

REFINITIV

DELTA REPORT

10-Q

FRST - PRIMIS FINANCIAL CORP.

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 1331

■ CHANGES	608
■ DELETIONS	329
■ ADDITIONS	394

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

FORM 10-Q

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

For the Quarterly Period Ended **June September 30, 2024**

Commission File No. 001-33037

PRIMIS FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction
of incorporation or organization)

20-1417448

(I.R.S. Employer Identification No.)

1676 International Drive, Suite 900
McLean, Virginia 22102
(Address of principal executive offices) (zip code)

(703) 893-7400
(Registrant's telephone number, including area code)

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

Title of each class:	Trading symbol	Name of each exchange on which registered:
Common Stock, par value \$0.01 per share	FRST	NASDAQ Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer

Accelerated filer

Smaller reporting company

Non-accelerated filer

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 29, 2024, there were 24,722,734 shares of common stock, \$0.01 par value, outstanding.

[Table of Contents](#)

PRIMIS FINANCIAL CORP.

FORM 10-Q

June September 30, 2024

TABLE OF CONTENTS

[PART I - FINANCIAL INFORMATION](#)

PAGE

Item 1 - Financial Statements

Condensed Consolidated Balance Sheets as of June 30, 2024 September 30, 2024 and December 31, 2023	2
Condensed Consolidated Statements of Income (Loss) and Comprehensive income (Loss) for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023	3
Condensed Consolidated Statements of Changes in Stockholders' Equity for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023	4
Condensed Consolidated Statements of Cash Flows for the six nine months ended June 30, 2024 September 30, 2024 and 2023	6
Notes to Unaudited Condensed Consolidated Financial Statements	7

[Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

38 39

[Item 3 - Quantitative and Qualitative Disclosures about Market Risk](#)

55 57

[Item 4 - Controls and Procedures](#)

56 59

[PART II - OTHER INFORMATION](#)

[Item 1 - Legal Proceedings](#)

57 60

[Item 1A - Risk Factors](#)

57 60

[Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds](#)

57 60

[Item 3 - Defaults Upon Senior Securities](#)

57 60

<u>Item 4 – Mine Safety Disclosures</u>	5760
<u>Item 5 – Other Information</u>	5760
<u>Item 6 - Exhibits</u>	5861
<u>Signatures</u>	6063

[Table of Contents](#)

PRIMIS FINANCIAL CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share amounts)

	June 30, 2024	December 31, 2023
	(unaudited)	
ASSETS		
Cash and cash equivalents:		
Cash and due from financial institutions	\$ 5,305	\$ 1,863
Interest-bearing deposits in other financial institutions	61,275	75,690
Total cash and cash equivalents	<u>66,580</u>	<u>77,553</u>
Securities available-for-sale, at fair value (amortized cost of \$262,076 and \$255,891, respectively)	232,867	228,420
Securities held-to-maturity, at amortized cost (fair value of \$9,692 and \$10,839, respectively)	10,649	11,650
Loans held for sale, at fair value	94,644	57,691
Loans held for investment, collateralizing secured borrowings	21,174	20,505
Loans held for investment	3,279,388	3,198,909
Less: allowance for credit losses	(51,574)	(52,209)
Net loans	<u>3,248,988</u>	<u>3,167,205</u>
Stock in Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB)	16,837	14,246
Bank premises and equipment, net	19,946	20,611
Assets held for sale	5,136	6,735
Operating lease right-of-use assets	10,293	10,646
Cloud computing arrangement assets, net	9,206	10,699
Goodwill	93,459	93,459
Intangible assets, net	1,309	1,958
Bank-owned life insurance	66,319	67,588
Deferred tax assets, net	25,232	22,395
Consumer Program derivative	9,929	10,806

