the value of homes and the Bank's historical loss experience adjusted to reflect the economic outlook and the unemployment rate.

Real estate - commercial: These credits are primarily susceptible to changes in the financial condition of the business operated by the property owner. This may be driven by changes in, among other things, industry challenges, factors unique to the operating geography of the borrower, change in the individual fortunes of the business owner, general economic conditions and changes in business cycles. When default is driven by issues related specifically to the business owner, collateral values tend to provide better repayment support and may result in little or no loss. Alternatively, when default is driven more by general economic conditions, the underlying collateral may have devalued more and thus result in larger losses in the event of default. The terms on these loans at origination typically have maturities from ten to twenty-five years with amortization periods from five to thirty years.

Construction: While secured by real estate, construction loans represent a greater level of risk than term real estate loans due to the nature of the additional risks associated with not only the completion of construction within an estimated time period and budget, but also the need to either sell the building or reach a level of stabilized occupancy sufficient to generate the cash flows necessary to support debt service and operating costs. The Company seeks to mitigate the additional risks associated with construction lending by requiring borrowers to comply with lower loan to value ratios and additional covenants as well as strong tertiary support of guarantors. The loss forecasting model applies the historical rate of loss for similar loans over the expected construction life of the asset as adjusted for macroeconomic factors.

Home equity lines of credit (HELOC): Similar to residential real estate term loans, HELOC performance is also primarily driven by borrower cash flows based on employment status. However, HELOCs carry additional risks associated with the fact that most of these loans are secured by a deed of trust in a position that is junior to the primary lien holder. Furthermore, there is the risk that as the borrower's financial strength deteriorates, the outstanding balance on these credit lines may increase as they may only be canceled by the Company if certain limited criteria are met. In addition to the allowance for credit losses maintained as a percent of the outstanding loan balance, the Company maintains additional reserves for the unfunded portion of the HELOC.

Automobile: Automobile loans are susceptible to three primary risks: non-payment due to income loss, over-extension of credit and, when the borrower is unable to pay, shortfall in collateral value, if any. Typically, non-payment is due to loss of job and will follow general economic trends in the marketplace driven primarily by rises in the unemployment rate. Loss of collateral value can be due to market demand shifts, damage to collateral itself or a combination of those factors.

Other: Other loans primarily consist of consumer loans which are similar in nature to automobile loans and overdrafts.

Unfunded commitments: The estimated credit losses associated with these unfunded lending commitments are calculated using the same models and methodologies noted above and incorporate utilization assumptions at time of default. The reserve for unfunded commitments is maintained on the balance sheet in other liabilities.

Reclassification

Some items in the prior year consolidated financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Accounting Standards Adopted in 2023

On January 1, 2023, the Company adopted ASU 2016-03 *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology. This is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized costs, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in certain leases. In addition, ASC 326 made changes to the accounting for available for sale debt securities.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company adopted ASC 326 using the prospective transition approach for financial assets purchased with credit deterioration (PCD) that were previously classified as purchased credit impaired (PCI) and accounted for under ASC 310-30. In accordance with the Standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. The remaining noncredit discount (based on the adjusted amortized costs basis) will be accreted into interest income at the effective interest rate as of adoption. The Company recognized an increase in the ACL for loans totaling $529,000, as a cumulative effect adjustment from change in accounting policies, with a corresponding decrease in retained earnings, net of $156,000 in taxes. Additionally, the Company recognized an increase in the reserve for unfunded commitments of $257,000, as a cumulative effect adjustment from change in accounting policies, with a corresponding decrease in retained earnings, net of $76,000 in taxes.

On January 1, 2023, the Company adopted ASU *2020-04*, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The ASU provides optional expedients and exceptions for applying GAAP to loan and lease agreements, derivative contracts, and other transactions affected by the anticipated transition away from LIBOR toward new interest rate benchmarks. For transactions that are modified because of reference rate reform and that meet certain scope guidance (i) modifications of loan agreements should be accounted for by prospectively adjusting the effective interest rate and the modification will be considered "minor" so that any existing unamortized origination fees/costs would carry forward and continue to be amortized and (ii) modifications of lease agreements should be accounted for as a continuation of the existing agreement with *no* reassessments of the lease classification and the discount rate or remeasurements of lease payments that otherwise would be required for modifications *not* accounted for as separate contracts. ASU *2020-04* also provides numerous optional expedients for derivative accounting. In December *2022,*the FASB issued ASU *2022-06,Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848.* The ASU *2022-06* deferred the sunset date of ASU *2020-04* to *December 2024.* Once elected for a Topic or an Industry Subtopic within the Codification, the amendments in this ASU must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. The adoption of the ASU provisions did not have a significant impact on the Company's consolidated financial statements as the Company has an insignificant number of financial instruments applicable to this ASU.

On January 1, 2023, the Company adopted ASU *2022-02*, Financial Instruments - *Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The ASU eliminates the recognition and measurement guidance for troubled debt restructurings and requires enhanced disclosures about loan modifications for borrowers experiencing financial difficulty. This ASU also requires enhanced disclosure for loans that have been charged off. The adoption of the ASU provisions did not have a significant impact on the Company's consolidated financial statements.

3. INVESTMENT SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair value of investment securities at September 30, 2023March 31, 2024 and December 31, 20222023 consisted of the following, in thousands:

Available-for-Sale	September 30, 2023				March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:								
U.S. Treasury securities	$ 9,970	$ -	$ (174)	$ 9,796	$ 6,988	$ -	$ (69)	$ 6,919
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	244,137	-	(31,959)	212,178	244,574	292	(15,233)	229,633
U.S. Government-agencies collateralized by mortgage obligations - commercial	119,661	-	(18,373)	101,288	133,806	188	(10,916)	123,078
Obligations of states and political subdivisions	140,683	-	(25,680)	115,003	95,318	693	(8,196)	87,815
	$ 514,451	$ -	$ (76,186)	$ 438,265	$ 480,686	$ 1,173	$ (34,414)	$ 447,445

Unrealized losses on available-for-sale investment securities totaling $76,186,000$33,240,000 were recorded, net of $22,521,000$9,825,000 in tax benefit, as accumulated other comprehensive loss within shareholders' equity at September 30, 2023March 31, 2024. No securities were sold duringDuring the ninethree months ended September 30, 2023March 31, 2024, . the Company sold 155 available-for-sale investment securities for proceeds of $114,838,000 recording a $19,826,000 loss on sale. The Company realized a gain on sale from 9 of these securities totaling $86,000 and a loss on sale of 146 securities totaling $19,912,000.

Available-for-Sale	December 31, 2022				December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:								
U.S. Treasury securities	$ 9,950	$ -	$ (243)	$ 9,707	$ 6,978	$ -	$ (98)	$ 6,880
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	238,253	214	(24,059)	214,408	256,694	351	(21,114)	235,931
U.S. Government-agencies collateralized by mortgage obligations - commercial	112,142	143	(12,704)	99,581	129,321	465	(13,834)	115,952
Obligations of states and political subdivisions	138,541	243	(17,777)	121,007	142,276	1,067	(12,925)	130,418
	$ 498,886	$ 600	$ (54,783)	$ 444,703	$ 535,269	$ 1,883	$ (47,971)	$ 489,181

Unrealized losses on available-for-sale investment securities totaling $54,183,000 $46,088,000 were recorded, net of $16,017,000 $13,624,000 in tax expense, benefit, as accumulated other comprehensive income within shareholders' equity at December 31, 2022 2023. No securities were sold during the nine three months ended September 30, 2022 March 31, 2023.

There were no transfers of available-for-sale investment securities during the nine three months ended September 30, 2023 March 31, 2024 and twelve months ended December 31, 2022 2023. There were no securities classified as held-to-maturity at September 30, 2023 March 31, 2024 or December 31, 2022 2023.

Investment securities with unrealized losses at September 30, 2023 March 31, 2024 and December 31, 2022 2023 are summarized and classified according to the duration of the loss period as follows, in thousands:

September 30, 2023	Less than 12 Months		12 Months or More		Total							
March 31, 2024							Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:												
U.S. Treasury securities	$ -	$ -	$ 9,796	$ 174	$ 9,796	$ 174	$ -	$ -	$ 6,918	$ 69	$ 6,918	$ 69
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	55,547	2,386	156,631	29,573	212,178	31,959	68,116	694	117,201	14,539	185,317	15,233
U.S. Government-agencies collateralized by mortgage obligations - commercial	32,519	1,257	68,769	17,116	101,288	18,373	33,867	457	62,382	10,459	96,249	10,916
Obligations of states and political subdivisions	40,634	2,576	74,369	23,104	115,003	25,680	7,875	71	48,873	8,125	56,748	8,196
	$ 128,700	$ 6,219	$ 309,565	$ 69,967	$ 438,265	$ 76,186	$ 109,858	$ 1,222	$ 235,374	$ 33,192	$ 345,232	$ 34,414

December 31, 2022	Less than 12 Months	12 Months or More	Total

December 31, 2023							Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:												
U.S. Treasury securities	$ 9,707	$ 243	$ -	$ -	$ 9,707	$ 243	$ -	$ -	$ 6,880	$ 98	$ 6,880	$ 98
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	140,117	12,070	54,017	11,989	194,134	24,059	43,924	279	160,383	20,835	204,307	21,114
U.S. Government-agencies collateralized by mortgage obligations - commercial	42,799	2,845	42,363	9,859	85,162	12,704	16,533	295	71,782	13,539	88,315	13,834
Obligations of states and political subdivisions	89,092	11,421	16,768	6,356	105,860	17,777	9,306	151	82,764	12,774	92,070	12,925
	$ 281,715	$ 26,579	$ 113,148	$ 28,204	$ 394,863	$ 54,783	$ 69,763	$ 725	$ 321,809	$ 47,246	$ 391,572	$ 47,971

At September 30, 2023, March 31, 2024, the Company held 411 309 securities of which 104 43 were in a loss position for less than twelve months and 307 186 were in a loss position for twelve months or more. Of the 411 309 securities 3 2 are U.S. Treasury securities, 124 90 are U.S. Government-sponsored agencies collateralized by residential mortgage obligations, 45 46 were U.S. Government agencies collateralized by commercial mortgage obligations and 239 were 171were obligations of states and political subdivisions. The unrealized losses relate principally to market rate conditions. All of the securities continue to pay as scheduled. For available-for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized costs basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. At September March 31, 202430,2023,, neither of the criteria regarding intent or requirement to sell was met for any of the securities in an unrealized loss position.

Unrealized losses on investments in obligations of U.S. government agencies and U.S. government sponsored agencies are caused by interest rate increases. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell and more likely than not will not be required to sell, there is no allowance for credit losses recorded.

Obligations of states and political subdivisions: The unrealized losses on investments in obligations of states and political subdivisions were caused by increases in required yields by investors in these types of securities. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell and more likely than not will not be required to sell, there is no allowance for credit losses recorded.

The amortized cost and estimated fair value of investment in debt securities at September 30, 2023 March 31, 2024by contractual maturity are shown below, in thousands.

	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	$ 7,661	$ 7,593	$ 7,943	$ 7,866
After one year through five years	9,689	9,317	5,493	5,399
After five years through ten years	12,030	10,746	14,418	14,299
After ten years	121,273	97,143	74,452	67,170
Investment securities not due at a single maturity date:				
Government- agencies commercial mortgage-backed securities	119,661	101,288	133,806	123,078
Government-sponsored agencies residential mortgage-backed securities	244,137	212,178	244,574	229,633
	$ 514,451	$ 438,265	$ 480,686	$ 447,445

Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

Investment securities with amortized costs totaling $294,492,000 $288,168,000 and $189,358,000 $316,733,000 and estimated fair values totaling $249,793,000 $268,944,000 and $166,728,000 $285,534,000 at September 30, 2023 March 31, 2024 and December 31, 2022 2023, respectively, were pledged to secure deposits, repurchase agreements and

Federal Reserve Bank borrowings.

4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

Outstanding loans are summarized below, in thousands:

	September 30, 2023	December 31, 2022
Commercial	$ 76,719	$ 76,680
Agricultural	131,242	122,873
Real estate – residential	12,457	15,324
Real estate – commercial	530,023	516,107
Real estate – construction and land development	58,901	43,420
Equity lines of credit	37,650	35,891
Auto	105,584	96,750
Other	6,056	4,904
Total loans	958,632	911,949
Deferred loan costs, net	3,034	2,736
Loans, amortized cost basis	961,666	914,685
Allowance for credit losses	(12,947)	(10,717)
Total net loans	$ 948,719	$ 903,968

To estimate expected losses the Company generally utilizes historical loss trends and the remaining contractual lives of the loan portfolios to determine estimated credit losses through a reasonable and supportable forecast period. Individual loan credit quality indicators including loan grade and borrower repayment performance have been statistically correlated with historical credit losses and various econometrics, including California unemployment rates, California Housing Prices, California gross domestic product, California Retail Trade Earnings and Wall Street Journal Prime Rate. Model forecasts may be adjusted for inherent limitations or biases that have been identified through independent validation and back-testing of model performance to actual realized results. At both January 1, 2023, the adoption and implementation date of ASC Topic 326, and September 30, 2023, the Company utilized a reasonable and supportable forecast period of approximately four quarters and obtained the forecast data from publicly available sources. The Company also considered the impact of portfolio concentrations, changes in underwriting practices, imprecision in its economic forecasts, and other risk factors that might influence its loss estimation process. Management believes that the allowance for credit losses at September 30, 2023 appropriately reflected expected credit losses inherent in the loan portfolio at that date.

In determining the allowance for credit losses, accruing loans with similar risk characteristics are generally evaluated collectively. The Company's policy is that loans designated as nonaccrual no longer share risk characteristics similar to other loans evaluated collectively and as such, all nonaccrual loans are individually evaluated for reserves. As of September 30, 2023 the Bank's nonaccrual loans comprised the entire population of loans individually evaluated. The Company's policy is that nonaccrual loans also represent the subset of loans where borrowers are experiencing financial difficulty where an evaluation of the source of repayment is required to determine if the nonaccrual loans should be categorized as collateral dependent.

The implementation of CECL also impacted the Company's ACL on unfunded loan commitments, as the ACL now represents expected credit losses over the contractual life of commitments not identified as unconditionally cancellable by the Company. The Reserve for Unfunded Commitments is estimated using the same reserve or coverage rates calculated on collectively evaluated loans following the application of a funding rate to the amount of the unfunded commitment. The funding rate represents management's estimate of the amount of the current unfunded commitment that will be funded over the remaining contractual life of the commitment and is based on historical data. Under CECL the ACL on unfunded loan commitments remains in Other Liabilities while any related provision expense is included in the provision for credit loss expense.

	March 31, 2024	December 31, 2023
Commercial	$ 82,136	$ 74,271
Agricultural	123,239	129,389
Real estate – residential	11,872	11,914
Real estate – commercial	562,870	544,339

Real estate – construction and land development	64,547	57,717
Equity lines of credit (Equity LOC)	37,196	37,871
Auto	89,399	98,132
Other	4,953	4,931
Total loans	976,212	958,564
Deferred loan costs, net	3,086	2,907
Loans, amortized cost basis	979,298	961,471
Allowance for credit losses	(13,157)	(12,867)
Total net loans	$ 966,141	$ 948,604

Changes in the allowance for credit losses, in thousands, were as follows:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Balance, beginning of period	$ 10,717	$ 10,352	$ 12,867	$ 10,717
Cumulative change from adoption of ASU 2016-13	529	-	-	529
Provision charged to operations - loans	2,425	1,300	900	2,575
Losses charged to allowance	(1,252)	(1,461)		
Charge-offs			(680)	(1,802)
Recoveries	528	526	70	848
Balance, end of period	$ 12,947	$ 10,717	$ 13,157	$ 12,867

Salaries and employee benefits totaling $694,000 $700,000 and $769,000 $562,000 have been deferred as loan origination costs during the three months ended September 30, 2023 March 31, 2024 and 2022, 2023 respectively. Salaries and employee benefits totaling $1,765,000 and $2,706,000 have been deferred as loan origination costs during the nine months ended September 30, 2023 and 2022,, respectively.

The Company assigns a risk rating to all loans and periodically, but not less than annually, performs detailed reviews of all criticized and classified loans over $100,000 to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by independent specialists engaged by the Company and the Company's regulators. During these internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which borrowers operate and the fair values of collateral securing these loans. These credit quality indicators are used to assign a risk rating to each individual loan.

The risk ratings can be grouped into three major categories, defined as follows:

***Special Mention*– Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.**

***Substandard*– A substandard loan is not adequately protected by the current sound worth and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.**

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

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass-rated loans.

For other loans, which are primarily consumer loans and automobile loans the Company evaluates credit quality based on the aging status of the loan and by payment activity.