Other assets	54,624	54,884
Total assets	\$ 3,966,018	\$ 3,856,546
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest-bearing demand deposits	\$ 420,241	\$ 472,941
Interest-bearing deposits:		
NOW accounts	793,608	773,028
Money market accounts	831,834	794,530
Savings accounts	866,279	783,758
Time deposits	423,501	445,898
Total interest-bearing deposits	2,915,222	2,797,214
Total deposits	3,335,463	3,270,155
Securities sold under agreements to repurchase	3,273	3,044
Secured borrowings	21,069	20,393
FHLB advances	80,000	30,000
Junior subordinated debt	9,855	9,830
Senior subordinated notes	85,882	85,765
Operating lease liabilities	11,488	11,686
Other liabilities	24,777	28,080
Total liabilities	3,571,807	3,458,953
Commitments and contingencies (See Note 8)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding	—	—
Common stock, \$0.01 par value. Authorized 45,000,000 shares; 24,708,234 and 24,693,172 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	247	247
Additional paid in capital	313,852	313,548
Retained earnings	85,099	84,143
Accumulated other comprehensive loss	(23,151)	(21,777)
Total Primis stockholders' equity	376,047	376,161
Noncontrolling interests	18,164	21,432
Total stockholders' equity	394,211	397,593
Total liabilities and stockholders' equity	\$ 3,966,018	\$ 3,856,546
	September 30,	December 31,
	2024	2023
	(unaudited)	
ASSETS		
Cash and cash equivalents:		
Cash and due from financial institutions	\$ 10,854	\$ 1,863
Interest-bearing deposits in other financial institutions	66,420	75,690
Total cash and cash equivalents	77,274	77,553
Securities available-for-sale, at fair value (amortized cost of \$264,151 and \$255,891, respectively)	242,543	228,420
Securities held-to-maturity, at amortized cost (fair value of \$9,162 and \$10,839, respectively)	9,766	11,650
Loans held for sale, at fair value	96,897	57,691
Loans held for sale, at lower of cost or market	361,825	—
Total loans held for sale	458,722	57,691

Loans held for investment, collateralizing secured borrowings	17,591	20,505
Loans held for investment	2,956,132	3,198,909
Less: allowance for credit losses	(51,132)	(52,209)
Net loans	2,922,591	3,167,205
Stock in Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB)	20,875	14,246
Bank premises and equipment, net	19,668	20,611
Assets held for sale	9,864	6,735
Operating lease right-of-use assets	10,465	10,646
Cloud computing arrangement assets, net	8,460	10,699
Goodwill	93,459	93,459
Intangible assets, net	985	1,958
Bank-owned life insurance	66,750	67,588
Deferred tax assets, net	25,582	22,395
Consumer Program derivative asset	7,146	10,806
Other assets	50,197	54,884
Total assets	\$ 4,024,347	\$ 3,856,546
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest-bearing demand deposits	\$ 421,231	\$ 472,941
Interest-bearing deposits:		
NOW accounts	748,833	773,028
Money market accounts	835,099	794,530
Savings accounts	873,810	783,758
Time deposits	427,458	445,898
Total interest-bearing deposits	2,885,200	2,797,214
Total deposits	3,306,431	3,270,155
Securities sold under agreements to repurchase	3,677	3,044
Secured borrowings	17,495	20,393
FHLB advances	165,000	30,000
Junior subordinated debt	9,867	9,830
Senior subordinated notes	85,941	85,765
Operating lease liabilities	11,704	11,686
Other liabilities	27,169	28,080
Total liabilities	3,627,284	3,458,953
Commitments and contingencies (See Note 9)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding	—	—
Common stock, \$0.01 par value. Authorized 45,000,000 shares; 24,722,734 and 24,693,172 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	247	247
Additional paid in capital	314,066	313,548
Retained earnings	83,854	84,143
Accumulated other comprehensive loss	(17,145)	(21,777)
Total Primis stockholders' equity	381,022	376,161
Noncontrolling interests	16,041	21,432
Total stockholders' equity	397,063	397,593
Total liabilities and stockholders' equity	\$ 4,024,347	\$ 3,856,546

See accompanying notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)