The following table shows the loan portfolio allocated by management's internal risk ratings or payment activity at the dates indicated, in thousands:

	Term Loans - Amortized Cost Basis by Origination Year and Risk Grades - As of September 30, 2023									Amortized Cost Basis by Origination Year and Risk Grades - As of March 31, 2024						
(in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Book Amortized Cost Basis	Revolving Loans Converted to Term Amortized Cost Basis	Total - Amortized Cost Basis	2024	2023	2022	2021	2020	Prior	Revolving Loans Book Amortized Cost Basis
Commercial																
Pass	$ 12,835	$ 21,375	$ 10,976	$ 3,847	$ 4,630	$ 5,553	$ 15,530	$ -	$ 74,746	$ 7,017	$ 16,166	$ 18,484	$ 11,085	$ 3,003	$ 8,990	$ 15,678
Special Mention	-	46	412	303	-	44	1,574	-	2,379	-	-	-	295	-	65	252
Substandard	-	-	217	61	-	12	-	-	290	-	-	1,120	288	328	53	22
Total Commercial loans	$ 12,835	$ 21,421	$ 11,605	$ 4,211	$ 4,630	$ 5,609	$ 17,104	$ -	$ 77,415	$ 7,017	$ 16,166	$ 19,604	$ 11,668	$ 3,331	$ 9,108	$ 15,952
Current period gross charge-offs	$ -	$ 34	$ 39	$ -	$ -	$ 10	$ 25	$ -	$ 108	$ -		$ 43				
Agricultural																
Pass	$ 10,028	$ 18,230	$ 13,390	$ 15,383	$ 11,692	$ 21,360	$ 20,034	$ -	$ 110,117	$ 2,169	$ 10,104	$ 16,712	$ 12,909	$ 14,907	$ 30,165	$ 14,410
Special Mention	1,961	2,753	97	1,029	16	860	663	-	7,379	1,157	1,525	755	95	1,329	1,726	423
Substandard	6,129	5,012	1,933	-	752	248	-	-	14,074	-	4,226	6,837	3,075	-	999	-
Total Agricultural	$ 18,118	$ 25,995	$ 15,420	$ 16,412	$ 12,460	$ 22,468	$ 20,697	$ -	$ 131,570	$ 3,326	$ 15,855	$ 24,304	$ 16,079	$ 16,236	$ 32,890	$ 14,833
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate - Residential																
Pass	$ 1,132	$ -	$ 2,161	$ 2,469	$ 528	$ 5,247	$ 511	$ -	$ 12,048	$ -	$ 1,121	$ -	$ 2,125	$ 2,426	$ 5,137	$ 252
Special Mention	-	-	-	-	62	-	-	-	62	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	376	-	-	376	-	-	-	-	-	839	-
Total Real Estate - Residential	$ 1,132	$ -	$ 2,161	$ 2,469	$ 590	$ 5,623	$ 511	$ -	$ 12,486	$ -	$ 1,121	$ -	$ 2,125	$ 2,426	$ 5,976	$ 252
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate - Commercial																
Pass	$ 46,743	$ 118,246	$ 80,737	$ 86,660	$ 40,570	$ 143,429	$ 6,700	$ -	$ 523,085	$ 19,724	$ 78,747	$ 120,241	$ 83,976	$ 76,403	$ 167,887	$ 10,247
Special Mention	-	-	-	558	365	2,983	-	-	3,906	-	-	-	-	94	2,843	-
Substandard	143	13	-	-	-	2,728	-	-	2,884	-	-	11	-	270	2,652	-
Total Real Estate - Commercial	$ 46,886	$ 118,259	$ 80,737	$ 87,218	$ 40,935	$ 149,140	$ 6,700	$ -	$ 529,875	$ 19,724	$ 78,747	$ 120,252	$ 83,976	$ 76,767	$ 173,382	$ 10,247
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate - Construction																
Pass	$ 11,462	$ 27,338	$ 16,103	$ 1,685	$ 623	$ 484	$ 767	$ -	$ 58,462	$ 1,478	$ 25,813	$ 29,567	$ 3,681	$ 976	$ 882	$ 1,764
Special Mention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Total Real Estate - Construction	$ 11,462	$ 27,338	$ 16,103	$ 1,685	$ 623	$ 484	$ 767	$ -	$ 58,462	$ 1,478	$ 25,813	$ 29,567	$ 3,681	$ 976	$ 882	$ 1,764
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity LOC																
Pass	$ -	$ -	$ -	$ -	$ -		$ 35,123	$ 2,910	$ 38,033	$ -	$ -	$ -	$ -	$ -		$ 34,452
Substandard	-	-	-	-	-		159	293	452	-	-	-	-	-		339
Total Equity LOC	$ -	$ -	$ -	$ -	$ -	$ -	$ 35,282	$ 3,203	$ 38,485	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,791
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total																
Pass	$ 82,200	$ 185,189	$ 123,367	$ 110,044	$ 58,043	$ 176,073	$ 78,665	$ 2,910	$ 816,491	$ 30,388	$ 131,951	$ 185,004	$ 113,776	$ 97,715	$ 213,061	$ 76,803
Special Mention	1,961	2,799	509	1,890	443	3,887	2,237	-	13,726	1,157	1,525	755	390	1,423	4,634	675
Substandard	6,272	5,025	2,150	61	752	3,364	159	293	18,076	-	4,226	7,968	3,363	598	4,543	361
Total	$ 90,433	$ 193,013	$ 126,026	$ 111,995	$ 59,238	$ 183,324	$ 81,061	$ 3,203	$ 848,293	$ 31,545	$ 137,702	$ 193,727	$ 117,529	$ 99,736	$ 222,238	$ 77,839
Current period gross charge-offs	$ -	$ 34	$ 39	$ -	$ -	$ 10	$ 25	$ -	$ 108	$ -	$ -	$ 43	$ -	$ -	$ -	$ -
Auto																
Performing	$ 32,199	$ 34,426	$ 17,823	$ 9,648	$ 7,595	$ 4,668	$ -	$ -	$ 106,359	$ -	$ 29,872	$ 29,531	$ 14,772	$ 7,595	$ 8,182	$ -
Non-performing	-	227	241	180	220	52	-	-	920	-	101	103	191	199	191	-
Total Auto	$ 32,199	$ 34,653	$ 18,064	$ 9,828	$ 7,815	$ 4,720	$ -	$ -	$ 107,279	$ -	$ 29,973	$ 29,634	$ 14,963	$ 7,794	$ 8,373	$ -
Current period gross charge-offs	$ -	$ 127	$ 388	$ 237	$ 179	$ 111	$ -	$ -	$ 1,042	$ -	$ 127	$ 264	$ 46	$ 65	$ 131	$ -
Other																
Performing	$ 2,184	$ 1,573	$ 812	$ 307	$ 79	$ 18	$ 155	$ -	$ 5,128	$ 876	$ 1,875	$ 1,227	$ 637	$ 178	$ 55	$ 144
Non-performing	960	6	-	-	-	-	-	-	966	-	-	3	-	-	-	-
Total Other	$ 3,144	$ 1,579	$ 812	$ 307	$ 79	$ 18	$ 155	$ -	$ 6,094	$ 876	$ 1,875	$ 1,230	$ 637	$ 178	$ 55	$ 144
Current period gross charge-offs	$ -	$ 51	$ 34	$ 4	$ 9	$ 3	$ 1	$ -	$ 102	$ -	$ 2	$ 1	$ -	$ -	$ 1	$ -
Total																
Performing	$ 34,383	$ 35,999	$ 18,635	$ 9,955	$ 7,674	$ 4,686	$ 155	$ -	$ 111,487	$ 876	$ 31,747	$ 30,758	$ 15,409	$ 7,773	$ 8,237	$ 144
Non-performing	960	233	241	180	220	52	-	-	1,886	-	101	106	191	199	191	-
Total	$ 35,343	$ 36,232	$ 18,876	$ 10,135	$ 7,894	$ 4,738	$ 155	$ -	$ 113,373	$ 876	$ 31,848	$ 30,864	$ 15,600	$ 7,972	$ 8,428	$ 144
Current period gross charge-offs	$ -	$ 178	$ 422	$ 241	$ 188	$ 114	$ 1	$ -	$ 1,144							
Total Loans										$ 32,421	$ 169,550	$ 224,591	$ 133,129	$ 107,708	$ 230,666	$ 77,983
Total gross charge-offs										$ -	$ 129	$ 308	$ 46	$ 65	$ 132	$ -

December 31, 2022	Commercial Credit Exposure					
	Credit Risk Profile by Internally Assigned Grade					
Grade:	Commercial	Agricultural	Real Estate-Residential	Real Estate-Commercial	Real Estate-Construction	Equity LOC	Total
Pass	$ 68,577	$ 111,276	$ 14,932	$ 510,504	$ 43,337	$ 35,475	$ 784,101
Special Mention	8,047	10,651	161	3,934	-	-	22,793
Substandard	56	946	231	1,669	83	416	3,401

Doubtful	-	-	-	-	-	-	-
Total	$ 76,680	$ 122,873	$ 15,324	$ 516,107	$ 43,420	$ 35,891	$ 810,295

Consumer Credit Exposure

Credit Risk Profile Based on Payment Activity

December 31, 2022

	Auto	Other	Total
Grade:			
Performing	$ 96,298	$ 4,904	$ 101,202
Non-performing	452	-	452
Total	$ 96,750	$ 4,904	$ 101,654

The following table shows information related to impaired loans at December 31, 2022, in thousands.

As of December 31, 2022:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Agricultural	232	232	-	235	17
Real estate – residential	509	541	-	514	29
Real estate – commercial	-	-	-	-	-
Real estate – construction & land	94	94	-	98	6
Equity Lines of Credit	244	301	-	254	-
Auto	-	-	-	-	-
Other	-	-	-	-	-
With an allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Agricultural	-	-	-	-	-
Real estate – residential	169	169	20	170	7
Real estate – commercial	-	-	-	-	-
Real estate – construction & land	-	-	-	-	-
Equity Lines of Credit	-	-	-	-	-
Auto	-	-	-	-	-
Other	-	-	-	-	-
Total:					
Commercial	$ -	$ -	$ -	$ -	$ -
Agricultural	232	232	-	235	17
Real estate – residential	678	710	20	684	36
Real estate – commercial	-	-	-	-	-
Real estate – construction & land	94	94	-	98	6
Equity Lines of Credit	244	301	-	254	-
Auto	-	-	-	-	-
Other	-	-	-	-	-
Total	$ 1,248	$ 1,337	$ 20	$ 1,271	$ 59

Term Loans

Amortized Cost Basis by Origination Year and Risk Grades - As of December 31, 2023

(in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Book Balance Basis	Revolving loans converted to term Book Balance Basis	Total
Commercial									
Pass	$ 15,549	$ 18,995	$ 11,603	$ 3,472	$ 4,291	$ 5,165	$ 13,079	$ -	$ 72,154
Special Mention	-	-	302	-	31	68	170	-	571
Substandard	-	1,532	289	340	-	24	23	-	2,208
Total Commercial loans	$ 15,549	$ 20,527	$ 12,194	$ 3,812	$ 4,322	$ 5,257	$ 13,272	$ -	$ 74,933
Current period gross charge-offs	$ -	$ 34	$ 40	$ 14	$ -	$ 10	$ 25	$ -	$ 123
Agricultural									
Pass	$ 12,028	$ 17,382	$ 13,182	$ 15,550	$ 11,495	$ 20,704	$ 18,925	$ -	$ 109,266
Special Mention	1,852	813	97	1,017	16	817	621	-	5,233
Substandard	6,226	6,878	1,075	-	752	248	-	-	15,179
Total Agricultural	$ 20,106	$ 25,073	$ 14,354	$ 16,567	$ 12,263	$ 21,769	$ 19,546	$ -	$ 129,678
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate - Residential									
Pass	$ 1,127	$ -	$ 2,143	$ 2,447	$ 524	$ 4,676	$ 201	-	$ 11,118
Substandard	-	-	-	-	59	765	-	-	824
Total Real Estate - Residential	$ 1,127	$ -	$ 2,143	$ 2,447	$ 583	$ 5,441	$ 201	-	$ 11,942
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate -Commercial									
Pass	$ 74,595	$ 115,890	$ 90,436	$ 76,401	$ 40,256	$ 133,958	$ 6,246	-	$ 537,782
Special Mention	-	-	-	199	-	3,316	-	-	3,515
Substandard	-	12	-	281	353	2,271	-	-	2,917
Total Real Estate -Commercial	$ 74,595	$ 115,902	$ 90,436	$ 76,881	$ 40,609	$ 139,545	$ 6,246	-	$ 544,214
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate -Construction									
Pass	$ 18,878	$ 30,825	$ 3,717	$ 1,672	$ 619	$ 281	$ 1,368	$ -	$ 57,360
Total Real Estate -Construction	$ 18,878	$ 30,825	$ 3,717	$ 1,672	$ 619	$ 281	$ 1,368	$ -	$ 57,360
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity LOC									
Pass	$ -	$ -	$ -	$ -	$ -		$ 35,122	$ 3,018	$ 38,140
Substandard	-	-	-	-	-		319	254	573
Total Equity LOC	$ -	$ -	$ -	$ -	$ -	$ -	$ 35,441	$ 3,272	$ 38,713
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Pass	$ 122,177	$ 183,092	$ 121,081	$ 99,542	$ 57,185	$ 164,784	$ 74,941	$ 3,018	$ 825,820
Special Mention	1,852	813	399	1,216	47	4,201	791	-	9,319
Substandard	6,226	8,422	1,364	621	1,164	3,308	342	254	21,701
Total	$ 130,255	$ 192,327	$ 122,844	$ 101,379	$ 58,396	$ 172,293	$ 76,074	$ 3,272	$ 856,840
Current period gross charge-offs	$ -	$ 34	$ 40	$ 14	$ -	$ 10	$ 25	$ -	$ 123
Auto									
Performing	$ 31,880	$ 31,913	$ 16,246	$ 8,554	$ 6,329	$ 3,689	$ -	$ -	$ 98,611

Non-performing	167	228	179	210	228	37	-	-	1,049
Total Auto	$ 32,047	$ 32,141	$ 16,425	$ 8,764	$ 6,557	$ 3,726	$ -	$ -	$ 99,660
Current period gross charge-offs	$ -	$ 367	$ 569	$ 237	$ 255	$ 122	$ -	$ -	$ 1,550
Other									
Performing	$ 2,411	$ 1,354	$ 719	$ 252	$ 57	$ 15	$ 159	$ -	$ 4,967
Non-performing	-	4	-	-	-	-	-	-	4
Total Other	$ 2,411	$ 1,358	$ 719	$ 252	$ 57	$ 15	$ 159	$ -	$ 4,971
Current period gross charge-offs	$ -	$ 70	$ 33	$ 9	$ 12	$ 3	$ 2	$ -	$ 129
Total									
Performing	$ 34,291	$ 33,267	$ 16,965	$ 8,806	$ 6,386	$ 3,704	$ 159	$ -	$ 103,578
Non-performing	167	232	179	210	228	37	-	-	1,053
Total	$ 34,458	$ 33,499	$ 17,144	$ 9,016	$ 6,614	$ 3,741	$ 159	$ -	$ 104,631
Total Loans	$ 164,713	$ 225,826	$ 139,988	$ 110,395	$ 65,010	$ 176,034	$ 76,233	$ 3,272	$ 961,471
Total gross charge-offs	$ -	$ 471	$ 642	$ 260	$ 267	$ 135	$ 27	$ -	$ 1,802

The following table shows the ending balance of nonaccrual loans by loan category as of the date indicated:

	Non Performing Loans						Non Performing Loans					
	September 30, 2023			December 31, 2022			March 31, 2024			December 31, 2023		
(in thousands)	Nonaccrual with no allowance for credit losses	Total nonaccrual	Past due 90 days or more and still accruing	Nonaccrual with no allowance for credit losses	Total nonaccrual	Past due 90 days or more and still accruing	Nonaccrual with no allowance for credit losses	Total nonaccrual	Past due 90 days or more and still accruing	Nonaccrual with no allowance for credit losses	Total nonaccrual	Past du 90 days or more and stil accruin
Commercial	$ 48	$ 105	$ -	$ -	$ -	$ -	$ 67	$ 124	$ -	$ 75	$ 132	$
Agricultural	847	847	-	-	-	-	2,066	2,066	-	2,066	2,066	
Real estate – residential	195	195	-	211	211	-	662	662	-	223	223	
Real estate – commercial	844	844	-	9	9	-	1,324	1,324	-	774	774	
Real estate – construction & land development	-	-	-	83	83	-	-	-	-	-	-	
Equity lines of credit	452	452	-	417	417	-	646	646	-	572	572	
Auto	920	920	-	452	452	-	785	785	-	1,049	1,049	
Other	966	966	-	-	-	-	3	3	-	4	4	
Total Gross Loans	$ 4,272	$ 4,329	$ -	$ 1,172	$ 1,172	$ -	$ 5,553	$ 5,610	$ -	$ 4,763	$ 4,820	$

The Company places loans 90 days or more past due on nonaccrual status unless the loan is well secured and in the process of collection. A loan is considered to be in the process of collection if, based on a probable specific event, it is expected that the loan will be repaid or brought current. Generally, this collection period would not exceed 90 days. When a loan is placed on nonaccrual status the Company's general policy is to reverse and charge against current income previously accrued but unpaid interest. Interest income on such loans is subsequently recognized only to the extent that cash is received, and future collection of principal is deemed by management to be probable. Where the collectability of the principal or interest on a loan is considered to be doubtful by management, it is placed on nonaccrual status prior to becoming 90 days delinquent.

At

The following tables shows interest reversed against interest income for loans placed on nonaccrual status during the September 30, three months ended March 31, 2024.

Three months ended March 31, 2024		
(in thousands)		Interest Reversed
Commercial	$	4
Real estate – residential		9
Real estate – commercial		14
Equity Lines of Credit		10
Auto		2
Total	$	39

On March 31, 2024, and December 31, 2023, there was one commercial nonaccrual loan with an amortized cost of $57,000 that had allowances allowance for credit losses totaling $28,000. No income was recognized on nonaccrual loans accounted on a cash basis during the nine three months ended September 30, 2023 March 31, 2024, or the year ended December 31, 2022. 2023.

The following table presents the amortized cost basis of loans on for the September 30, three months ended March 31,2024, that were both experiencing financial difficulty and modified during the three months ended March 31,2024, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financial receivable is also presented below.

	Term Extension	
(in thousands)	Amortized Cost Basis	Total Class of Financing Receivable
Commercial	36	0.04 %

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty at March 31,2024:

	Weighted-Average Term Extension (in months)
Commercial	6.0

The following table presents the amortized cost basis of loans for the year ended December 31, 2023, that were both experiencing financial difficulty and modified during the nine twelve months ended September 30, December 31, 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financial receivable is also presented below.

	Term Extension	
(in thousands)	Amortized Cost Basis	Total Class of Financing Receivable
Commercial	1,489	1.92 %
Agricultural	4,367	3.32 %
Real Estate - Residential		0.00 %
Real Estate - Commercial		0.00 %
Real Estate - Construction		0.00 %
Equity LOC		0.00 %
Auto		0.00 %
Other		0.00 %
Total	$ 5,856	0.62 %

	Term Extension

(in thousands)	Amortized Cost Basis	Total Class of Financing Receivable
Commercial	1,489	1.92 %
Agricultural	4,367	3.32 %
Total	$ 5,856	0.62 %

14

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty as of September 30, December 31, 2023:

(in thousands)	Weighted-Average Term Extension (in months)
Commercial	6 6.0
Agricultural	10
Real Estate - Residential	
Real Estate - Commercial	
Real Estate - Construction	
Equity LOC	
Auto	
Other	10.0
Total	9.1

There were no loans Loans with payment defaults by borrowers experiencing financial difficulty during the quarter ended September 30, 2023, March 31, 2024, which had material modifications in rate, term or principal forgiveness during the twelve months prior to default. default totaled $2.9 million in agricultural loans.

16

The following tables show the allocation of the allowance for credit losses at the dates indicated, in thousands:

Nine Months Ended September 30, 2023:	Commercial	Agricultural	Real Estate-Residential	Real Estate-Commercial	Real Estate-Construction	Equity LOC	Auto	Other	Total

Three Months Ended March 31, 2024:	Commercial	Agricultural	Real Estate-Residential
Allowance for credit losses			
Beginning balance	$ 1,134	$ 1,738	$ 137
Charge-offs	(43)	-	-
Recoveries	9	-	1
Provision	211	(86)	(4)
Ending balance	$ 1,311	$ 1,652	$ 134

Three Months Ended March 31, 2023:												
Allowance for credit losses												
Beginning balance	$ 892	$ 1,086	$ 138	$ 4,980	$ 1,500	$ 687	$ 1,289	$ 145	$ 10,717	$ 892	$ 1,086	$ 138
Impact of CECL Adoption	354	148	2	1,488	(951)	(421)	9	(100)	529	354	148	2
Charge-offs	(108)	-	-	-	-	-	(1,042)	(102)	(1,252)	-	-	-
Recoveries	17	-	2	2	-	-	458	49	528	6	-	1
Provision	461	(73)	29	597	311	143	900	57	2,425	223	73	21
Ending balance	$ 1,616	$ 1,161	$ 171	$ 7,067	$ 860	$ 409	$ 1,614	$ 49	$ 12,947	$ 1,475	$ 1,307	$ 162
Three Months Ended September 30, 2023:												
Allowance for credit losses												
Beginning balance	$ 1,547	$ 1,478	$ 169	$ 6,862	$ 866	$ 401	$ 1,566	$ 496	$ 13,385			
Charge-offs	(59)	-	-	-	-	-	(438)	(17)	(514)			
Recoveries	5	-	-	1	-	-	153	42	201			
Provision	123	(317)	2	204	(6)	8	333	(472)	(125)			
Ending balance	$ 1,616	$ 1,161	$ 171	$ 7,067	$ 860	$ 409	$ 1,614	$ 49	$ 12,947			
Nine Months Ended September 30, 2022:												
Allowance for credit losses												
Beginning balance	$ 1,074	$ 791	$ 168	$ 4,549	$ 1,325	$ 426	$ 1,911	$ 108	$ 10,352			
Charge-offs	(169)	-	-	(19)	-	-	(632)	(35)	(855)			
Recoveries	23	-	2	1	-	-	388	9	423			
Provision	(104)	215	(36)	(325)	575	216	402	57	1,000			
Ending balance	$ 824	$ 1,006	$ 134	$ 4,206	$ 1,900	$ 642	$ 2,069	$ 139	$ 10,920			

Three Months Ended September 30, 2022:									
Allowance for credit losses									
Beginning balance	$ 902	$ 1,094	$ 139	$ 4,395	$ 1,759	$ 593	$ 1,900	$ 137	$ 10,919
Charge-offs	(169)	-	-	-	-	-	(213)	(4)	(386)
Recoveries	6	-	1	1	-	-	76	3	87
Provision	85	(88)	(6)	(190)	141	49	306	3	300
Ending balance	$ 824	$ 1,006	$ 134	$ 4,206	$ 1,900	$ 642	$ 2,069	$ 139	$ 10,920
September 30, 2022:									
Allowance for credit losses									
Ending balance: individually evaluated for impairment	$ -	$ -	$ 21	$ -	$ -	$ -	$ -	$ -	$ 21
Ending balance: collectively evaluated for impairment	824	1,006	113	4,206	1,900	642	2,069	139	10,899
Ending balance	$ 824	$ 1,006	$ 134	$ 4,206	$ 1,900	$ 642	$ 2,069	$ 139	$ 10,920
Loans									
Ending balance: individually evaluated for impairment	$ -	$ 234	$ 683	$ 93	$ 96	$ 248	$ -	$ -	$ 1,354
Ending balance: collectively evaluated for impairment	73,227	124,660	15,316	457,531	55,415	34,320	91,425	4,728	856,622
Ending balance	$ 73,227	$ 124,894	$ 15,999	$ 457,624	$ 55,511	$ 34,568	$ 91,425	$ 4,728	$ 857,976

Year Ended December 31, 2022:									
Allowance for credit losses									
Beginning balance	$ 1,074	$ 791	$ 168	$ 4,549	$ 1,325	$ 426	$ 1,911	$ 108	$ 10,352
Charge-offs	(207)	-	-	(19)	-	-	(1,195)	(40)	(1,461)

Recoveries	27	-	3	2	-	-	482	12	526
Provision	(2)	295	(33)	448	175	261	91	65	1,300
Ending balance	$ 892	$ 1,086	$ 138	$ 4,980	$ 1,500	$ 687	$ 1,289	$ 145	$ 10,717
Allowance for credit losses									
Ending balance: individually evaluated for impairment	$ -	$ -	$ 20	$ -	$ -	$ -	$ -	$ -	$ 20
Ending balance: collectively evaluated for impairment	892	1,086	118	4,980	1,500	687	1,289	145	10,697
Ending balance	$ 892	$ 1,086	$ 138	$ 4,980	$ 1,500	$ 687	$ 1,289	$ 145	$ 10,717
Loans									
Ending balance: individually evaluated for impairment	$ -	$ 232	$ 678	$ -	$ 94	$ 244	$ -	$ -	$ 1,248
Ending balance: collectively evaluated for impairment	76,680	122,641	14,646	516,107	43,326	35,647	96,750	4,904	910,701
Ending balance	$ 76,680	$ 122,873	$ 15,324	$ 516,107	$ 43,420	$ 35,891	$ 96,750	$ 4,904	$ 911,949

17

The following table shows tables show an aging analysis of the loan portfolio by the time past due, in thousands:

September 30, 2023 / March 31, 2024	30-59 Days Past Due	60-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Tot
Commercial	$ 279	$ 26	$ -	$ 105	$ 410	$ 77,005	$ 77,415	$ 385	$ 175	$ -	$ 124	$ 684	$ 82,162	$ 82,
Agricultural	4,770	2,675	-	847	8,292	123,278	131,570	22	4,977	-	2,066	7,065	116,458	123,
Real estate – residential	485	203	-	195	883	11,603	12,486	-	157	-	662	819	11,081	11,
Real estate – commercial	469	520	-	844	1,833	528,042	529,875	1,316	-	-	1,324	2,640	560,455	563,
Real estate - construction & land	-	-	-	-	-	58,462	58,462	-	624	-	-	624	63,537	64,
Equity Lines of Credit	420	145	-	452	1,017	37,468	38,485	155	-	-	646	801	37,240	38,
Auto	1,130	629	-	920	2,679	104,600	107,279	1,485	332	-	785	2,602	88,135	90,
Other	69	26	-	966	1,061	5,033	6,094	10	42	-	3	55	4,940	4,
Total	$ 7,622	$ 4,224	$ -	$ 4,329	$ 16,175	$ 945,491	$ 961,666	$ 3,373	$ 6,307	$ -	$ 5,610	$ 15,290	$ 964,008	$ 979,

December 31, 2022 / December 31, 2023	30-89 Days	60-89 Days	90 Days and Still	Total Past Due and	30-89 Days	60-89 Days	90 Days and Still	Total Past Due and

	Past Due	Past Due	Accruing	Nonaccrual	Nonaccrual	Current	Total	Past Due	Past Due	Accruing	Nonaccrual	Nonaccrual	Current	Total
Commercial	$ 750	$ 195	$ -	$ -	$ 945	$ 75,735	$ 76,680	$ 21	$ 254	$ -	$ 132	$ 407	$ 74,526	$ 74,93
Agricultural	877	-	-	-	877	121,996	122,873	82	-	-	2,066	2,148	127,530	129,67
Real estate – residential	437	-	-	211	648	14,676	15,324	348	423	-	223	994	10,948	11,94
Real estate - commercial	3,255	-	-	9	3,264	512,843	516,107	587	-	-	774	1,361	542,853	544,21
Real estate - construction & land	-	-	-	83	83	43,337	43,420	-	-	-	-	-	57,360	57,36
Equity Lines of Credit	665	53	-	417	1,135	34,756	35,891	473	53	-	572	1,098	37,615	38,71
Auto	1,862	693	-	452	3,007	93,743	96,750	1,729	405	-	1,049	3,183	96,477	99,66
Other	1	14	-	-	15	4,889	4,904	19	3	-	4	26	4,945	4,97
Total	$ 7,847	$ 955	$ -	$ 1,172	$ 9,974	$ 901,975	$ 911,949	$ 3,259	$ 1,138	$ -	$ 4,820	$ 9,217	$ 952,254	$ 961,47

15

The following tables present the amortized cost basis of collateral dependent loans by class of loans at March 31, 2024, in thousands:

	Equipment	Crops	Commercial -1st Deed	SFR-1st Deed	SFR-2nd Deed	SFR-3rd Deed	Auto New	Auto Used	Total
Commercial	$ 102	$ -	$ -	$ -	$ -		$ -	$ -	$ 102
Agricultural	-	2,066		-	-		-	-	2,066
Real estate – residential	-	-		662	-		-	-	662
Real estate – commercial	-	-	269	963	39	53		-	1,324
Real estate - construction & land	-	-		-	-		-	-	-
Equity Lines of Credit	-	-		140	506		-	-	646
Auto	-	-		-	-		502	273	775
Other	-	-		-	-		-	-	-
Total	$ 102	$ 2,066	$ 269	$ 1,765	$ 545	$ 53	$ 502	$ 273	$ 5,575

The following tables present the amortized cost basis of collateral dependent loans by class of loans at September 30, December 31, 2023, in thousands:

	Equipment	Crops	Commercial -1st Deed	SFR-1st Deed	SFR-2nd Deed	SFR-3rd Deed	Auto New	Auto Used	Total
Commercial	$ 67	$ -	$ -	$ -	$ -		$ -	$ -	$ 67
Agricultural	-	847		-	-		-	-	847
Real estate – residential	-	-		195	-		-	-	195
Real estate – commercial	-	-	316	341	44	143		-	844
Real estate - construction & land	-	-		-	-		-	-	-

Equity Lines of Credit	-	-		184	268		-	-	452
Auto	-	-		-	-		559	361	920
Other	-	-		-	-		-	-	-
Total	$ 67	$ 847	$ 316	$ 720	$ 312	$ 143	$ 559	$ 361	$ 3,325

There were no new troubled debt restructurings during the twelve months ending December 31, 2022. There were no troubled debt restructurings for which there was a payment default within twelve months following the modification during the twelve months ended December 31, 2022.

	Equipment	Crops	Commercial -1st Deed	SFR-1st Deed	SFR-2nd Deed	Inventory	Auto New	Auto Used	Total
Commercial	$ 64	$ -	$ -	$ -	$ -	$ 45	$ -	$ -	$ 109
Agricultural	-	2,066	-	-	-	-	-	-	2,066
Real estate – residential	-	-	-	223	-	-	-	-	223
Real estate – commercial	-	-	279	454	41	-	-	-	774
Real estate - construction & land	-	-	-	-	-	-	-	-	-
Equity Lines of Credit	-	-	-	208	365	-	-	-	573
Auto	-	-	-	-	-	-	755	294	1,049
Other	-	-	-	-	-	-	-	-	-
Total	$ 64	$ 2,066	$ 279	$ 885	$ 406	$ 45	$ 755	$ 294	$ 4,794

5. COMMITMENTS AND CONTINGENCIES

The Company is party to claims and legal proceedings arising in the ordinary course of business. In the opinion of the Company's management, the amount of ultimate liability with respect to such proceedings will not have a material adverse effect on the financial condition or result of operations of the Company taken as a whole. In the normal course of business, there are various outstanding commitments to extend credit, which are not reflected in the financial statements, including loan commitments of $181.4 million $165.6 million and $178.7 million $174.6 million and stand-by letters of credit of $108,000 $0 and $0 $108,000 at September 30, 2023 March 31, 2024 and December 31, 2022 2023, respectively.

Of the loan commitments outstanding at September 30, 2023 March 31, 2024, $52.5 million $31.1 million are real estate construction loan commitments that are expected to fund within the next twelve months. The remaining commitments primarily relate to revolving lines of credit or other commercial loans, and many of these are expected to expire without being drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Each loan commitment and the amount and type of collateral obtained, if any, are evaluated on an individual basis. Collateral held varies, but may include real property, bank deposits, debt or equity securities or business assets. The reserve for unfunded commitments at September 30, 2023 March 31, 2024and December 31, 2022 2023totaled $849,000 $720,000 and $341,000, $799,000, respectively.

Stand-by letters of credit are conditional commitments written to guarantee the performance of a customer to a third party. These guarantees are primarily related to the purchases of inventory by commercial customers and are typically short-term in nature. Credit risk is similar to that involved in extending loan commitments to customers and accordingly, evaluation and collateral requirements similar to those for loan commitments are used. The deferred liability related to the Company's stand-by letters of credit was not significant at September 30, 2023.

6. EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options, result in the issuance of common stock which shares in the earnings of the Company. The treasury stock method has been applied to determine the dilutive effect of stock options in computing diluted earnings per share.

(In thousands, except per share data)	For the Three Months Ended September 30, 2023		For the Three Months Ended September 30, 2022		For the Nine Months Ended September 30, 2023		For the Nine Months Ended September 30, 2022		For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Net Income:										
Net income	$	7,970	$	7,228	$	22,255	$	18,626	$ 6,254	$ 7,626
Earnings Per Share:										
Basic earnings per share	$	1.36	$	1.24	$	3.80	$	3.19	$ 1.06	$ 1.30
Diluted earnings per share	$	1.34	$	1.23	$	3.75	$	3.15	$ 1.05	$ 1.28
Weighted Average Number of Shares Outstanding:										
Basic shares		5,866		5,845		5,861		5,837	5,887	5,855
Diluted shares		5,932		5,895		5,932		5,911	5,946	5,940

Shares of common There were no stock issuable under stock options for which the exercise prices were greater than the average market prices were not included in the computation of diluted earnings per share due to their antidilutive effect. Options having an antidilutive effect during the three and nine-month periods ended September 30, 2023, March 31, 2024, and 2022 2023. totaled 114,994 and 119,000, respectively.

7. STOCK-BASED COMPENSATION

In May 2022, the Company's shareholders approved the 2022 Equity Incentive Plan (the "2022 Plan"), which provides for the grant of up to 576,550 shares of common stock, including 126,550 shares that remained available for grant under the 2013 Stock Option Plan when the 2022 Plan was adopted. The 2022 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. The frequency, amount and terms of stock-based awards may be determined by the Board of Directors or its compensation committee, consistent with the terms and purposes of the 2022 plan.

In May 2013, the Company established the 2013 Stock Option Plan for which 167,317 141,752 shares of common stock are reserved. With the establishment of the Company's 2022 Equity Incentive Plan, no further options may be issued under the 2013 Stock Option Plan, though options previously granted continue to be outstanding and governed by the plan.

117,200 107,200 options were granted under the 2022 Plan during the three and ninemonths ended September 30, 2022. March 31, 2024. The fair value of each option was estimated on the date of grant using the following assumptions.

		2024
Expected life of stock options (in years)		6.2
Risk free interest rate		3.98 %
Annualized Volatility		32.3 %
Dividend yields		3.17 %
Weighted-average fair value of options granted during the three months ended March 31, 2024	$	9.25

No options were granted during the nine 2023. months ended September 30, 2023 and 2022 under the 2013 stock option plan.

A summary of the activity within the 2013 Plan follows:

	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years		Intrinsic Value
Options outstanding at January 1, 2023	189,917	$	21.14			
Options exercised	(22,600)		18.36			
Options outstanding at September 30, 2023	167,317	$	21.52	3.3	$	2,111,541
Options exercisable at September 30, 2023	137,467	$	21.49	3.1	$	1,738,958
Expected to vest after September 30, 2023	26,187	$	21.66	4.1	$	326,868

	Shares	Weighted Average Exercise Price		Weighted Average Remaining Contractual Term in Years	Intrinsic Value	
Options outstanding at January 1, 2023	189,917	$	21.14			
Options exercised	(24,400)		18.59			
Options outstanding at December 31, 2023	165,517	$	21.52			
Options exercised	(23,765)		15.06			
Options outstanding at March 31, 2024	141,752	$	22.60	3.0	$	2,011,461
Options exercisable at March 31, 2024	141,752	$	22.60	3.0	$	2,011,461

A summary of the activity within the 2022 Plan follows:

	Shares	Weighted Average Exercise Price		Weighted Average Remaining Contractual Term in Years	Intrinsic Value	
Options outstanding at September 30, 2023	117,200	$	31.00	8.56	$	368,008
Options exercisable at September 30, 2023	24,400	$	31.00	8.49	$	76,616
Expected to vest after September 30, 2023	81,413	$	31.00	8.57	$	255,637

	Shares	Weighted Average Exercise Price		Weighted Average Remaining Contractual Term in Years	Intrinsic Value	
Options outstanding at January 1, 2023	117,200	$	31.00			
Options cancelled	(10,400)		31.00			
Options exercised	(1,300)		31.00			
Options outstanding at December 31, 2023	105,500	$	31.00			
Options granted	107,200		34.07			
Options exercised	(1,300)		31.00			
Options outstanding at March 31, 2024	211,400	$	32.56	8.96	$	894,902
Options exercisable at March 31, 2024	21,800	$	31.00	7.93	$	126,222
Expected to vest after March 31, 2024	163,397	$	32.56	9.08	$	691,696

As of September 30, 2023 March 31, 2024, there was $15,183 of total unrecognized compensation cost related to non-vested, share-based compensation under the 2013 plan. That cost is expected to be recognized over a weighted average period of 0.1 years. As of September 30, 2023, there was $786,000 $1.7 million of total unrecognized compensation cost related to non-vested stock options, share-based compensation under the 2022 plan. That cost is expected to be recognized over a weighted average period of 3.7 4.2 years. There were no unrecognized costs remaining under the 2013 plan as of March 31, 2024.

The total fair value of options vested during the nine three months ended September 30, 2023 March 31, 2024, and 2022 2023 was $222,000 $199,000 and $101,000, $7,000, respectively. The total intrinsic value of options at time of exercise was $457,000 $532,000 and $830,000 $331,000 for the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, respectively.

Compensation cost related to stock options recognized in operating results under the stock option plans was $87,000 $88,000 and $36,000 $87,000 for the three months ended September 30, 2023 March 31, 2024, and 2022, 2023, respectively. The associated income tax benefit recognized was $7,000 and $2,000 for each of the three months ended September 30, 2023 March 31, 2024, and 2022, 2023 respectively. Compensation cost related to stock options recognized in operating results under the stock option plans was $260,000 and $153,000 for the nine months ended September 30, 2023 and 2022, respectively. The associated income tax benefit recognized was $19,000 and $10,000 for each of the nine months ended September 30, 2023 and 2022,, respectively.

Cash received from option exercises under the plans for the nine three months ended September 30, 2023 March 31, 2024, and 2022 2023 were $261,000 was $359,000 and $277,000, $137,000, respectively. The tax benefit realized for the tax deductions from option exercise totaled $75,000 $69,000 and $55,000 $49,000 for the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, respectively.

During the three months ended September 30, March 31, 2024, the Company granted 3,033 restricted stock units with a fair value of $34.07 per share and a one-year vesting period. Compensation costs related to these units during the three months ended March 31, 2024 were $12,000. As of March 31, 2024, there was $92,000 of total unrecognized compensation cost related to restricted stock units. That cost is expected to be recognized over a weighted average period of 0.9 years.
During 2022,the Company granted 1,650 shares of restricted stock with a fair value of $31 per share and a one-year vesting period. 825 of these shares were terminated during the three months ended September 30, 2023. Compensation costs related to these shares during the three months and nine months ended September 30, March 31, 2023 totaled $(21,000) and $4,000, respectively. Compensation costs related to these shares during the three and nine months ended September 30, 2022 totaled $9,000. $12,000. As of September 30, 2023 March 31, 2024, , there was no unrecognized compensation cost related to restricted stock. Of the 1,650 restricted stock shares issued, 825 were fully vested at September 30, 2023, and 825 were terminated.

8. INCOME TAXES

The Company files its income taxes on a consolidated basis with its subsidiary. Income tax expense is the total of current year income tax due or refundable and the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. A valuation allowance is recognized if, based on the weight of available evidence, management believes it is more likely than not that some portion or all of the deferred tax assets will not be realized. On the consolidated balance sheet, net deferred tax assets are included in accrued interest receivable and other assets.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest expense and penalties associated with unrecognized tax benefits, if any, are classified as income tax expense in the consolidated statements of income. There have been no significant changes to unrecognized tax benefits or accrued interest and penalties for the nine three months ended September 30, 2023 March 31, 2024.

---

9. FAIR VALUE MEASUREMENT

The Company measures fair value under the fair value hierarchy described below.

Level 1: Quoted prices for identical instruments traded in active exchange markets.

Level 2: Quoted prices (unadjusted) for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3: Model based techniques that use one significant assumption not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings.