PRIMIS FINANCIAL CORP.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024		2023	
Interest and dividend income:				
Interest and fees on loans	\$ 49,553	\$ 41,491	\$ 97,285	\$ 79,941
Interest and dividends on taxable securities	1,705	1,449	3,320	2,932
Interest and dividends on tax exempt securities	100	102	200	203
Interest and dividends on other earning assets	841	7,158	1,739	11,382
Total interest and dividend income	52,199	50,200	102,544	94,458
Interest expense:				
Interest on deposits	24,622	24,783	47,636	39,827
Interest on other borrowings	2,724	2,083	4,786	5,975
Total interest expense	27,346	26,866	52,422	45,802
Net interest income	24,853	23,334	50,122	48,656
Provision for credit losses	3,119	4,352	9,627	9,615
Net interest income after provision for credit losses	21,734	18,982	40,495	39,041
Noninterest income:				
Account maintenance and deposit service fees	1,861	1,457	3,254	2,681
Income from bank-owned life insurance	981	394	1,544	814
Mortgage banking income	6,402	5,198	11,976	9,513
Gain (loss) on sale of loans	(29)	—	307	51
Consumer Program derivative	1,272	1,758	3,313	13,201
Other noninterest income	365	130	764	347
Total noninterest income	10,852	8,937	21,158	26,607
Noninterest expenses:				
Salaries and benefits	16,088	15,283	31,822	30,311
Occupancy expenses	1,250	1,593	2,740	3,038
Furniture and equipment expenses	1,849	1,852	3,465	3,429
Amortization of intangible assets	317	318	634	635
Virginia franchise tax expense	632	848	1,263	1,697
FDIC insurance assessment	589	1,070	1,199	1,434
Data processing expense	2,347	2,828	4,578	5,079
Marketing expense	499	521	958	1,090

Telephone and communication expense	341	416	687	793
Professional fees	2,976	1,075	4,341	1,937
Fraud losses (recoveries)	17	1,997	(1)	2,452
Miscellaneous lending expenses	285	568	737	1,453
Other operating expenses	2,596	2,070	4,900	4,045
Total noninterest expenses	29,786	30,439	57,323	57,393
Income (loss) before income taxes	2,800	(2,520)	4,330	8,255
Income tax expense (benefit)	1,265	(526)	1,983	1,887
Net income (loss)	1,535	(1,994)	2,347	6,368
Net loss attributable to noncontrolling interests	1,901	—	3,555	—
Net income (loss) attributable to Primus' common stockholders	\$ 3,436	\$ (1,994)	\$ 5,902	\$ 6,368
 Other comprehensive income (loss):				
Unrealized loss on available-for-sale securities	\$ 589	\$ (3,299)	\$ (1,738)	\$ (293)
Tax expense (benefit)	125	(693)	(364)	(62)
Other comprehensive income (loss)	464	(2,606)	(1,374)	(231)
Comprehensive income (loss)	\$ 3,900	\$ (4,600)	\$ 4,528	\$ 6,137
Earnings (loss) per share, basic	\$ 0.14	\$ (0.06)	\$ 0.24	\$ 0.26
Earnings (loss) per share, diluted	\$ 0.14	\$ (0.06)	\$ 0.24	\$ 0.26
 For the Three Months Ended September 30, 2024	2024	2023	2024	2023
Interest and dividend income:				
Interest and fees on loans	\$ 54,296	\$ 45,312	\$ 151,581	\$ 125,253
Interest and dividends on taxable securities	1,702	1,491	5,022	4,423
Interest and dividends on tax exempt securities	97	102	297	305
Interest and dividends on other earning assets	1,017	1,122	2,756	12,504
Total interest and dividend income	57,112	48,027	159,656	142,485
Interest expense:				
Interest on deposits	25,351	21,576	72,987	61,403
Interest on other borrowings	3,738	2,121	8,524	8,096
Total interest expense	29,089	23,697	81,511	69,499
Net interest income	28,023	24,330	78,145	72,986
Provision for credit losses	7,511	1,616	17,138	11,231
Net interest income after provision for credit losses	20,512	22,714	61,007	61,755
 Noninterest income:				
Account maintenance and deposit service fees	1,468	1,534	4,722	4,215
Income from bank-owned life insurance	431	787	1,975	1,601
Mortgage banking income	6,803	4,922	18,779	14,435
Gain on sale of loans	—	217	307	268
Consumer Program derivative gains	79	2,033	3,392	15,233
Other noninterest income	501	231	1,266	578
Total noninterest income	9,282	9,724	30,441	36,330
 Noninterest expenses:				
Salaries and benefits	16,764	13,809	48,587	44,120
Occupancy expenses	1,248	1,633	3,988	4,671
Furniture and equipment expenses	1,823	1,537	5,288	4,966
Amortization of intangible assets	318	317	952	952
Virginia franchise tax expense	631	849	1,894	2,546