Fair Value of Financial Instruments

The carrying amounts and estimated fair values of financial instruments, at September 30, 2023 March 31, 2024 follows, in thousands:

		Fair Value Measurements at September 30, 2023, Using:					Fair Value Measurements at March 31, 2024, Using:			
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:										
Cash and cash equivalents	$ 90,567	$ 90,567	$ -	$ -	$ 90,567	$ 128,231	$ 128,231	$ -	$ -	$ 128,231
Investment securities	438,265	-	438,265	-	438,265	447,445	-	447,445	-	447,445
Loans held for sale	-	-	-	-	-					
Loans, net	948,719	-	-	906,961	906,961	966,141	-	-	927,114	927,114
FHLB stock	6,234	-	-	-	N/A	6,234	-	-	-	N/A
FRB Stock	1,370	-	-	-	N/A	1,367	-	-	-	N/A
Accrued interest receivable	7,958	90	2,570	5,298	7,958					
Financial liabilities:										
Deposits	1,402,486	1,312,179	90,814	-	1,402,993	1,299,688	1,209,013	90,331	-	1,299,344
Repurchase agreements	16,145	-	16,145	-	16,145	19,331	-	19,331	-	19,331
Note Payable	10,000	-	-	8,682	8,682					
Accrued interest payable	782	22	687	73	782					
Borrowings						120,000	-	-	115,379	115,379

The carrying amounts and estimated fair values of financial instruments, at December 31, 2022 2023 follows, in thousands:

		Fair Value Measurements at December 31, 2022 Using:					Fair Value Measurements at December 31, 2023 Using:			
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:										
Cash and cash equivalents	$ 183,426	$ 183,426	$ -	$ -	$ 183,426	$ 85,655	$ 85,655			$ 85,655
Investment securities	444,703	-	444,703	-	444,703	489,181		489,181		489,181
Interest rate swaps	2,002	-	2,002	-	2,002					
Loans held for sale	2,301	-	2,301	-	2,301					
Loans, net	903,968	-	-	884,814	884,814	948,604			$ 923,500	$ 923,500
FHLB stock	4,964	-	-	-	N/A	6,234				N/A
FRB Stock	1,364	-	-	-	N/A	1,371				N/A
Accrued interest receivable	7,433	63	2,309	5,061	7,433					

Financial liabilities:										
Deposits	1,457,809	1,408,623	49,627	-	1,458,250	1,333,655	1,242,003	92,311		1,334,314
Repurchase agreements	18,624	-	18,624	-	18,624	23,054		23,054		23,054
Junior subordinated deferrable interest debentures	10,310	-	-	7,770	7,770					
Accrued interest payable	81	16	40	25	81					
Borrowings						90,000			86,100	86,100

Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. Those estimates that are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision are included in Level 3. Changes in assumptions could significantly affect the fair values presented.

19

These estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

21

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 2023, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

Assets and liabilities measured at fair value on a recurring basis at September 30, 2023 March 31, 2024 are summarized below, in thousands:

		Fair Value Measurements at September 30, 2023 Using				Fair Value Measurements at March 31, 2024 Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:								
U.S. Treasury securities	$ 9,796	$ -	$ 9,796	$ -	$ 6,919	$ -	$ 6,919	$ -
U.S. Government-sponsored agencies collateralized by mortgage obligations- residential	212,178	-	212,178	-	229,633	-	229,633	-
U.S. Government agencies collateralized by mortgage obligations-commercial	101,288	-	101,288	-	123,078	-	123,078	-
Obligations of states and political subdivisions	115,003	-	115,003	-	87,815	-	87,815	-
	$ 438,265	$ -	$ 438,265	$ -	$ 447,445	$ -	$ 447,445	$ -

Assets and liabilities measured at fair value on a recurring basis at December 31, 2022 2023 are summarized below, in thousands:

		Fair Value Measurements at December 31, 2022 Using				Fair Value Measurements at December 31, 2023 Using		
		Quoted				Quoted		

	Total Fair Value	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:								
U.S. Treasury securities	$ 9,707	$ -	$ 9,707	$ -	$ 6,880	$ -	$ 6,880	$ -
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	214,408	-	214,408	-	235,931	-	235,931	-
U.S. Government-agencies collateralized by mortgage obligations - commercial	99,581	-	99,581	-	115,952	-	115,952	-
Obligations of states and political subdivisions	121,007	-	121,007	-	130,418	-	130,418	-
Interest rate swaps	2,002	-	2,002	-				
	$ 446,705	$ -	$ 446,705	$ -				
					$ 489,181	$ -	$ 489,181	$ -

The fair value of securities available-for-sale equals quoted market price, if available. If quoted market prices are not available, fair value is determined using quoted market prices for similar securities or matrix pricing. The fair value of the interest rate swap agreements was derived from discounted cash flow analysis based on the terms of the contract and the forward interest rate curve adjusted for our credit risk. There were no changes in the valuation techniques used during 2023 2024 or 2022 2023. Transfers between hierarchy measurement levels are recognized by the Company as of the beginning of the reporting period. Changes in fair market value are recorded in other comprehensive income.

Assets and liabilities measured at fair value on a non-recurring basis at September 30, 2023 March 31, 2024 are summarized below, in thousands:

	Total Fair Value	Fair Value Measurements at September 30, 2023 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Nine Months Ended September 30, 2023	Total Fair Value	Fair Value Measurements at March 31, 2024 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Three Months Ended March 31, 2024
Assets:										
Impaired loans										
Collateral-dependent loans										
Commercial	29	-	-	29	28	27	-	-	27	-
Other Real Estate:										
RE – Residential	440	$ -	$ -	$ 440	$ -	357	$ -	$ -	$ 357	$ -

There were no assets Assets and liabilities measured at fair value on a non-recurring basis on at December 31, 2022 2023 . The Company has no liabilities which are reported at fair value. summarized below, in thousands:

	Total Fair Value	Fair Value Measurements at December 31, 2023 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Three Months Ended March 31, 2023
Assets:					
Other real estate:					
Collateral-dependent loans					
Commercial	$ 27	$ -	$ -	$ 27	$ 271
Other Real Estate:					
RE – Residential	357	-	-	357	-

The following methods were used to estimate fair value.

Collateral-Dependent Impaired Loans: The Bank Bank does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect partial write-downs, through charge-offs or specific reserve allowances, that are based on fair value estimates of the underlying collateral. The fair value estimates for collateral-dependent impaired loans are generally based on recent real estate appraisals or broker opinions, obtained from independent third parties, which are frequently adjusted by management to reflect current conditions and estimated selling costs (Level 3). Impairment No impairment charges of $28,000 were recognized during the nine three months ended September 30, 2023, March 31, 2024, related to the above impaired loans. No loan. An impairment charges were incurred charge of $271,000 was recognized during the nine three months ended September 30, 2022. March 31, 2023

Other Real Estate: Nonrecurring adjustments to certain real estate properties classified as other real estate owned are measured at the lower of carrying amount or fair value, less costs to sell. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. Fair values are generally based on third party appraisals of the property which are commonly adjusted by management to reflect current conditions and selling costs (Level 3).

Appraisals for both collateral-dependent loans and other real estate are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Loan Administration Department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On a quarterly basis, the Company compares the actual selling price of similar collateral that has been liquidated to the most recent appraised value for unsold properties to determine what additional adjustment, if any, should be made to the appraisal value to arrive at fair value. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at September 30, 2023 March 31, 2024 and December 31, 2022 2023 (dollars in thousands):

Description	Fair Value 9/30/2023	Fair Value 12/31/2022	Valuation Technique	Significant Unobservable Input	Range (Weighted Average) 9/30/2023	Range (Weighted Average) 12/31/2022	Fair Value 3/31/2024	Fair Value 12/31/2023	Valuation Technique	Significant Unobservable Input	Range (Weighted Average) 3/31/2024	Range (Weighted Average) 12/31/2023
Impaired Loans:												
Collateral-dependent loans												

Commercial	$	29		-	Third Party appraisals	Management Adjustments to Reflect Current Conditions and Selling Costs	49%	(47%)	$	27	$	27	Third Party appraisals	Management Adjustments to Reflect Current Conditions and Selling Costs	48 %	48 %
Other Real Estate:																
RE – Residential	$	440	$	-	Third Party appraisals	Management Adjustments to Reflect Current Conditions and Selling Costs	11% -38%	(18 %)	$	357	$	357	Third Party appraisals	Management Adjustments to Reflect Current Conditions and Selling Costs	11 %	11 %

10. OTHER COMPREHENSIVE LOSS

The changes in the accumulated balances for each component of other comprehensive loss, net of tax for the twelve months ended December 31, 2022 2023 and the nine three months ended September 30, 2023 March 31, 2024 were as follows:

		Unrealized Gains (Losses) on AFS Securities		Unrealized Gain Cash Flow Hedge		Other Accumulated Comprehensive Income (Loss), net of tax
Beginning Balance, January 1, 2022	$	1,666	$	607	$	1,6
Current year-to-date other comprehensive loss		(55,849)		1,395		(38,3
Ending balance, December 31, 2022	$	(54,183)	$	2,002	$	(36,7
Current year-to-date other comprehensive loss		(22,003)		(2,002)		(16,9
Ending balance, September 30, 2023	$	(76,186)	$	-	$	(53,6

		Unrealized Gains (Losses) on AFS Securities		Unrealized Gain Cash Flow Hedge		Other Accumulated Comprehensive Income (Loss), net of tax
Beginning Balance, January 1, 2023	$	(54,183)	$	2,002	$	(36,7
Current year-to-date other comprehensive income		7,643		(2,002)		3,9
Ending balance, March 31, 2023	$	(46,540)	$	-	$	(32,7
Beginning Balance, January 1, 2024	$	(46,088)	$	-	$	(32,4
Current year-to-date other comprehensive income		12,847		-		9,0
Ending balance, March 31, 2024	$	(33,241)	$	-	$	(23,4

Reclassifications out of accumulated other comprehensive loss for the ninethree months ended September 30, 2023 March 31, 2024and September 30, 2022, March 31, 2023, were as follows:

Amounts Reclassified from Accumulated Other Comprehensive Loss

Details about Accumulated Other Comprehensive (Loss) Components	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Affected Line Item on the Statement of Income	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Affected Line Item on the Statement of Income
Cash flow hedge						
Termination of cash flow hedge	$ 1,707	$ -	Non-Interest Income	$ -	$ 1,707	Non-Interest Income
Tax effect	(505)	-	Provision for income taxes	-	(505)	Provision for income taxes
Investment securities						
Loss on sale of investment securities				19,826		Non-Interest Income
Tax effect				(5,861)		Provision for income taxes
Total reclassifications for the period	$ 1,202	$ -	Net income	$ 13,965	$ 1,202	Net income

2422

PART I – FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain matters discussed in this Quarterly Report are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Such risks and uncertainties include, among others, (1) significant increases in competitive pressures in the financial services industry; (2) changes in the interest rate environment resulting in reduced margins; (3) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality; (4) changes in regulatory environment; (5) loss of key personnel; (6) fluctuations in the real estate market; (7) changes in business conditions and inflation; (8) operational risks including data processing systems failures or fraud; and (9) changes in securities markets. Therefore, the information set forth herein should be carefully considered when evaluating the business prospects of Plumas Bancorp (the “Company”).

When the Company uses in this Quarterly Report the words “anticipate”, “estimate”, “expect”, “project”, “intend”, “commit”, “believe” and similar expressions, the Company intends to identify forward-looking statements. Such statements are not guarantees of performance and are subject to certain risks, uncertainties and assumptions, including those described in this Quarterly Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, expected, projected, intended, committed or believed. The future results and stockholder values of the Company may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond the Company’s ability to control or predict. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

INTRODUCTION

The following discussion and analysis sets forth certain statistical information relating to the Company as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and for the three and nine-month three-month periods ended September 30, 2023. March 31, 2024 and 2023. This discussion should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto included in Plumas Bancorp's Annual Report filed on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Plumas Bancorp trades on The NASDAQ Capital Market under the ticker symbol "PLBC".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes to the Company's critical accounting policies from those disclosed in the Company's 2022 2023 Annual Report to Shareholders on Form 10-K.

SALES/LEASEBACK AND INVESTMENT RESTRUCTURING

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

Net Income. The Company recorded net income of $22.3 million

On January 19, 2024, Plumas Bank entered into two agreements for the nine months ended September 30, 2023, up $3.6 million from net income purchase and sale of $18.6 million real property (the "Sale Agreements"). One Sale Agreement provided for the sale to MountainSeed of nine months ended September 30, 2022. An increase properties owned and operated by the Plumas Bank as branches (the "Branches") for an aggregate cash purchase price of $10.9 million in net interest income was partially offset by increases of $3.9 million in non-interest expense, $1.7 million in the provision for credit losses, $1.3 million in the provision for income taxes and a reduction of $488,000 in non-interest income. The annualized return on average assets was 1.88% for the nine months ended September 30, 2023, up from 1.52% for the nine months ended September 30, 2022 approximately $25.7 million. The annualized return on average equity increased from 20.1% during the first nine months of 2022 to 23.3% during the current period.

The following is a detailed discussion of each component branch portion of the change sale was completed on February 14, 2024 resulting in net income.

Net interest income before provision for credit losses. Net interest income for the nine months ended September 30, 2023 was $52.1 million, an increase of $11.0 million from the $41.1 million earned during the same period in 2022. The increase in net interest income includes an increase of $13.0 million in interest income partially offset by an increase of $2.0 million in interest expense. Interest and fees on loans, including loans held for sale, increased by $6.9 million related to growth in the loan portfolio and an increase in yield on the portfolio. Net loan fees/costs declined from net fees of $561,000 during the 2022 period to net costs of $927,000 during the nine months ended September 30, 2023. This decline is mostly related to a decline in fees earned on PPP loans. The average yield on loans, including loans held for sale, increased by 62 basis points from 5.20% during the first nine months of 2022 to 5.82% during the current period. The average prime interest rate increased from 4.20% during the nine months ended September 30, 2022 to 8.09% during the current period. Approximately 21% of the Company's loans are tied to the prime interest rate and most of these reprice within one to three months with a change in prime. Interest and fees on loans held for sale decreased by $436,000 related to a decrease in average balance of $10.6 million from $11.3 million for the nine months ended September 30, 2022 to $712,000 for the nine months ended September 30, 2023. Loans held for sale are tied to the prime interest rate and reprice quarterly. Yield on loans held for sale increased by 3.47% to 9.20%.

Interest on investment securities increased by $5.4 million related to an increase in average investment securities of $123 million to $469 million and an increase in yield of 92 basis points to 3.25%. The increase in investment yields is consistent with the increase in market rates during 2022 and 2023. Interest on cash balances increased by $691,000 related to an increase in the rate paid on these balances from 1.07% during the nine months ended September 30, 2022 to 4.95% during the current period mostly related to an increase in the rate paid on balances held at the Federal Reserve Bank (FRB). The average rate earned on FRB balances increased from 1.10% during the nine months ended September 30, 2022 to 4.99% during the current period. Average interest-bearing cash balances decreased by $235 million to $89 million during the current period.

Interest paid on deposit accounts increased for all products mostly related to market conditions. In total interest paid on deposits increased by $1.9 million broken down by product type as follows: Money market accounts - $767,000, Savings accounts - $351,000 and Time deposits - $832,000. Beginning in April 2023 we began offering a time deposit promotion offering for a limited time 7-month and 11-month time deposits at an interest rate of 4%. We discontinued this promotion, which generated $46 million in deposits, on June 30, 2023.

During March we redeemed our junior subordinated debentures with funding provided by a $10 million borrowing on Plumas Bancorp's line of credit/term loan facility. Interest expense incurred during the nine months ended September 30, 2023, on the junior subordinated debentures totaled $141,000 down from $267,000 during the same period in 2022. Interest and fees incurred on the line of credit borrowing totaled $255,000 during the current period. Interest expense on other interest-bearing liabilities declined from $50,000 to $18,000 for the nine months ended September 30, 2023.

Net interest margin for the nine months ended September 30, 2023 increased by 110bp to 4.70%, up from 3.60% for the same period in 2022.

The following table presents for the nine-month periods indicated the distribution of consolidated average assets, liabilities and shareholders' equity. It also presents the amounts of interest income from interest earning assets and the resultant annualized yields expressed in both dollars and annualized yield percentages, as well as the amounts of interest expense on interest bearing liabilities and the resultant cost expressed in both dollars and annualized rate percentages. Average balances are based on daily averages. Nonaccrual loans are included in the calculation of average loans while nonaccrued interest thereon is excluded from the computation of yields earned:

	For the Nine Months Ended	For the Nine Months Ended

	September 30, 2023			September 30, 2022		
	Average Balance (in thousands)	Interest (in thousands)	Yield/ Rate	Average Balance (in thousands)	Interest (in thousands)	Yield/ Rate
Interest-earning assets:						
Loans (2) (3)	925,436	$ 40,314	5.82 %	$ 847,043	$ 32,933	5.20 %
Loans held for sale	712	49	9.20 %	11,307	485	5.73 %
Taxable investment securities	343,868	8,641	3.36 %	244,380	4,124	2.26 %
Non-taxable investment securities (1)	124,879	2,763	2.96 %	101,344	1,900	2.51 %
Interest-bearing deposits	88,819	3,286	4.95 %	324,172	2,595	1.07 %
Total interest-earning assets	1,483,714	55,053	4.96 %	1,528,246	42,037	3.68 %
Cash and due from banks	25,943			45,329		
Other assets	75,771			66,667		
Total assets	$ 1,585,428			$ 1,640,242		
Interest-bearing liabilities:						
Money market deposits	$ 229,914	$ 945	0.55 %	$ 256,337	$ 178	0.09 %
Savings deposits	383,790	607	0.21 %	397,445	256	0.09 %
Time deposits	69,256	959	1.85 %	61,405	127	0.28 %
Total deposits	682,960	2,511	0.39 %	715,187	561	0.10 %
Junior subordinated debentures	3,033	141	6.22 %	10,310	267	3.46 %
Other borrowings	7,143	255	4.77 %	-	-	- %
Repurchase agreements & other	18,230	18	0.13 %	11,601	50	0.58 %
Total interest-bearing liabilities	711,366	2,925	0.55 %	737,098	878	0.16 %
Non-interest-bearing deposits	729,044			767,181		
Other liabilities	17,293			11,824		
Shareholders' equity	127,725			124,139		
Total liabilities & equity	$ 1,585,428			$ 1,640,242		
Cost of funding interest-earning assets (4)			0.26 %			0.08 %
Net interest income and margin (5)		$ 52,128	4.70 %		$ 41,159	3.60 %

(1) Not computed on a tax-equivalent basis.

(2) Average nonaccrual loan balances of $3.1 million for 2023 and $3.3 million for 2022 are included in average loan balances for computational purposes.

(3) Net (costs) fees included in loan interest income for the nine-month periods ended September 30, 2023 and 2022 were ($927,000) and $561,000, respectively.

(4) Total annualized interest expense divided by the average balance of total earning assets.

(5) Annualized net interest income divided by the average balance of total earning assets.

The following table sets forth changes in interest income and interest expense for the nine-month periods indicated and the amount of change attributable to variances in volume, rates and the combination of volume and rates based on the relative changes of volume and rates:

	2023 over 2022 change in net interest income for the nine months ended September 30, (in thousands)			
	Volume (1)	Rate (2)	Mix (3)	Total
Interest-earning assets:				
Loans	$ 3,048	$ 3,966	$ 367	$ 7,381
Loans held for sale	(454)	293	(275)	(436)
Taxable investment securities	1,679	2,017	821	4,517
Non-taxable investment securities	441	342	80	863
Interest-bearing deposits	(1,892)	9,529	(6,946)	691

Total interest income	2,822	16,147	(5,953)	13,016
Interest-bearing liabilities:				
Money market deposits	(19)	876	(90)	767
Savings deposits	(9)	373	(13)	351
Time deposits	16	723	93	832
Junior subordinated debentures	(188)	212	(150)	(126)
Other borrowings	-	-	255	255
Repurchase agreements & other	29	(39)	(22)	(32)
Total interest expense	(171)	2,145	73	2,047
Net interest income	$ 2,993	$ 14,002	$ (6,026)	$ 10,969

(1) The volume change in net interest income represents the change in average balance divided by the previous year's rate.

(2) The rate change in net interest income represents the change in rate divided by the previous year's average balance.

(3) The mix change in net interest income represents the change in average balance multiplied by the change in rate.

Provision for credit losses. Upon adoption of CECL we recorded an increase in the allowance for credit losses of $529,000 and an increase in the reserve for unfunded commitments of $258,000. During the first nine months of 2023 we recorded a provision for credit losses of $2,675,000 an increase of $1,675,000 from $1,000,000 during the nine months ended September 30, 2022. The provision for credit losses during the current period consisted of a provision for credit losses-loans of $2,425,000 and an increase in the reserve for unfunded commitments of $250,000. The increase in the reserves was principally related to an increase in qualitative reserves related to the continuation of increases in market interest rates and a reduction in economic activity. As time progresses the results of economic conditions will require CECL model assumption inputs to change and further refinements to the estimation process may also be identified. See "Analysis of Asset Quality and Allowance for Loan Losses" for a discussion of loan quality trends and the provision for credit losses.

The following tables present the activity in the allowance for credit losses and the reserve for unfunded commitments during the nine months ended September 30, 2023 and 2022 (in thousands).

Allowance for Credit Losses	September 30, 2023	September 30, 2022
Balance, beginning of period	$ 10,717	$ 10,352
Impact of CECL adoption	529	-
Provision charged to operations	2,425	1,000
Losses charged to allowance	(1,252)	(855)
Recoveries	528	423
Balance, end of period	$ 12,947	$ 10,920

Reserve for Unfunded Commitments	September 30, 2023	September 30, 2022
Balance, beginning of period	$ 341	$ 341
Impact of CECL adoption	258	-
Provision charged to operations	250	-
Balance, end of period	$ 849	$ 341

Non-interest income. During the nine months ended September 30, 2023, non-interest income totaled $8.4 million, a decrease of $488,000 from $8.9 million during the nine months ended September 30, 2022. The largest component of this decrease was a decline in gain on sale of loans $19.9 million, recording of $2.5 million from $2.7 million right-of-use assets totaling $22.3 million and recording a lease liability of $22.3 million. The second Sale Agreement provides for the sale to MountainSeed of up to three properties operated as non-branch administrative offices (the "Non-Branch Offices") for an aggregate cash purchase price of $7.9 million, assuming all of the Non-Branch Offices are sold. The closing date on the Non-Branch Offices has been extended to September 16, 2024.

Under the Sale Agreements, the parties have agreed, concurrently with the closing of the sale of the properties, to enter into triple net lease agreements (the "Lease Agreements") pursuant to which Plumas Bank will lease each of the properties sold. Each Lease Agreement will have an initial term of fifteen years with one 15-year renewal option. The Lease Agreements will provide for an annual rent of approximately $3.1 million in the aggregate for all Properties of which $2.4 million relates to the completed branch sale, increased by two percent (2%) per annum for each year during the nine months ended September 30, 2022 to $234,000 initial Term. During the renewal term, the initial rent will be the basic rent during the current period. We did not sell SBA 7(a) loans last year of the initial term, increased by two percent (2%) per annum for each year during the second and third quarters of 2021 resulting in an inventory of loans held for sale of $31.3 million at December 31, 2021. During the nine months ended September 30, 2022 we sold $48.9 million in guaranteed portions of SBA 7(a) loans. This compares to $5.3 million in sales during the current period. Partially offsetting the decline in SBA gains was a gain of $1.7 million on termination of our interest rate swaps during the first quarter of 2023. renewal term.

During

The gain on sales of the fourth quarter of 2022 and continuing into 2023 we experienced a significant decline in premiums received branches was offset by losses on the sale of SBA loans; approximately $115 million in response we chose to portfolio SBA 7(a) loans which do not meet a minimum premium on sale. investment securities. During the current period we chose not to sell $4.1 million in salable guaranteed portions of SBA 7(a) loans as they did not meet our minimum premium on sale. Additionally, the SBA 7(a) loan product that is salable in the open market is variable rate tied to prime and we have seen a significant decline in interest in this product given the recent increases in the prime rate. While we continue to produce SBA 7(a) loans for sale at a greatly reduced rate, we have had success in funding fixed rate SBA 7(a) loans which we portfolio. At September 30, 2023 fixed rate SBA 7(a) loans totaled $19 million.

The following table describes the components of non-interest income for the nine-month periods ended September 30, 2023 and 2022, dollars in thousands:

	For the Nine Months Ended September 30,			
	2023	2022	Dollar Change	Percentage Change
Interchange income	$ 2,458	$ 2,478	$ (20)	(0.8)%
Service charges on deposit accounts	2,051	1,835	216	11.8 %
Gain on termination of swaps	1,707	0	1,707	100.0 %
Loan servicing fees	686	642	44	6.9 %
Gain on sale of loans, net	234	2,688	(2,454)	(91.3)%
Earnings on life insurance policies	313	281	32	11.4 %
Other	931	944	(13)	(1.4)%
Total non-interest income	$ 8,380	$ 8,868	$ (488)	(5.5)%

During the nine three months ended September 30, 2023 non-interest expense increased by $3.9 million to $27.8 million. The largest components March 31, 2024 we sold $115 million in investment securities having a weighted average tax equivalent yield of this increase were increases 2.24% recording a $19.8 million loss the sales. Beginning in salary and benefit expense of $2.3 million, an increase in occupancy and equipment costs of $477,000 and an increase in outside service fees of $408,000. The largest single components of the increase in salary and benefit expense were a $1.2 million increase in salary expense and a $941,000 reduction in the deferral of loan origination expense. We attribute much of the increase in salary expense to two factors. Merit and promotional salary increases and an increase in staffing. Our full-time equivalent employee count has increased from 172 at September 30, 2022 to 180 at September 30, 2023. We have seen a reduction in loan demand given the current economic environment especially in SBA 7(a) loans tied to the prime interest rate resulting in the reduction in the deferral of loan origination costs. Occupancy and equipment costs increased by $477,000, a large portion of which relates to snow removal and other costs attributable to an unusually harsh winter in our service area and to a lesser extent our new Chico, California branch. The increase in outside service fees was spread among several different categories, the largest of which was $85 thousand in interchange expense.

The following table describes the components of non-interest expense for the nine -month periods ended September 30, 2023 and 2022, dollars in thousands:

	For the Nine Months Ended September 30,			
	2023	2022	Dollar Change	Percentage Change
Salaries and employee benefits	$ 15,047	$ 12,700	$ 2,347	18.5 %
Occupancy and equipment	3,945	3,468	477	13.8 %
Outside service fees	3,345	2,937	408	13.9 %
Professional fees	854	930	(76)	(8.2)%
Advertising and shareholder relations	693	496	197	39.7 %
Telephone and data communication	606	572	34	5.9 %
Director compensation and expense	603	429	174	40.6 %
Armored car and courier	558	498	60	12.0 %
Deposit insurance	552	420	132	31.4 %
Business development	457	372	85	22.8 %
Loan collection expenses	308	199	109	54.8 %
Amortization of core deposit intangible	180	216	(36)	(16.7)%
Other	616	667	(51)	(7.6)%
Total non-interest expense	$ 27,764	$ 23,904	$ 3,860	16.1 %

Provision for income taxes. The Company recorded an income tax provision of $7.8 million, or 26.0% of pre-tax income for the nine months ended September 30, 2023. This compares to an income tax provision of $6.5 million, or 25.9% of pre-tax income for the nine months ended September 30, 2022. The percentages for December 2023 and 2022 differ from statutory rates as ending on March 27, 2024 we purchased $120 million in investments securities having a weighted average tax exempt items equivalent yield of income such as earnings on Bank owned life insurance and municipal loan and securities interest decrease taxable income.

5.25%.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 MARCH 31, 2024

Net Income. The Company recorded net income of $8.0 million $6.3 million for the three months ended September 30, 2023 up $742,000 March 31, 2024, down from net income of $7.2 million $7.6 million for the three months ended September 30, 2022March 31, 2023. An increase of $2.0 million $308,000 in net interest income and a decline declines of $704,000 in the provision for credit losses of $500,000 was partially offset by increases of $1.2 million in non-interest expense, $296,000 and $574,000 in the provision for income taxes were offset by a decline of $1.8 million in non-interest income and a reduction an increase of $241,000 $1.2 million in non-interest income.

non-interest expense. The annualized return on average assets was 2.00% 1.55% for the three months ended September 30, 2023 up March 31, 2024, down from 1.72% 1.93% for the three months ended September 30, 2022March 31, 2023. The annualized return on average equity increased decreased from 23.7% 25.0% during the third first quarter of 2022 2023 to 24.4% 16.4% during the current quarter.

The following is a detailed discussion of each component of the change in net income.

Net interest income before provision for credit losses. Net Driven by an increase in market rates and growth in the loan portfolio, net interest income was $17.7 million increased by $308,000 from $17.1 million during the three months ended March 31, 2023, to $17.4 million for the three months ended September 30, 2023, an increase of $2.0 million from the same period in 2022. March 31, 2024. The increase in net interest income includes an increase of $3.0 million $2.2 million in interest income partially offset by an increase of $1.0 million $1.9 million in interest expense. Interest and fees on loans including loans held for sale, increased by $2.6 million $1.9 million related both to growth an increase in the loan portfolio average balance and an increase in yield on the portfolio. Net loan fees/costs declined from net fees of $50,000 during the 2022 quarter to net costs of $346,000 during the three months ended September 30, 2023. This decline is mostly related to a decline in fees earned on PPP loans.

Including loans held for sale, average yield. Average loan balances increased by $77 million $49 million, while the average yield on these loans increased by 65 46 basis points from 5.35% 5.63% during the third first quarter of 2022 2023 to 6.00% 6.09% during the current quarter. The increase in loan yield includes the effect of an increase in market rates during 2023 partially offset by a decline in PPP fee income as described above. The average prime interest rate increased from 5.35% 7.69% during the third first quarter of 2022 2023 to 8.43% 8.5% during the current quarter. Approximately 19% of the Company's loans are tied to the prime interest rate and most of these reprice within one to three months with a change in prime.

Interest on investment securities increased by $1.2 million from the third quarter of 2022, $668,000 related to an increase in average investment securities of $74 million $13.4 million to $462 million $480 million and an increase in yield on of 44 basis points to 3.68%. The increase in loan and investment yields is consistent with the increase in market rates during 2023 and into the first quarter of 2024 and the restructuring of the investment portfolio from 2.61% during the third quarter of 2022 to 3.28% during the current quarter. discussed earlier. Interest on interest-earning cash balances decreased by $0.8 million $327,000 related to a decrease decline in average interest-earning cash balances balance of $44.2 million. This was partially offset by an increase in the rate earned paid on these balances. The rate paid on interest-earning cash balances which increased from 2.29% 4.64% during the third first quarter of 2022 2023 to 5.37% 5.57% during the current quarter mostly related to an increase in the rate paid on balances held at the Federal Reserve Bank. Bank (FRB). The average rate earned on FRB balances increased from 4.59% during the first quarter of 2023 to 5.40% during the current quarter.

Interest expense increased from $638,000 during the three months ended March 31, 2023 to $2.6 million during the current period related to an increase in rate paid on interest bearing liabilities and an increase in borrowings. The average rate paid on Federal Reserve balances was 2.25% interest bearing liabilities increased from 0.36% during the third 2023 quarter to 1.33% in 2024 related mainly to an increase in market interest rates, an increase in borrowings and the effect of a 4% time deposit promotion.

Interest paid on deposits increased by $720,000 and is broken down by product type as follows: money market accounts - $159,000 and time deposits - $580,000. Related to a decline of average balance of $67 million, interest on savings deposits declined by $19,000. The average rate paid on interest-bearing deposits increased from 0.28% during the first quarter of 2022 and 5.33% 2023 to 0.75% during the current quarter. Average interest-earning cash balances declined from $306 million during the third quarter of 2022 to $71 million in the current quarter related to a decline in average deposits and increases in loans and investments.

Average interest earning assets During March 2023 we redeemed our junior subordinated debentures with funding provided by a $10 million borrowing on Plumas Bancorp's line of credit/term loan facility. Interest expense incurred during the three months ended September 30, 2023 March 31, 2023, on the junior subordinated debentures totaled $1.5 billion, $141,000. During the fourth quarter of 2023 we borrowed $80 million under the Bank Term Funding Program (BTFP) and during the January 2024 we increased this borrowing by $25 million to a decrease total of $84 million from $105,000. Additionally, we increased Plumas Bancorp's borrowing on its line of credit to $15 million during the same period in 2022. The average yield current quarter. Interest incurred on interest earning assets increased 105 basis points to 5.12%, up from 4.07% for these borrowings totaled $1.4 million and $13,000 during the same period in 2022. three months ended March 31, 2024 and 2023, respectively.

Net interest margin for the three months ended September 30, 2023 increased 77 basis points March 31, 2024 decreased 2bp to 4.77% 4.62%, up down from 4.00% 4.64% for the same period in 2022.

. 2023.

The following table presents for the three-month periods indicated the distribution of consolidated average assets, liabilities and shareholders' equity. It also presents the amounts of interest income from interest earning assets and the resultant annualized yields expressed in both dollars and annualized yield percentages, as well as the amounts of interest expense on interest bearing liabilities and the resultant cost expressed in both dollars and annualized rate percentages. Average balances are based on daily averages. Nonaccrual loans are included in the calculation of average loans while nonaccrued interest thereon is excluded from the computation of yields earned:

	For the Three Months Ended September 30, 2023			For the Three Months Ended September 30, 2022			For the Three Months Ended March 31, 2024			For the Three Months Ended March 31, 2023		
	Average Balance (in thousands)	Interest (in thousands)	Yield/ Rate	Average Balance (in thousands)	Interest (in thousands)	Yield/ Rate	Average Balance (in thousands)	Interest (in thousands)	Yield/ Rate	Average Balance (in thousands)	Interest (in thousands)	Yield/ Rate
Interest-earning assets:												
Loans (2) (3)	$ 943,234	$ 14,273	6.00 %	$ 863,132	$ 11,637	5.35 %	964,132	$ 14,592	6.09 %	$ 914,829	$ 12,694	5.63 %
Loans held for sale	114	3	10.44 %	2,814	50	7.05 %						
Taxable investment securities	337,702	2,888	3.39 %	279,342	1,811	2.57 %	371,792	3,605	3.90 %	341,958	2,814	3.34 %
Non-taxable investment securities (1)	123,877	923	2.96 %	108,508	741	2.71 %	108,175	791	2.94 %	124,618	914	2.97 %
Interest-bearing deposits	70,545	955	5.37 %	305,526	1,766	2.29 %	75,005	1,038	5.57 %	119,221	1,365	4.64 %
Total interest-earning assets	1,475,472	19,042	5.12 %	1,559,322	16,005	4.07 %	1,519,104	20,026	5.30 %	1,500,626	17,787	4.81 %
Cash and due from banks	27,049			32,934			26,586			26,725		
Other assets	77,221			70,665			80,508			75,184		
Total assets	$ 1,579,742			$ 1,662,921			$ 1,626,198			$ 1,602,535		
Interest-bearing liabilities:												
Money market deposits	224,128	$ 391	0.69 %	$ 251,427	$ 55	0.09 %	$ 211,183	$ 375	0.71 %	$ 235,857	$ 216	0.37 %
Savings deposits	365,869	199	0.22 %	410,496	89	0.09 %	335,565	180	0.22 %	402,302	199	0.20 %
Time deposits	91,290	590	2.56 %	58,179	39	0.27 %	91,501	631	2.77 %	48,017	51	0.43 %
Total deposits	681,287	1,180	0.51 %	720,102	183	0.09 %	638,249	1,186	0.75 %	686,176	466	0.28 %
Junior subordinated debentures	-	-	- %	10,310	89	3.42 %	-	-	- %	9,302	141	6.15 %
Other borrowings	10,000	114	4.52%	-	-	-%	114,342	1,367	4.81%	1,333	13	3.96%
Repurchase agreements & other	19,300	9	0.19 %	10,842	17	0.62 %	21,713	16	0.30 %	18,485	18	0.39 %

Total interest-bearing liabilities	710,587	1,303	0.73 %	741,254	289	0.15 %	774,304	2,569	1.33 %	715,296	638	0.36 %
Non-interest-bearing deposits	719,725			789,218			673,789			749,361		
Other liabilities	20,012			11,635			24,440			14,288		
Shareholders' equity	129,418			120,814			153,665			123,590		
Total liabilities & equity	$ 1,579,742			$ 1,662,921			$ 1,626,198			$ 1,602,535		
Cost of funding interest-earning assets (4)			0.35 %			0.07 %			0.68 %			0.17 %
Net interest income and margin (5)		$ 17,739	4.77 %		$ 15,716	4.00 %		$ 17,457	4.62 %		$ 17,149	4.64 %

(1) Not computed on a tax-equivalent basis.

(2) Average nonaccrual loan balances of $3.4 million $5.6 million for 2023 2024 and $1.6 million $2.3 million for 2022 2023 are included in average loan balances for computational purposes.

(3) Net (costs) fees costs included in loan interest income for the three-month period ended September 30, 2023 March 31, 2024 and 2022 2023 were ($346,000) $344,000 and $50,000, $351,000, respectively.

(4) Total annualized interest expense divided by the average balance of total earning assets.

(5) Annualized net interest income divided by the average balance of total earning assets.

The following table sets forth changes in interest income and interest expense for the three-month periods indicated and the amount of change attributable to variances in volume, rates and the combination of volume and rates based on the relative changes of volume and rates:

	2023 over 2022 change in net interest income for the three months ended September 30, (in thousands)				2024 over 2023 change in net interest income for the three months ended March 31, (in thousands)			
	Volume (1)	Rate (2)	Mix (3)	Total	Volume (1)	Rate (2)	Mix (3)	Total
Interest-earning assets:								
Loans	$ 1,080	$ 1,424	$ 132	$ 2,636	$ 690	$ 1,046	$ 162	$ 1,898
Loans held for sale	(48)	24	(23)	(47)				
Taxable investment securities	378	578	121	1,077	248	478	65	791
Non-taxable investment securities	105	67	10	182	(122)	(10)	9	(123)
Interest-bearing deposits	(1,363)	2,421	(1,869)	(811)	(510)	273	(90)	(327)
Total interest income	152	4,514	(1,629)	3,037	306	1,787	146	2,239
Interest-bearing liabilities:								
Money market deposits	(6)	384	(42)	336	(23)	201	(19)	159
Savings deposits	(9)	134	(15)	110	(33)	15	(1)	(19)
Time deposits	22	337	192	551	47	280	253	580

Junior subordinated debentures	(89)	-	-	(89)	(141)	-	-	(141)
Other borrowings	-	-	114	114	1,111	3	240	1,354
Repurchase agreements & other	13	(12)	(9)	(8)	3	(5)	-	(2)
Total interest expense	(69)	843	240	1,014	964	494	473	1,931
Net interest income	$ 221	$ 3,671	$ (1,869)	$ 2,023	$ (658)	$ 1,293	$ (327)	$ 308

(1) The volume change in net interest income represents the change in average balance divided by the previous year's rate.