FDIC insurance assessment	545	820	1,744	2,254
Data processing expense	2,552	2,250	7,130	7,329
Marketing expense	449	377	1,407	1,467
Telephone and communication expense	330	356	1,017	1,149
Professional fees	2,914	1,118	7,255	3,055
Goodwill impairment	—	11,150	—	11,150
Fraud losses	61	267	59	2,719
Miscellaneous lending expenses	1,098	424	1,835	1,878
Other operating expenses	2,222	2,041	7,123	6,085
Total noninterest expenses	30,955	36,948	88,279	94,341
Income (loss) before income taxes	(1,161)	(4,510)	3,169	3,744
Income tax expense (benefit)	(304)	1,519	1,679	3,405
Net income (loss)	(857)	(6,029)	1,490	339
Net income attributable to noncontrolling interests	2,085	—	5,640	—
Net income (loss) attributable to Primis' common stockholders	\$ 1,228	\$ (6,029)	\$ 7,130	\$ 339
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities	\$ 7,601	\$ (5,557)	5,863	(5,850)
Tax expense (benefit)	1,595	(1,167)	1,231	(1,229)
Other comprehensive income (loss)	6,006	(4,390)	4,632	(4,621)
Comprehensive income (loss)	\$ 7,234	\$ (10,419)	\$ 11,762	\$ (4,282)
Earnings (loss) per share, basic	\$ 0.05	\$ (0.24)	\$ 0.29	\$ 0.01
Earnings (loss) per share, diluted	\$ 0.05	\$ (0.24)	\$ 0.29	\$ 0.01

See accompanying notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)

PRIMIS FINANCIAL CORP.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE AND ~~SIX~~ **NINE MONTHS ENDED ~~JUNE~~ SEPTEMBER 30, 2024 AND 2023**
(dollars in thousands, except per share amounts) (Unaudited)

	For the Three Months Ended June 30, 2024							For the Three Months Ended September 30,						
	Common Stock		Additional		Accumulated			Common Stock		Additional		Accumulated		
	Shares	Amount	Capital	Paid in	Retained Earnings	Comprehensive Income (Loss)	Noncontrolling Interests	Total	Shares	Amount	Capital	Retained Earnings	Comprehensive Income (Loss)	
Balance	-													
March 31, 2024	24,696,672	\$ 247	\$ 313,812	\$ 84,133	\$ (23,615)	\$ 20,022	\$ 394,599							