(2) The rate change in net interest income represents the change in rate divided by the previous year's average balance.

(3) The mix change in net interest income represents the change in average balance multiplied by the change in rate.

Provision for credit losses. During the three months ended September 30, 2023 and 2022 first quarter of 2024 we recorded a provision for credit losses of ($200,000) $821,000 consisting of a provision for credit losses on loans of $900,000 and $300,000, respectively. During early October two collateral dependent loans to one borrower paid off in full, this resulted in a reduction decrease in the specific reserves reserve for unfunded commitments of $79,000. This compares to a provision for credit losses of $1,525,000 consisting of a provision for credit losses on these loans of $791,000 $1,250,000 and a negative provision an increase in the reserve for unfunded commitments of $275,000 during the current first quarter of $200,000. 2023. As time progresses the results of economic conditions will require CECL model assumption inputs to change and further refinements to the estimation process may also be identified. See "Analysis of Asset Quality and Allowance for Loan Losses" for a discussion of loan quality trends and the provision for credit losses.

Non-interest income. Non-interest income decreased by $241,000 to $2.3 million during The following tables present the current quarter from $2.6 million activity in the allowance for credit losses and the reserve for unfunded commitments during the three months ended September 30, 2022 March 31, 2024 and 2023 (in thousands).

Allowance for Credit Losses	March 31, 2024	March 31, 2023
Balance, beginning of period	$ 12,867	$ 10,717
Impact of CECL adoption	-	529
Provision charged to operations	900	1,250
Losses charged to allowance	(680)	(308)
Recoveries	70	142
Balance, end of period	$ 13,157	$ 12,330

Reserve for Unfunded Commitments	March 31, 2024	March 31, 2023
Balance, beginning of period	$ 799	$ 341
Impact of CECL adoption	-	258
Provision charged to operations	(79)	275
Balance, end of period	$ 720	$ 874

Non-interest income. During the three months ended March 31, 2024, non-interest income totaled $2.1 million, a decrease of $1.8 million from the three months ended March 31, 2023. The largest component of this decrease was a decline $1.7 million gain on termination of our interest rate swaps during the 2023 quarter. On May 26, 2020 we entered into two separate interest rate swap agreements with notional amounts totaling $10 million, effectively converting $10 million in gains Subordinated Debentures related to Trust Preferred Securities to fixed rate obligations. During the first quarter of 2023 we terminated these swaps, redeemed the Trust Preferred Securities and paid all principal and interest due under the debentures. As discussed earlier, during the current period, a $19.9 million gain on sale of SBA loans of $339,000. During the current quarter we sold one loan totaling $370,000. This compares to sales of $10.7 million during the third quarter of 2022. The SBA 7(a) loan product that is salable in the open market is variable rate tied to prime and we have seen buildings was offset by a significant decline in interest in this product given the recent increases in the prime rate.
$19.8 million loss on investment securities.

The following table describes the components of non-interest income for the three-month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, dollars in thousands:

	For the Three Months Ended September 30,				For the Three Months Ended March 31,			
	2023	2022	Dollar Change	Percentage Change	2024	2023	Dollar Change	Percentage Change

Gain on sale of buildings					$ 19,854	$ -	19,854	100.0%
Interchange income	$ 919	$ 864	$ 55	6.4%	739	718	21	2.9%
Service charges on deposit accounts	737	666	71	10.7%	715	617	98	15.9%
Loan servicing fees	210	220	(10)	(4.5)%	213	236	(23)	(9.7)%
FHLB Dividends					137	88	49	55.7%
Earnings on life insurance policies	108	99	9	9.1%	96	104	(8)	(7.7)%
Gain on sale of loans, net	14	353	(339)	(96.0)%	-	230	(230)	(100.0)%
Gain on termination of interest rate swaps					-	1,707	(1,707)	(100.0)%
Loss on sale of investment securities					(19,826)	-	(19,826)	(100.0)%
Other	325	352	(27)	(7.7)%	212	225	(13)	(5.8)%
Total non-interest income	$ 2,313	$ 2,554	$ (241)	(9.4)%	$ 2,140	$ 3,925	$ (1,785)	(45.5)%

Non-interest expense. During the three months ended September 30, 2023 March 31, 2024, total non-interest expense increased by $1.2 million from $8.2 million $9.2 million during the third first quarter of 2022 2023 to $9.4 million $10.4 million during the current quarter. The largest components of this increase were an increase increases in occupancy and equipment costs of $350,000, salary and benefit expense of $734,000, $299,000 and an increase in outside service fees other expense of $163,000. $261,000. The increase in salary and benefit expense primarily includes a 5% increase in salary expense and an increase in commissions of $107 thousand that relates to an increase in salary expense. Salary expense SBA 7(a) loan production. Deferral of loan origination costs increased by $453,000 which we attribute primarily to merit and promotional salary increases, termination costs $138,000 also related to our dealer the increase in SBA 7(a) loan program totaling $115,000 production. The increase in occupancy and equipment costs relates to an increase in employees. rental expense related to the sales/leaseback. The Company leases twelve depository branches, one of which is a land lease on which we own the building, two lending offices, three administrative offices and two non-branch automated teller machine locations. The expiration dates of the leases vary, with the first such lease expiring during 2025 and the last such lease expiring during 2044. Including variable lease expense, total rent expense was $514,000 and $168,000 during the three months ended March 31, 2024 and 2023, respectively. The increase in outside service fees was spread among several different categories, the largest of which was $36,000 thousand in interchange expense. In addition, during August 2023 we fully outsourced our Core processing system. The Core system remains unchanged, but we went from a partially outsourced system other expense mostly relates to a fully outsourced system. nonrecurring expenses.

The following table describes the components of non-interest expense for the three-month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, dollars in thousands:

	For the Three Months Ended September 30,				For the Three Months Ended March 31,			
	2023	2022	Dollar Change	Percentage Change	2024	2023	Dollar Change	Percentage Change
Salaries and employee benefits	$ 5,114	$ 4,380	$ 734	16.8%	$ 5,366	$ 5,067	$ 299	5.9%
Occupancy and equipment	1,352	1,220	132	10.8%	1,690	1,340	350	26.1%
Outside service fees	1,170	1,007	163	16.2%	1,132	994	138	13.9%
Professional fees					439	342	97	28.4%
Advertising and shareholder relations	233	194	39	20.1%	244	179	65	36.3%
Professional fees	228	314	(86)	(27.4)%				
Telephone and data communication					222	200	22	11.0%
Armored car and courier	211	183	28	15.3%	203	165	38	23.0%
Telephone and data communication	203	190	13	6.8%				
Deposit insurance	182	48	134	279.2%	187	188	(1)	(0.5)%
Director compensation and expense	165	154	11	7.1%	167	242	(75)	(31.0)%
Business development	152	130	22	16.9%	153	139	14	10.1%
Loan collection expenses	91	56	35	62.5%	104	130	(26)	(20.0)%
Amortization of core deposit intangible	60	72	(12)	(16.7)%				
Amortization of Core Deposit Intangible					51	60	(9)	(15.0)%
Other	281	250	31	12.4%	439	178	261	146.6%
Total non-interest expense	$ 9,442	$ 8,198	$ 1,244	15.2%	$ 10,397	$ 9,224	$ 1,173	12.7%

Provision for income taxes. The Company recorded an income tax provision of $2.8 $2.1 million, or 26.3% 25.4% of pre-tax income, for the three months ended September 30, 2023 March 31, 2024. This compares to an income tax provision of $2.5 $2.7 million, or 26.0% 26.2% of pre-tax income, for the three months ended September 30, 2022 March 31, 2023. The percentages for 2023 2024 and 2022 2023 differ from statutory rates as tax exempt items of income such as earnings on Bank owned life insurance and municipal loan and securities interest decrease taxable income.

FINANCIAL CONDITION

Total assets at September 30, 2023were on March 31, 2024, were $1.6 billion, a decrease an increase of $48.2 million $29.9 million from December 31, 2022 December 31, 2023. Net loans including loans held for sale, increased by $42.4 million $17.5 million from $906.3 million $948.6 million on December 31, 2022 December 31, 2023, to $948.7 million $966.1 million at September 30, 2023 March 31, 2024. All other assets, excluding cash Cash and cash equivalents and investment securities, increased by $8.7 million $42.6 million to $128.2 million on December 31,2023. Related to the sales/leaseback transaction right-of use assets increased by $22.4 million. These increases were offset by a decrease in cash and equivalents declines of $92.9 million to $90.6 $41.7 million and a decline in investment securities, of $6.4 million from $444.7 million on December 31, 2022, to $438.3 million on September 30, 2023. $6.0 million in property and equipment and $4.9 million in all other assets. Deposits totaled $1.4 billion at September 30, 2023 $1.3 billion March 31, 2024, a decrease of $55.3 million $34.0 million from December 31, 2022 December 31, 2023. Borrowings increased from $90 million on December 31, 2023, to $120 million on March 31, 2024. Shareholders' equity increased by $0.9 million $14.2 million from $119.0 million at December 31, 2022 $147.3 million on December 31, 2023, to $119.9 $161.5 million on September 30, 2023 March 31, 2024. A detailed discussion of each of these changes follows.

Loan Portfolio. Gross loans totaled $958.6 million increased by $17 million, or 2%, an increase of $46.7 million from December 31, 2022 $959 million at December 31, 2023, to $976 million at March 31, 2024. The largest areas of growth Increases in the Company's loan portfolio were $15.5 loans included $19 million in construction loans, $13.9 million in commercial real estate loans, $8.8 million $7 million in auto construction loans, and $8.4 $7 million in commercial loans; these items were offset by declines of $9 million in automobile loans, $6 million in agricultural loans. The largest decline loans and $1 million in loan balances was $2.9 million in residential real estate loans. equity lines of credit. Although the Company offers a broad array of financing options, it continues to concentrate its focus on small to medium sized commercial businesses. These loans offer diversification as to industries and types of businesses, thus limiting material exposure in any industry concentrations. The Company offers both fixed and floating rate loans and obtains collateral in the form of real property, business assets and deposit accounts, but looks to business and personal cash flows as its primary source of repayment. In the fourth quarter of 2023 we terminated our indirect auto loan program. Ending this program, which was our lowest yielding loan segment, also improved our loan loss risk profile since this program had historically higher charge-off rates. Terminating this program also improved our consumer compliance risk profile.

As shown in the following table the Company's largest lending categories are commercial real estate loans, agricultural loans, commercial loans and auto loans.

(dollars in thousands)	Balance at End of Period	Percent of Loans in Each Category to Total Loans	Balance at End of Period	Percent of Loans in Each Category to Total Loans	Balance at End of Period	Percent of Loans in Each Category to Total Loans	Balance at End of Period	Percent of Loans in Each Category to Total Loans
	09/30/2023	09/30/2023	12/31/2022	12/31/2022	03/31/2024	03/31/2024	12/31/2023	12/31/2023
Commercial	$ 76,719	8.0 %	$ 76,680	8.4 %	$ 82,136	8.4 %	$ 74,271	7.8 %
Agricultural	131,242	13.7 %	122,873	13.5 %	123,239	12.6 %	129,389	13.5 %
Real estate – residential	12,457	1.3 %	15,324	1.7 %	11,872	1.2 %	11,914	1.2 %
Real estate – commercial	530,023	55.3 %	516,107	56.6 %	562,870	57.7 %	544,339	56.8 %
Real estate – construction & land	58,901	6.1 %	43,420	4.8 %	64,547	6.6 %	57,717	6.0 %
Equity Lines of Credit	37,650	3.9 %	35,891	3.9 %	37,196	3.8 %	37,871	4.0 %
Auto	105,584	11.0 %	96,750	10.6 %	89,399	9.2 %	98,132	10.2 %
Other	6,056	0.7 %	4,904	0.5 %	4,953	0.5 %	4,931	0.5 %
Total Gross Loans	$ 958,632	100 %	$ 911,949	100 %	$ 976,212	100 %	$ 958,564	100 %

The Company's real estate related loans, including real estate mortgage loans, real estate construction and land development loans, consumer equity lines of credit, and agricultural loans secured by real estate, comprised 76% 78% of the total loan portfolio at September 30, 2023 March 31, 2024. Moreover, the business activities of the Company currently are focused in the California counties of Butte, Lassen, Modoc, Nevada, Placer, Plumas, Shasta and Sutter and in Washoe and Carson City Counties in Northern Nevada. Consequently, the results of operations and financial condition of the Company are dependent upon the general trends in these economies and, in particular, the commercial real estate markets. In addition, the concentration of the Company's operations in these areas of Northeastern California and Northwestern Nevada exposes it to greater risk than other banking companies with a wider geographic base in the event of catastrophes, such as earthquakes, fires and floods in these regions.

The rates of interest charged on variable rate loans are set at specific increments in relation to the Company's lending rate or other indexes such as the published prime interest rate or U.S. Treasury rates and vary with changes in these indexes. The frequency in which variable rate loans reprice can vary from one day to several years. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, approximately 77% 76% and 80%; 78% respectively, of the Company's loan portfolio was comprised of variable rate loans. Loans indexed to the prime interest rate were approximately 21% 19% of the Company’s loan portfolio; these loans reprice within one day to three months of a change in the prime rate. The remainder of the Company's variable rate loans mostly consist of commercial real estate loans tied to U.S. Treasury rates and reprice every five years. While real estate mortgage, agricultural, commercial and consumer lending remain the foundation of the Company's historical loan mix, some changes in the mix have occurred due to the changing economic environment and the resulting change in demand for certain loan types.

Analysis of Asset Quality and Allowance for Loan Credit Losses. The Company attempts to minimize credit risk through its underwriting and credit review policies. The Company’s credit review process includes internally prepared credit reviews as well as contracting with an outside firm to conduct periodic credit reviews. The Company’s management and lending officers evaluate the loss exposure of classified and nonaccrual loans on a quarterly basis, or more frequently as loan conditions change. The Management Asset Resolution Committee (MARC) reviews the asset quality of criticized and past due loans monthly and reports the findings to the full Board of Directors. In management's opinion, this loan review system helps facilitate the early identification of potential criticized loans. MARC also provides guidance for the maintenance and timely disposition of OREO properties including developing financing and marketing programs to incent individuals to purchase OREO. MARC consists of the Bank’s Chief Executive Officer, Chief Financial Officer and Chief Credit Officer, and the activities are governed by a formal written charter. The MARC meets monthly and reports to the Board of Directors.

On January 1, 2023, the Company adopted ASU 2016-03 *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology, referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized costs, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in certain leases.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company adopted ASC 326 using the prospective transition approach for financial assets purchased with credit deterioration (PCD) that were previously classified as purchase credit impaired (PCI) and accounted for under ASC 310-30. In accordance with the Standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. The remaining noncredit discount (based on the adjusted amortized cost basis) will be accreted into interest income at the effective interest rate as of adoption. The Company recognized an increase in the ACL for loans totaling $529,000, as a cumulative effect adjustment from change in accounting policies, with a corresponding decrease in retained earnings, net of $156,000 in taxes. Additionally, the Company recognized an increase in the reserve for unfunded commitments of $257,000, as a cumulative effect adjustment from change in accounting policies, with a corresponding decrease in retained earnings, net of $76,000 in taxes.

The allowance for credit losses is established through charges to earnings in the form of the provision for credit losses. Loan losses are charged to, and recoveries are credited to, the allowance for credit losses. The allowance for credit losses is maintained at a level deemed appropriate by management to provide for known and inherent risks in the loan portfolio.

To estimate expected losses the Company generally utilizes historical loss trends and the remaining contractual lives of the loan portfolios to determine estimated credit losses through a reasonable and supportable forecast period. Individual loan credit quality indicators including loan grade and borrower repayment performance have been statistically correlated with historical credit losses and various econometrics, economic metrics including California unemployment rates, California Housing Prices and California gross domestic product, California Retail Trade Earnings and Wall Street Journal Prime Rate. product. Model forecasts may be adjusted for inherent limitations or biases that have been identified through independent validation and back-testing of model performance to actual realized results. At both January 1, 2023, the adoption December 31, 2023 and implementation date of ASC Topic 326, and September 30, 2023 March 31, 2024, the Company utilized a reasonable and supportable forecast period of approximately four quarters and obtained the forecast data from publicly available sources. The Company also considered the impact of portfolio concentrations, changes in underwriting practices, imprecision in its economic forecasts, and other risk factors that might influence its loss estimation process. Management believes that the allowance for credit losses at September 30, 2023 March 31, 2024, appropriately reflected expected credit losses inherent in the loan portfolio at that date.

In determining the allowance for credit losses, accruing loans with similar risk characteristics are generally evaluated collectively. The Company's policy is that loans designated as nonaccrual no longer share risk characteristics similar to other loans evaluated collectively and as such, all nonaccrual loans are individually evaluated for reserves. As of September 30, 2023 March 31, 2024, the Bank's nonaccrual loans comprised the entire population of loans individually evaluated. The Company's policy is that nonaccrual loans also represent the subset of loans in which borrowers are experiencing financial difficulty such that an evaluation of the source of repayment is required to determine if the nonaccrual loans should be categorized as collateral dependent.

The implementation of CECL also impacted the Company's ACL on unfunded loan commitments, as the ACL now represents expected credit losses over the contractual life of commitments not identified as unconditionally cancellable by the Company. The Reserve for Unfunded Commitments is estimated using the same reserve or coverage rates calculated on collectively evaluated loans following the application of a funding rate to the amount of the unfunded commitment. The funding rate represents management's estimate of the amount of the current unfunded commitment that will be funded over the remaining contractual life of the commitment and is based on historical data. Under CECL the ACL on unfunded loan commitments remains in Other Liabilities while the related provision expense is included in the provision for credit loss expense.

The following table provides certain information for the dates indicated with respect to the Company's allowance for credit losses as well as charge-off and recovery activity.