Issuance of	—	—	—	—	—	—	43	43	—	—	—	—	—	
Panacea	—	—	—	—	—	—	—	—	—	—	—	—	—	
Financial	—	—	—	—	—	—	—	—	—	—	—	—	—	
Holdings stock, net of costs	—	—	—	—	—	—	—	—	—	—	—	—	—	
Balance - June 30, 2024							24,708,234	\$ 247	\$313,852	\$ 85,099	\$ (23,151)			
Net income (loss)	—	—	—	—	—	—	—	—	—	—	—	1,228	—	
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	6,006	
Other net changes in noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	
Dividends on common stock (\$0.10 per share)	—	—	—	(2,470)	—	—	(2,470)	—	—	—	—	(2,473)	—	
Stock option exercises	11,916	—	—	—	—	—	—	—	15,500	—	173	—	—	
Repurchase of restricted stock	(354)	—	(4)	—	—	—	—	—	(4)	—	—	—	—	
Restricted stock forfeited	—	—	—	—	—	—	(1,000)	—	—	—	—	—	—	
Stock-based compensation expense	—	—	44	—	—	—	44	—	—	—	41	—	—	
Net income (loss)	—	—	—	3,436	—	(1,901)	1,535	—	—	—	—	—	—	
Other comprehensive income	—	—	—	—	—	464	—	—	—	—	464	—	—	
Balance - June 30, 2024	24,708,234	\$ 247	\$313,852	\$ 85,099	\$ (23,151)	\$ 18,164	\$ 394,211							
Balance - September 30, 2024							24,722,734	\$ 247	\$314,066	\$ 83,854	\$ (17,145)			
	For the Three Months Ended June 30, 2023							For the Three Months Ended September 30, 2023						
	Accumulated							Accumulated						
	Additional		Other					Additional		Other				
	Common Stock		Paid in		Retained		Comprehensive		Noncontrolling		Common Stock		Paid in	
	Shares		Amount		Capital		Earnings		Loss		Interests		Capital	
Balance - March 31, 2023	24,685,064	\$ 246	\$312,903	\$ 107,744	\$ (23,475)	\$ —	\$ 397,418							
Dividends on common stock (\$0.10 per share)	—	—	—	(2,469)	—	—	(2,469)	—	—	—	—	—	—	—
Restricted stock granted	5,000	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	73	—	—	—	—	—	—	—	73	—	—	—

Balance - June													
30, 2023								24,690,064	\$ 246	\$312,976	\$103,281	\$ (26,081)	\$ (26,081)
Net loss	—	—	—	(1,994)	—	—	(1,994)	—	—	—	(6,029)	—	
Other comprehensive loss	—	—	—	—	(2,606)	—	(2,606)	—	—	—	—	(4,390)	
Balance - June													
30, 2023	24,690,064	\$ 246	\$312,976	\$103,281	\$ (26,081)	\$ —	\$390,422						
Dividends on common stock (\$0.10 per share)	—	—	—	—	—	—	—	—	—	(2,469)	—		
Restricted stock forfeited	—	—	—	—	(3,300)	—	—	—	—	—	—		
Stock-based compensation expense	—	—	—	—	—	—	76	—	—	—	—		
Balance - September 30, 2023	—	—	—	—	—	—	—	—	—	—	—		
24,686,764	\$ 246	\$313,052	\$ 94,783	\$ (30,471)									

See accompanying notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)

For the Six Months Ended June 30, 2024										
	Accumulated									
	Common Stock		Additional		Other		Comprehensive		Noncontrolling	
	Shares	Amount	Capital	Earnings	Loss	Interests	Total			
Balance - December 31, 2023	24,693,172	\$ 247	\$ 313,548	\$ 84,143	\$ (21,777)	\$ 21,432	\$ 397,593			
Issuance of Panacea Financial Holdings stock, net of costs	—	—	—	—	—	—	287	—	287	287
Dividends on common stock (\$0.20 per share)	—	—	—	(4,946)	—	—	—	—	(4,946)	(4,946)
Stock option exercises	15,416	—	37	—	—	—	—	—	—	37
Repurchase of restricted stock	(354)	—	(4)	—	—	—	—	—	—	(4)
Stock-based compensation expense	—	—	271	—	—	—	—	—	—	271
Net income (loss)	—	—	—	5,902	—	(3,555)	—	—	2,347	2,347
Other comprehensive loss	—	—	—	—	(1,374)	—	—	—	(1,374)	(1,374)
Balance - June 30, 2024	24,708,234	\$ 247	\$ 313,852	\$ 85,099	\$ (23,151)	\$ 18,164	\$ 394,211			