(dollars in thousands)	For the Nine Months Ended September 30,		For the Year Ended December 31,			For the Three Months Ended March 31,		For the Year Ended December 31,		
	2023	2022	2022	2021	2020	2024	2023	2023	2022	2021
Balance at beginning of period	$ 10,717	$ 10,352	$ 10,352	$ 9,902	$ 7,243	$ 12,867	$ 10,717	$ 10,717	$ 10,352	$ 9,902
Impact of CECL Adoption	529	-	-	-	-	-	529	529	-	-
Adjusted balance	11,246	10,352	10,352	9,902	7,243	12,867	11,246	11,246	10,352	9,902
Charge-offs:										
Commercial	108	169	207	188	131	43	-	123	207	188
Agricultural	-	-	-	-	-	-	-	-	-	-
Real estate – residential	-	-	-	-	-	-	-	-	-	-
Real estate – commercial	-	19	19	-	-	-	-	-	19	-
Real estate – construction & land	-	-	-	-	-	-	-	-	-	-
Equity Lines of Credit	-	-	-	-	-	-	-	-	-	-
Auto	1,042	632	1,195	703	574	633	293	1,550	1,195	703
Other	102	35	40	47	82	4	15	129	40	47
Total charge-offs	1,252	855	1,461	938	787	680	308	1,802	1,461	938
Recoveries:										
Commercial	17	23	27	72	34	9	6	44	27	72
Agricultural	-	-	-	-	-	-	-	-	-	-
Real estate – residential	2	2	3	3	15	1	1	3	3	3
Real estate – commercial	2	1	2	8	8		1	1	2	8
Real estate – construction & land	-	-	-	-	-	-	-	-	-	-
Equity Lines of Credit	-	-	-	4	4	-	-	-	-	4
Auto	458	388	482	136	200	57	131	746	482	136
Other	49	9	12	40	10	3	3	54	12	40
Total recoveries	528	423	526	263	271	70	142	848	526	263
Net charge-offs	724	432	935	675	516	610	166	954	935	675
Provision for credit losses	2,425	1,000	1,300	1,125	3,175					
Provision for credit losses - loans						900	1,250	2,575	1,300	1,125
Balance at end of period	$ 12,947	$ 10,920	$ 10,717	$ 10,352	$ 9,902	$ 13,157	$ 12,330	$ 12,867	$ 10,717	$ 10,352
Net charge-offs during the period to average loans (annualized for the nine-month periods)	0.10 %	0.07 %	0.11 %	0.09 %	0.07 %					
Net charge-offs during the period to average loans (annualized for the three-month periods)						0.25 %	0.07 %	0.10 %	0.11 %	0.09 %
Allowance for credit losses to total loans	1.35 %	1.27 %	1.18 %	1.23 %	1.40 %	1.35 %	1.35 %	1.34 %	1.18 %	1.23 %

The following table provides a breakdown of the allowance for credit losses at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	Balance at End of Period	Percent of Loans in Each Category to Total Loans	Balance at End of Period	Percent of Loans in Each Category to Total Loans	Balance at End of Period	Percent of Loans in Each Category to Total Loans	Balance at End of Period	Percent of Loans in Each Category to Total Loans
	9/30/2023	9/30/2023	12/31/2022	12/31/2022	3/31/2024	3/31/2024	12/31/2023	12/31/2023
Commercial	$ 1,616	8.0%	$ 892	8.4%	$ 1,311	8.4%	$ 1,134	7.8%
Agricultural	1,161	13.7%	1,086	13.5%	1,652	12.6%	1,738	13.5%
Real estate – residential	171	1.3%	138	1.7%	134	1.2%	137	1.2%
Real estate – commercial	7,067	55.3%	4,980	56.6%	6,917	57.7%	6,678	56.8%
Real estate – construction & land development	860	6.1%	1,500	4.8%	918	6.6%	797	6.0%
Equity Lines of Credit	409	3.9%	687	3.9%	437	3.8%	439	4.0%
Auto	1,614	11.0%	1,289	10.6%	1,700	9.2%	1,865	10.2%
Other	49	0.7%	145	0.5%	88	0.5%	79	0.5%
Total	$ 12,947	100 %	$ 10,717	100 %	$ 13,157	100 %	$ 12,867	100 %

The allowance for credit losses totaled $13.2 million at March 31, 2024, and $12.9 million at September 30, 2023, and $10.7 million December 31, 2022 December 31, 2023. At least quarterly, the Company evaluates each specific reserve and if it determines that the loss represented by the specific reserve is uncollectable it records a charge-off for the uncollectable portion. Specific reserves related to collateral dependent loans totaled $28,000 on September 30, 2023. There were no specific reserves related to collateral dependent loans on December 31, 2022 at March 31, 2024, and December 31, 2023. The allowance for credit losses as a percentage of total loans was 1.35% on September 30, 2023 March 31, 2024, and 1.18% 1.34% on December 31, 2022 December 31, 2023.

The following table sets forth the amount of the Company's nonperforming assets as of the dates indicated.

	At March 31,	At December 31,		
	2024	2023	2022	2021
	(dollars in thousands)			
Nonaccrual loans	$ 5,610	$ 4,820	$ 1,172	$ 4,863
Loans past due 90 days or more and still accruing	-	-	-	-
Total nonperforming loans	5,610	4,820	1,172	4,863
Other real estate owned	357	357	0	487
Other vehicles owned	33	138	18	47
Total nonperforming assets	$ 6,000	$ 5,315	$ 1,190	$ 5,397
Interest income forgone on nonaccrual loans	$ 181	$ 257	$ 121	$ 381
Interest income recorded on a cash basis on nonaccrual loans	$ -	$ -	$ -	$ -
Nonperforming loans to total loans	0.57 %	0.50 %	0.13 %	0.58 %
Nonperforming assets to total assets	0.37 %	0.33 %	0.07 %	0.33 %

Nonperforming loans at March 31, 2024 were $5.6 million, an increase of $790,000 from $4.8 million at December 31, 2023.

The Company places loans 90 days or more past due on nonaccrual status unless the loan is well secured and in the process of collection. A loan is considered to be in the process of collection if, based on a probable specific event, it is expected that the loan will be repaid or brought current. Generally, this collection period would not exceed 90 days. When a loan is placed on nonaccrual status the Company's general policy is to reverse and charge against current income previously accrued but unpaid interest. Interest income on such loans is subsequently recognized only to the extent that cash is received and future collection of principal is deemed by management to be probable. Where the collectability of the principal or interest on a loan is considered to be doubtful by management, it is placed on nonaccrual status prior to becoming 90 days delinquent.

The following table sets forth the amount of the Company's nonperforming assets as of the dates indicated.

	At September 30,	At December 31,		
	2023	2022	2021	2020
	(dollars in thousands)			
Nonaccrual loans	$ 4,329	$ 1,172	$ 4,863	$ 2,536
Loans past due 90 days or more and still accruing	-	-	-	-
Total nonperforming loans	4,329	1,172	4,863	2,536
Other real estate owned	440	-	487	403
Other vehicles owned	44	18	47	31
Total nonperforming assets	$ 4,813	$ 1,190	$ 5,397	$ 2,970
Interest income forgone on nonaccrual loans	$ 234	$ 121	$ 381	$ 119
Interest income recorded on a cash basis on nonaccrual loans	$ -	$ -	$ -	$ -
Nonperforming loans to total loans	0.45 %	0.13 %	0.58 %	0.36 %
Nonperforming assets to total assets	0.31 %	0.07 %	0.33 %	0.27 %

Nonperforming loans at September 30, 2023 were $4.3 million, an increase of $3.1 million from $1.2 million at December 31, 2022. Included in the $4.3 million were $1.8 million in loans to one customer which were recently paid in full.

A substandard loan is not adequately protected by the current sound worth and paying capacity of the borrower or the value of the collateral pledged, if any. Total substandard loans increased decreased by $14.7 million $0.3 million from $3.4 million $21.7 million on December 31, 2022 December 31, 2023 to $18.1 $21.4 million on September 30, 2023 March 31, 2024. Loans classified as special mention decreased increased by $9.1 million $1.3 million from $22.8 million $9.3 million on December 31, 2022 December 31, 2023 to $13.7 million $10.6 million on September 30, 2023 March 31, 2024. The increase in substandard loans is primarily related to agricultural loans to one borrower. At September 30, 2023 the loans to this borrower are on accrual status; however, they could move to nonaccrual if the borrower's financial condition worsens, the Bank's collateral position in respect to these loans deteriorates, or if the borrower is unable to meet their payment obligations.

It is the policy of management to make additions to the allowance for credit losses so that it remains appropriate to absorb the inherent risk of loss in the portfolio. Management believes that the allowance on September 30, 2023 March 31, 2024 is appropriate. However, the determination of the amount of the allowance is judgmental and subject to economic conditions which cannot be predicted with certainty. Accordingly, the Company cannot predict whether charge-offs of loans in excess of the allowance may occur in future periods.

Loans Held for Sale. Included in the loan portfolio are loans which are 75% to 90% guaranteed by the Small Business Administration (SBA), US Department of Agriculture Rural Business Cooperative Service (RBS) and Farm Services Agency (FSA). The guaranteed portion of these loans may be sold to a third party, with the Bank retaining the unguaranteed portion. The Company can receive a premium in excess of the adjusted carrying value of the loan at the time of sale.

As of September 30, 2023, there were no loans held for sale. At December 31, 2022, the Company had $2.3 million in SBA government guaranteed loans held for sale. Loans held for sale are recorded at the lower of cost or fair value and therefore may be reported at fair value on a non-recurring basis. The fair values for loans held for sale are based on either observable transactions of similar instruments or formally committed loan sale prices.

OREO represents represent real property acquired by the Bank either through foreclosure or through a deed dead in lieu thereof from the borrower. Repossessed assets include vehicles and other commercial assets acquired under agreements with delinquent borrowers. OREO holdings represented two properties one property totaling $440,000 at September 30, 2023 $357,000 on March 31, 2024, and two properties totaling $369,000 at September 30, 2022 December 31, 2023. There were no OREO properties at December 31, 2022.

Nonperforming assets as a percentage of total assets were 0.31% 0.37% at September 30, 2023 March 31, 2024 and 0.07% 0.33% at December 31, 2022 December 31, 2023.

The following table provides a summary of the change in the number and balance of OREO properties for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 (dollars in thousands):

	Nine Months Ended September 30,				Three Months Ended March 31,			
	#	2023	#	2022	#	2024	#	2023
Beginning Balance	-	$ -	3	$ 487	1	$ 357	-	$ -

Additions	2	440	-	-	-	-	1	83
Dispositions	-	-	1	(118)	-	-	-	-
Provision from change in OREO valuation	-	-	-	-	-	-	-	-
Ending Balance	2	$ 440	2	$ 369	1	$ 357	1	$ 83

Investment Portfolio and Federal Funds Sold. Total investment securities were $438.3 million $447.4 million as of September 30, 2023 March 31, 2024 and $444.7 million as of December 31, 2022 $489.2 million at December 31, 2023. Net unrealized losses on available-for-sale investment securities totaling $76.2 million $33.2 million were recorded, net of $22.5 million $9.8 million in tax benefit, as accumulated other comprehensive income within shareholders' equity at March 31, 2024. Net unrealized losses on available-for-sale investment securities totaling $46.1 million were recorded, net of $13.6 million in tax benefit, as accumulated other comprehensive loss within shareholders' equity at September 30, 2023 December 31, 2023. Net unrealized losses on available-for-sale During the three months ended March 31, 2024 we sold $115 million in investment securities totaling $54.2 million were recorded, net having a weighted average tax equivalent yield of $16.0 million 2.24% recording a $19.8 million loss on sale. Beginning in December 2023 and ending on March 27, 2024 we purchased $120 million in investments securities having a weighted average tax benefit, as accumulated other comprehensive income within shareholders' equity at December 31, 2022 equivalent yield of 5.25%. No securities were sold during the nine three months ended September 30, 2023 and 2022. March 31, 2023.

The investment portfolio at September 30, 2023 March 31, 2024 consisted of $9.8 million $6.9 million in U.S. Treasury securities, $212.2 $229.6 million in securities of U.S. Government-sponsored agencies, $101.3 $123.1 million in securities of U.S. Government-agencies and 239 171 municipal securities totaling $115.0 $87.8 million. The investment portfolio at December 31, 2022 December 31, 2023 consisted of $9.7 million $6.9 million in U.S. Treasury securities, $214.4 million $235.9 million in securities of U.S. Government-sponsored agencies, $99.6 million $116.0 million in securities of U.S. Government-agencies and 239 244 municipal securities totaling $121.0 million $130.4 million.

There were no Federal funds sold at September 30, 2023 March 31, 2024 and December 31, 2022; December 31, 2023; however, the Bank maintained interest earning balances at the Federal Reserve Bank totaling $64.6 million $100.2 million at September 30, 2023 March 31, 2024 and $154.4 million $52.9 million at December 31, 2022 December 31, 2023. The balance, on September 30, 2023 March 31, 2024, earns interest at the rate of 5.40%.

The Company classifies its investment securities as available-for-sale or held-to-maturity. Currently all securities are classified as available-for-sale. Securities classified as available-for-sale may be sold to implement the Company's asset/liability management strategies and in response to changes in interest rates, prepayment rates and similar factors.

Deposits.

The following table shows the distribution of deposits by type at March 31, 2024 and December 31, 2023.

(dollars in thousands)	Balance at End of Period	Percent of Deposits in Each Category to Total Deposits	Balance at End of Period	Percent of Deposits in Each Category to Total Deposits
Distribution of Deposits by Type	03/31/2024	03/31/2024	12/31/2023	12/31/2023
Non-interest bearing	$ 665,975	51.2 %	$ 692,768	51.9 %
Money Market	214,257	16.5 %	214,185	16.1 %
Savings	328,781	25.3 %	335,050	25.1 %
Time	90,675	7.0 %	91,652	6.9 %
Total Deposits	$ 1,299,688	100 %	$ 1,333,655	100 %

Total deposits decreased by $55.3 million were $1.3 billion at March 31, 2024, a decrease of $34.0 million from $1.5 billion at December 31, 2022, to $1.4 billion at September 30, 2023 December 31, 2023. The decrease in deposits includes decreases of $29.9 million $26.8 million in demand deposits, $20.2 million in money market accounts, $46.3 $6.2 million in savings, accounts partially offset by and $1.0 million in time deposits. Partially offsetting these decreases was an increase in time deposits deposit of $41.1 million. Beginning in April 2023 we began offering a time deposit promotion offering for a limited time 7-month and 11-month time deposits at an interest rate of 4%. We discontinued this promotion, which generated $46 million in deposits, on June 30, 2023 $43 million. We attribute much of the decrease in total deposits to the current interest rate environment as we have seen some deposits leave for higher rates and some customers reluctant to borrow to fund operating expense and instead have drawn down their excess deposit balances.

Beginning in April 2023 we began offering a time deposit promotion offering 7-month and 11-month time deposits at an interest rate of 4%. Effective June 30, 2023 we discontinued this promotion which generated $46 million in deposits. However, beginning in the fourth quarter of 2023 we allowed those customers who had

promotional time deposits to renew those deposits at similar terms. At March 31, 2024, 51% of the Company's deposits were in the form of non-interest-bearing demand deposits. The following table shows the distribution of deposits by type at September 30, 2023 and December 31, 2022. Company has no brokered deposits.

(dollars in thousands)	Balance at End of Period 09/30/2023	Percent of Deposits in Each Category to Total Deposits 09/30/2023	Balance at End of Period 12/31/2022	Percent of Deposits in Each Category to Total Deposits 12/31/2022
Non-interest bearing	$ 736,683	52.5 %	$ 766,549	52.6 %
Money Market	217,731	15.5 %	237,924	16.3 %
Savings	357,765	25.5 %	404,150	27.7 %
Time	90,307	6.5 %	49,186	3.4 %
Total Deposits	$ 1,402,486	100 %	$ 1,457,809	100 %

Deposits represent the Bank's primary source of funds. Deposits are primarily core deposits in that they are demand, savings and time deposits generated from local businesses and individuals. These sources are considered to be relatively stable, long-term relationships thereby enhancing steady growth of the deposit base without major fluctuations in overall deposit balances. However, during 2023 and continuing into the first quarter of 2024 we have experienced a decline in these core deposits. The Company experiences, to a small degree, some seasonality with the slower growth period between November through April, and the higher growth period from May through October. To assist in meeting any funding demands, the Company maintains several borrowing agreements as described below. There were no brokered deposits at September 30, 2023 or December 31, 2022.

Estimated uninsured deposits totaled $458 million $400 million and $478 million $416 million at December 31,2022 March 31, 2024, and September 30, 2023 December 31, 2023, respectively. Uninsured amounts are estimated based on the portion of the account balances in excess of FDIC insurance limits.

The following table presents the maturity distribution of the portion of time deposits in excess of the FDIC insurance limit.

Maturity Distribution of Estimated Uninsured Time Deposits				
(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Remaining maturity:				
Three months or less	$ 2,337	$ 1,790	$ 8,825	$ 6,044
After three through nine months	5,236	257		
After three through six months			4,918	10,097
After six through twelve months	10,275	1,688	4,164	5,428
After twelve months	812	76	757	757
Total	$ 18,660	$ 3,811	$ 18,664	$ 22,326

Repurchase Agreements. The Bank offers a repurchase agreement product for its larger customers which use securities sold under agreements to repurchase as an alternative to interest-bearing deposits. Securities sold under agreements to repurchase totaling $16.1 million $19.3 million and $18.6 million $23.1 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively are secured by U.S. Government agency securities with a carrying amount of $30.2 million and $34.1 million at March 31, 2024 and $29.6 million at September 30, 2023 and December 31, 2022 December 31, 2023, respectively. Interest paid on this product is similar to, but less than, that which is paid on the Bank's money market accounts; however, these are not deposits and are not FDIC insured.

Short-term Borrowing Arrangements. The Company is a member of the Federal Home Loan Bank of San Francisco (FHLB) and can borrow up to $227 million $237 million from the FHLB secured by commercial and residential mortgage loans with carrying values totaling $412 million $431 million. The Company is required to hold FHLB stock as a condition of membership. At September 30, 2023 March 31, 2024, the Company held $6.2 million of FHLB stock which is recorded as a component of other assets.

The Company is also eligible to participate in the Bank Term Lending Program. The Federal Reserve Board, on March 12, 2023, announced the creation of a new the Bank Term Funding Program (BTFP). The BTFP offers loans of up to one year in length to banks, savings associations, credit unions, and other eligible depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral. These assets will be valued at par. At September 30, 2023 December 31, 2023, $94 million in par value of securities were pledged as collateral the Company had outstanding borrowings under the BTFP.

BTFP totaling $80 million. In January 2024 the Company borrowed an additional $25 million under the BTFP for a total of $105 million outstanding at March 31, 2024. This borrowing accrues interest at the rate of 4.85% and is payable on January 17, 2025. Borrowings under the BTFP can be prepaid without penalty. Interest expense recognized on the BTFP borrowings for the three months ended March 31, 2024, totaled $1.2 million. In addition to its FHLB borrowing line and the BTFP, the Company has unsecured short-term borrowing agreements with two of its correspondent banks in the amounts of $50 million and $20 million. There were no outstanding borrowings to the FHLB FRB or the correspondent banks at September 30, 2023 March 31, 2024, and September 30, 2022 December 31, 2023.