For the Six Months Ended June 30, 2023							
	Accumulated						
	Common Stock		Additional		Other		Noncontrolling
	Shares	Amount	Capital	Earnings	Loss	Interests	Total
Balance - December 31, 2022	24,680,097	\$ 246	\$ 312,722	\$ 101,850	\$ (25,850)	\$ —	\$ 388,968
Dividends on common stock (\$0.20 per share)	—	—	—	(4,937)	—	—	(4,937)
Shares retired to unallocated	(1,033)	—	—	—	—	—	—
Stock option exercises	8,000	—	85	—	—	—	85
Restricted stock granted	5,000	—	—	—	—	—	—
Restricted stock forfeited	(2,000)	—	—	—	—	—	—
Repurchase of restricted stock	—	—	(12)	—	—	—	(12)
Stock-based compensation expense	—	—	181	—	—	—	181
Net income	—	—	—	6,368	—	—	6,368
Other comprehensive loss	—	—	—	—	(231)	—	(231)
Balance - June 30, 2023	24,690,064	\$ 246	\$ 312,976	\$ 103,281	\$ (26,081)	\$ —	\$ 390,422
For the Nine Months Ended September 30, 2024							
	Accumulated						
	Common Stock		Additional		Other		Noncontrolling
	Shares	Amount	Capital	Earnings	Comprehensive	Interests	Total
Balance - December 31, 2023	24,693,172	\$ 247	\$ 313,548	\$ 84,143	\$ (21,777)	\$ 21,432	\$ 397,593
Net income (loss)	—	—	—	7,130	—	(5,640)	1,490
Other comprehensive income	—	—	—	—	4,632	—	4,632
Other net changes in noncontrolling interests	—	—	—	—	—	249	249
Dividends on common stock (\$0.30 per share)	—	—	—	(7,419)	—	—	(7,419)
Stock option exercises	30,916	—	210	—	—	—	210
Restricted stock forfeited	(1,000)	—	—	—	—	—	—
Repurchase of restricted stock	(354)	—	(4)	—	—	—	(4)
Stock-based compensation expense	—	—	312	—	—	—	312
Balance - September 30, 2024	24,722,734	\$ 247	\$ 314,066	\$ 83,854	\$ (17,145)	\$ 16,041	\$ 397,063
For the Nine Months Ended September 30, 2023							
	Accumulated						
	Common Stock		Additional		Other		Noncontrolling
	Shares	Amount	Capital	Earnings	Comprehensive	Interests	Total
Balance - December 31, 2022	24,680,097	\$ 246	\$ 312,722	\$ 101,850	\$ (25,850)	\$ —	\$ 388,968
Net income	—	—	—	339	—	—	339
Other comprehensive loss	—	—	—	—	(4,621)	—	(4,621)
Dividends on common stock (\$0.30 per share)	—	—	—	(7,406)	—	—	(7,406)
Shares retired to unallocated	(1,033)	—	—	—	—	—	—
Stock option exercises	8,000	—	85	—	—	—	85
Restricted stock granted	5,000	—	—	—	—	—	—
Restricted stock forfeited	(5,300)	—	—	—	—	—	—
Repurchase of restricted stock	—	—	(12)	—	—	—	(12)
Stock-based compensation expense	—	—	257	—	—	—	257
Balance - September 30, 2023	24,686,764	\$ 246	\$ 313,052	\$ 94,783	\$ (30,471)	\$ —	\$ 377,610

See accompanying notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)

PRIMIS FINANCIAL CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX NINE MONTHS ENDED JUNE SEPTEMBER 30, 2024 AND 2023
(dollars in thousands, except per share amounts) (Unaudited)