Note Payable. During 2021 and until On January 25, 2022, the Company maintained a replaced its existing $15 million line of credit facility with one of its correspondent banks (the "Note"). Interest on the Note was payable at the "Prime Rate". There were no borrowings on the Note.
On January 25, 2022, the Company replaced this facility with a $15 million Loan Agreement (the "Loan Agreement") and Promissory Note (the "Term Note"). The Term Note matures on January 25, 2035 and can be prepaid at any time. During the initial three years of the Loan Agreement the Term Note functions as an interest only revolving line of credit. Beginning on year four the Term Note converts into a term loan requiring semi-annual principal and interest payments and no further advances can be made. The proceeds of this lending facility shall be used by the Company for general corporation purposes, and to provide capital injections into the Bank. The Term Note bears interest at a fixed rate of 3.85% for the first 5 years and then at a floating interest rate linked to WSJ Prime Rate for the remaining eight-year eight year term. The Loan Agreement provides for a $187,500 loan fee. The Note is secured by the common stock of the Bank. The Loan Agreement contains certain financial and non-financial covenants, which include, but are not limited to, a minimum leverage ratio at the Bank, a minimum total risk-based capital ratio at the Bank, a maximum Texas Ratio at the Bank, a minimum level of Tier 1 capital at the Bank and a return on average assets needed to generate a 1.25X debt service coverage ratio. The Loan Agreement also contains customary events of default, including, but not limited to, failure to pay principal or interest, the commencement of certain bankruptcy proceedings, and certain adverse regulatory events affecting the Company or the Bank. Upon the occurrence of an event of default under the Loan Agreement, the Company's obligations under the Loan Agreement may be accelerated. In March 2023 the Company borrowed $10 million on this note and used the proceeds to redeem its Trust Preferred securities as described below. During the first quarter of 2024 the Company borrowed an additional $5 million under this note for general corporate purposes. The Company was in compliance with all covenants related to the Term Note at September 30, 2023 March 31, 2024.
Interest expense recognized by the Company for the nine months ended September 30, 2023, on the Term Note totaled $255,000.
Junior Subordinated Deferrable Interest Debentures/ Trust Preferred Securities. On February 9, 2023, Plumas Bancorp submitted redemption notices to redeem $6,000,000 of trust preferred securities of Plumas Statutory Trust I ("Trust I") and $4,000,000 of trust preferred securities of Plumas Statutory Trust II ("Trust II"). The trust preferred securities are being redeemed, along with an aggregate of $310,000 in common securities issued by the trusts and held by the Company and 100% of the Company's junior subordinated debentures due 2032 held by Trust I and 100% of the Company's junior subordinated debentures due 2035 held by Trust II underlying the trust preferred securities.

The trust preferred securities of Plumas Statutory Trust II were redeemed on March 15, 2023 and the trust preferred securities of Plumas Statutory Trust I were redeemed on March 27, 2023. The redemption prices for the junior subordinated debentures were equal to 100% of the respective principal amounts, which total $10,000,000, plus accrued interest up to the redemption date. The proceeds from the redemption of the junior subordinated debentures were simultaneously applied to redeem all of the outstanding common securities and the outstanding trust preferred securities at a price of 100% of the aggregate principal amount of the trust preferred securities plus accumulated but unpaid distributions up to the redemption date. Funding for the redemption was provided from borrowings on our Term Note as described above.
Interest expense recognized by the Company for the nine three months ended September 30, 2023 March 31, 2024 and 2022 related to the subordinated debentures 2023 totaled $141,000 $151,000 and $267,000, $55,000, respectively.

Interest Rate Swaps
From time to time, we may use interest rate swaps or other instruments to manage our interest rate exposure and reduce the impact of future interest rate changes. These financial instruments are not used for trading or speculative purposes. On May 26, 2020 we entered into two separate interest rate swap agreements, effectively converting our $10 million in Subordinated Debentures to fixed obligations. During the first quarter of 2023 we terminated these swaps recording a $1.7 million gain on termination.
Capital Resources

Shareholders' equity increased by $921,000 $14.2 million from $119.0 million $147.3 million at December 31, 2022 December 31, 2023 to $119.9 million $161.5 million at September 30, 2023 March 31, 2024. The $921,000 $14.2 million increase was related to net income during the nine three months ended September 30, 2023 March 31, 2024, of $22.3 million and $6.2 million, stock option and restricted stock activity of $524,000 $459,000, a decrease of other compressive loss of $9.0 million related to the investment portfolio restructuring. partially offset by shareholder dividends of $4.4 million, an increase in accumulated other comprehensive loss of $16.9 million and $554,000 related to the cumulative change from adoption of ASU 2016-13. $1.6 million.

It is the policy of the Company to periodically distribute excess retained earnings to the shareholders through the payment of cash dividends. Such dividends help promote shareholder value and capital adequacy by enhancing the marketability of the Company's stock. All authority to provide a return to the shareholders in the form of a cash or stock dividend or split rests with the Board of Directors. The Board will periodically, but on no regular schedule, review the appropriateness of a cash dividend payment. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. The Company is subject to various restrictions on the payment of dividends. The Company paid a quarterly cash dividend of $0.25 $0.27 per share on August 15, 2023, May 15, 2023 and February 15, 2023 and a quarterly cash dividend of $0.16 per share on February 15, 2022, May 16, 2022, August 15, 2022, and November 15, 2022 February 15, 2024, and a quarterly cash dividend of 14 cents $0.25 per share on February 15, 2021 November 15, 2023, May 17, 2021 August 15, 2023, August 16, 2021 May 15, 2023, and November 15, 2021 February 15, 2023.

Capital Standards. The Company uses a variety of measures to evaluate its capital adequacy. Management reviews these capital measurements on a monthly basis and takes appropriate action to ensure that they are within established internal and external guidelines. The FDIC has promulgated risk-based capital guidelines for all state non-member banks such as the Bank. These guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures.

In July, 2013, the federal bank regulatory agencies adopted rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. depository organizations, sometimes called "Basel III," that increased the minimum regulatory capital requirements for bank holding companies and depository institutions and implemented strict eligibility criteria for regulatory capital instruments. The Basel III capital rules include a minimum common equity Tier 1 ratio of 4.5%, a Tier 1 capital ratio of 6.0%, a total risk-based capital ratio of 8.0%, and a minimum leverage ratio of 4.0% (calculated as Tier 1 capital to average consolidated assets). The minimum capital levels required to be considered "well capitalized" include a common equity Tier 1 ratio of 6.5%, a Tier 1 risk-based capital ratio of 8.0%, a total risk-based capital ratio of 10.0% and a leverage ratio of 5.0%. In addition, the Basel III capital rules require that banking organizations maintain a capital conservation buffer of 2.5% above the minimum capital requirements in order to avoid restrictions on their ability to pay dividends, repurchase stock or pay discretionary bonuses. Including the capital conservation buffer of 2.5%, the Basel III capital rules require the following minimum ratios for a bank holding company or bank to be considered well capitalized: a common equity Tier 1 capital ratio of 7.0%; a Tier 1 capital ratio of 8.5%, and a total capital ratio of 10.5%. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Bank's capital ratios exceeded the thresholds necessary to be considered "well capitalized" under the Basel III framework.

Under the FRB's Small Bank Holding Company and Savings and Loan Holding Company Policy Statement (the "Policy Statement"), qualifying bank holding companies with less than $3 billion in consolidated assets are exempt from the Basel III consolidated capital rules. The Company qualifies for treatment under the Policy Statement and is not currently subject to the Basel III consolidated capital rules at the bank holding company level. The Basel III capital rules continue to apply to the Bank.

In 2019, the federal bank regulators issued a rule establishing a "community bank leverage ratio" (the ratio of a bank's tier 1 capital to average total consolidated assets) that qualifying institutions with less than $10 billion in assets may elect to use in lieu of the generally applicable leverage and risk-based capital requirements under Basel III. A qualifying banking organization that elects to use the new ratio will be considered to have met all applicable federal regulatory capital and leverage requirements, including the minimum capital levels required to be considered "well capitalized" if it maintains a community bank leverage ratio exceeding 9%. The new rule became effective on January 1, 2020. Plumas Bank has chosen not to opt into the community bank leverage ratio at this time.

The following table sets forth the Bank's actual capital amounts and ratios (dollar amounts in thousands):

	Actual		Minimum Amount of Capital Required: For Capital Adequacy Purposes (1)		Minimum Amount of Capital Required: To be Well-Capitalized Under Prompt Corrective Provisions		Actual		Minimum Amount of Capital Required: For Capital Adequacy Purposes (1)		Minimum Amount of Capital Required: To be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2023												
March 31, 2024												
Common Equity Tier 1 Ratio	$ 173,377	15.1 %	$ 51,671	4.5 %	$ 74,635	6.5 %	$ 183,278	16.1 %	$ 51,089	4.5 %	$ 73,796	6.5 %
Tier 1 Leverage Ratio	173,377	10.6 %	65,224	4.0 %	81,530	5.0 %	183,278	11.0 %	66,483	4.0 %	83,104	5.0 %
Tier 1 Risk-Based Capital Ratio	173,377	15.1 %	68,894	6.0 %	91,859	8.0 %	183,278	16.1 %	68,120	6.0 %	90,826	8.0 %
Total Risk-Based Capital Ratio	187,173	16.3 %	91,859	8.0 %	114,824	10.0 %	197,155	17.4 %	90,826	8.0 %	113,533	10.0 %
December 31, 2022												

December 31, 2023												
Common Equity Tier 1 Ratio	$ 157,361	14.7 %	$ 48,218	4.5 %	$ 69,648	6.5 %	$ 179,194	15.7 %	$ 51,294	4.5 %	$ 74,092	6.5 %
Tier 1 Leverage Ratio	157,361	9.2 %	68,078	4.0 %	85,098	5.0 %	179,194	10.8 %	66,348	4.0 %	82,935	5.0 %
Tier 1 Risk-Based Capital Ratio	157,361	14.7 %	64,291	6.0 %	85,721	8.0 %	179,194	15.7 %	68,392	6.0 %	91,190	8.0 %
Total Risk-Based Capital Ratio	168,419	15.7 %	85,721	8.0 %	107,151	10.0 %	192,860	16.9 %	91,190	8.0 %	113,987	10.0 %

(1) Does not include amounts required to maintain the capital conservation buffer under the new capital rules.

Management believes that Plumas Bank currently meets all its capital adequacy requirements.

The current and projected capital positions of the Bank and the impact of capital plans and long-term strategies are reviewed regularly by management. The Company policy is to maintain the Bank's ratios above the prescribed well-capitalized ratios at all times.

Off-Balance Sheet Arrangements

Loan Commitments. In the normal course of business, there are various commitments outstanding to extend credits that are not reflected in the financial statements. Commitments to extend credit and letters of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Annual review of commercial credit lines, letters of credit and ongoing monitoring of outstanding balances reduces the risk of loss associated with these commitments. As of September 30, 2023 March 31, 2024, the Company had $181.4 $165.6 million in unfunded loan commitments and no letters of credit. This compares to $174.6 million in unfunded loan commitments and $108,000 in letters of credit. This compares to $178.7 million credit at December 31, 2023. Of the $165.6 million in unfunded loan commitments, $102.4 million and no letters of credit at December 31, 2022. Of the $181.4 million in unfunded loan commitments, $118.7 million and $62.7 $63.2 million represent commitments to commercial and consumer customers, respectively. Of the total unfunded commitments at September 30, 2023 March 31, 2024, $123.8 $99.6 million were secured by real estate, of which $70.5 $45.5 million was secured by commercial real estate and $53.3 $54.1 million was secured by residential real estate mostly in the form of equity lines of credit. The commercial loan commitments not secured by real estate primarily represent business lines of credit, while the consumer loan commitments not secured by real estate primarily represent revolving credit card lines and overdraft protection lines. Since some of the commitments are expected to expire without being drawn upon the total commitment amounts do not necessarily represent future cash requirements.

Operating Leases. The Company leases three depository branches, one of which is a land lease on which we own the building, two lending offices, three administrative offices and two non-branch automated teller machine locations. The expiration dates of the leases vary, with the first such lease expiring during 2024 and the last such lease expiring during 2044. Including variable lease expense, total rent expense was $478,000 and $457,000 during the nine months ended September 30, 2023 and 2022, respectively.

Liquidity

The Company manages its liquidity to provide the ability to generate funds to support asset growth, meet deposit withdrawals (both anticipated and unanticipated), fund customers' borrowing needs and satisfy maturity of short-term borrowings. The Company's liquidity needs are managed using assets or liabilities, or both. On the asset side, in addition to cash and due from banks, the Company maintains an investment portfolio which includes unpledged U.S. Government-sponsored agency securities that are classified as available-for-sale. On the liability side, liquidity needs are managed by offering competitive rates on deposit products and the use of established lines of credit.

The Company is a member of the Federal Home Loan Bank of San Francisco (FHLB) and can borrow up to $227 million $237 million from the FHLB secured by commercial and residential mortgage loans with carrying values totaling $412 million $431 million. The Company is also eligible to participate in the Bank Term Lending Program. The Company has pledged as collateral under the BTFP securities with a par value of $94 million. In addition to its FHLB borrowing line, and the BTFP, the Company has unsecured short-term borrowing agreements with two of its correspondent banks in the amounts of $50 million and $20 million. There were no outstanding borrowings to the FHLB, FRB or the correspondent banks at September 30, 2023 March 31, 2024, and September 30, 2022 December 31, 2023.

Customer deposits are the Company's primary source of funds. Total deposits decreased by $55.3 million were $1.3 billion at March 31, 2024, a decrease of $34 million from $1.5 billion at December 31, 2022, to $1.4 billion at September 30, 2023 December 31, 2023. Deposits are held in various forms with varying maturities. The Company estimates that it has approximately $478 million $400 million in uninsured deposits. Of this amount, $96 million $94 million represents deposits that are collateralized such as deposits of states, municipalities and tribal accounts.

The Company's securities portfolio, Federal funds sold, FHLB advances, and cash and due from banks serve as the primary sources of liquidity, providing adequate funding for loans during periods of high loan demand. During periods of decreased lending, funds obtained from the maturing or sale of investments, loan payments, and new deposits are invested in short-term earning assets, such as cash held at the FRB, Federal funds sold and investment securities, to serve as a source of funding for future loan growth. Management believes that the Company's available sources of funds, including borrowings, will provide adequate liquidity for its operations in the foreseeable future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of September 30, 2023 March 31, 2024. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2023 March 31, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2023 March 31, 2024 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company and/or its subsidiary are a party to claims and legal proceedings arising in the ordinary course of business. In the opinion of the Company's management, the amount of ultimate liability with respect to such proceedings will not have a material adverse effect on the financial condition or results of operations of the Company taken as a whole.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q you should carefully consider the risk factors that appeared under Item 1A, "Risk Factors" in the Company's 2022 2023 Annual Report. There are no material changes from the risk factors included within the Company's 2022 2023 Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.None.

ITEM 6. EXHIBITS

The following documents are included or incorporated by reference in this Quarterly Report on Form 10Q:

3.1	Articles of Incorporation as amended of Registrant included as Exhibit 3.1 to the Registrant's Form S-4, File No. 333-84534, which is incorporated by reference herein.
3.2	Bylaws of Registrant as amended on August 16, 2023 included as Exhibit 3.1 to the Registrant's Form 8-K for August 17, 2023, which is incorporated by reference herein.
3.3	Amendment of the Articles of Incorporation of Registrant dated November 1, 2002, is included as Exhibit 3.3 to the Registrant's 10-Q for September 30, 2005, which is incorporated by this reference herein.
3.4	Amendment of the Articles of Incorporation of Registrant dated August 17, 2005, is included as Exhibit 3.4 to the Registrant's 10-Q for September 30, 2005, which is incorporated by this reference herein.
4	Specimen form of certificate for Plumas Bancorp included as Exhibit 4 to the Registrant's Form S-4, File No. 333-84534, which is incorporated by reference herein.
4.1	Description of Securities of Plumas Bancorp Registered Under Section 12 of the Exchange Act, is included as Exhibit 4.1 to the Registrant's 10-K for December 31, 2019, which is incorporated by this reference herein.
10.50	Agreement for Purchase and Sale of Real Property by and between Plumas Bank and Mountainseed Real Estate Services, LLC (Branches)is included as Exhibit 10.1 to the Registrant's 8-K filed on January 23, 2024 which is incorporated by this reference herein.
10.51	Agreement for Purchase and Sale of Real Property by and between Plumas Bank and Mountainseed Real Estate Services, LLC (Non-Branch Offices)is included as Exhibit 10.2 to the Registrant's 8-K filed on January 23, 2024 which is incorporated by this reference herein.
10.52	Form of Lease Agreement by and between Plumas Bank and Mountainseed Real Estate Services, LLCis included as Exhibit 10.3 to the Registrant's 8-K filed on January 23, 2024 which is incorporated by this reference herein.
10.53	Form of Lease Agreement by and between Plumas Bank and Mountainseed Real Estate Services, LLC is included as Exhibit 10.3 to the Registrant's 8-K filed on February 15, 2024 which is incorporated by this reference herein.
10.54	First Amendment to Agreement for Purchase and Sale of Property is included as Exhibit 10.3 to the Registrant's 8-K filed on March 15, 2024 which is incorporated by this reference herein.
10.74	Form of Restricted Stock Unit Agreement Under Plumas Bancorp 2022 Equity Incentive Plan is included as Exhibit 10.1 to the Registrant's 8-K filed on March 21, 2024, which is incorporated by this reference herein.
10.75	Amendment to Form of Restricted Stock Unit Agreement Under Plumas Bancorp 2022 Equity Incentive Plan is included as Exhibit 10.1 to the Registrant's 8-K/A filed on April 15, 2024, which is incorporated by this reference herein.
16.1	Letter from Registrant's Certifying Accountant is included as Exhibit 16.1 to the Registrant's 8-K/A filed on March 21, 2024, which is incorporated by this reference herein.
31.1*	Rule 13a-14(a) [Section 302] Certification of Principal Financial Officer dated November 8, 2023 May 7, 2024.
31.2*	Rule 13a-14(a) [Section 302] Certification of Principal Executive Officer dated November 8, 2023 May 7, 2024.
32.1*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 8, 2023 May 7, 2024.

32.2* Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 8, 2023 May 7, 2024.

101.INS* Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)

101.SCH* Inline XBRL Taxonomy Extension Schema Document

101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document

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

* Filed herewith

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.

PLUMAS BANCORP

(Registrant)

Date: November 8, 2023 May 7, 2024

/s/ Richard L. Belstock

Richard L. Belstock

Chief Financial Officer

/s/ Andrew J. Ryback

Andrew J. Ryback

Director, President and Chief Executive Officer

Exhibit 31.1

CERTIFICATION UNDER SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Richard L. Belstock, Chief Financial Officer, certify that:

1. I have reviewed this report on Form 10-Q of Plumas Bancorp;

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

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

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

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

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

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

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

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

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

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

Date: November 8, 2023 May 7, 2024

/s/ Richard L. Belstock

Richard L. Belstock, Chief Financial Officer

Exhibit 31.2

CERTIFICATION UNDER SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Andrew J. Ryback, Chief Executive Officer, certify that:

1. I have reviewed this report on Form 10-Q of Plumas Bancorp;

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

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

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

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

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

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

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

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

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

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

Date: November 8, 2023 May 7, 2024

/s/ Andrew J. Ryback

Andrew J. Ryback, Chief Executive Officer

Exhibit 32.1

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Plumas Bancorp (the “Company”) hereby certifies, to such officer’s knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2023 March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: November 8, 2023 May 7, 2024

/s/ Richard L. Belstock

Richard L. Belstock, Chief Financial Officer

Exhibit 32.2

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

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Plumas Bancorp (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2023 March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: November 8, 2023 May 7, 2024	**/s/ Andrew J. Ryback**
	Andrew J. Ryback, Chief Executive Officer

DISCLAIMER

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