	For the Six Months Ended June 30,	
	2024	2023
Operating activities:		
Net income	\$ 2,347	\$ 6,368
Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation and amortization	4,523	4,547
Net accretion of discounts	(113)	(635)
Provision for credit losses	9,627	9,615
Proceeds from sales of loans	76,194	—
Net change in mortgage loans held for sale	(14,802)	(30,309)
Net gains on mortgage banking	(11,976)	(9,513)
Net gains on sale of loans	(307)	(51)
Earnings on bank-owned life insurance	(841)	(784)
Gain on bank-owned life insurance death benefit	(703)	(30)
Stock-based compensation expense	271	181
Gains (losses) on other investments	(342)	36
Deferred income tax benefit	(2,472)	(2,704)
Net change in fair value of loan derivative	877	(11,100)
Net increase in other assets	(9,086)	(5,575)
Net increase (decrease) in other liabilities	(3,623)	4,266
Net cash and cash equivalents (used in) provided by operating activities	49,574	(35,688)
Investing activities:		
Purchases of securities available-for-sale	(18,223)	(5,000)
Proceeds from paydowns, maturities and calls of securities available-for-sale	11,879	17,373
Proceeds from paydowns, maturities and calls of securities held-to-maturity	990	1,124

Net (increase) decrease in FRB and FHLB stock	(2,591)	13,732
Net change in loans held for investment	(166,815)	(250,736)
Proceeds from bank-owned life insurance death benefit	918	873
Proceeds from sales of bank premise and equipment and assets held for sale	1,723	—
Purchases of bank premises and equipment, net	—	(1,405)
Purchases of other investments	185	—
Net cash and cash equivalents used in investing activities	(172,134)	(224,039)
Financing activities:		
Net increase in deposits	65,308	594,529
Cash dividends paid on common stock	(4,946)	(4,937)
Proceeds from exercised stock options	37	85
Proceeds from secured borrowings, net of repayments	676	20,595
Repurchase of restricted stock	(4)	(12)
Proceeds from short-term FHLB advances	50,000	—
Repayment of short-term borrowings	—	(325,000)
Increase (decrease) in securities sold under agreements to repurchase	229	(2,524)
Issuance of Panacea Financial Holdings stock, net of costs	287	—
Net cash and cash equivalents provided by financing activities	111,587	282,736
Net change in cash and cash equivalents	(10,973)	23,009
Cash and cash equivalents at beginning of period	77,553	77,859
Cash and cash equivalents at end of period	\$ 66,580	\$ 100,868
Supplemental disclosure of cash flow information		
Cash payments for:		
Interest	\$ 51,697	\$ 41,605
Income taxes	\$ 42	\$ 3,908
Supplemental schedule of noncash investing and financing activities:		
Initial recognition of operating lease right-of-use assets	\$ —	\$ 5,372
For the Nine Months Ended September 30,		
	2024	2023
Operating activities:		
Net income	\$ 1,490	\$ 339
Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation and amortization	6,723	6,954
Net amortization of premiums and (accretion of discounts)	(11)	(710)
Provision for credit losses	17,138	11,231
Proceeds from sales of loans	76,194	—
Net change in mortgage loans held for sale	(42,783)	(21,554)
Net gains on mortgage banking	(18,779)	(14,435)
Net gains on sale of loans	(307)	(268)
Earnings on bank-owned life insurance	(1,272)	(1,571)
Gain on bank-owned life insurance death benefit	(703)	(30)
Stock-based compensation expense	312	257
Gain on other investments	(393)	—
Goodwill impairment	—	11,150
Deferred income tax benefit	(4,418)	(3,077)
Net change in fair value of loan derivative	3,660	(11,110)
Net (increase) decrease in other assets	18,549	(24,636)
Net increase (decrease) in other liabilities	(1,368)	10,842
Net cash and cash equivalents used in operating activities	54,032	(36,618)
Investing activities:		

Purchases of securities available-for-sale	(34,170)	(10,487)
Proceeds from paydowns, maturities and calls of securities available-for-sale	25,380	23,496
Proceeds from paydowns, maturities and calls of securities held-to-maturity	1,863	1,518
Net (increase) decrease in FRB and FHLB stock	(6,629)	13,019
Net change in loans held for investment	(209,673)	(240,036)
Proceeds from bank-owned life insurance death benefit	3,264	873
Proceeds from sales of bank premise and equipment and assets held for sale	3,319	—
Purchases of bank premises and equipment, net	—	(1,405)
Purchases of other investments	288	—
Net cash and cash equivalents provided by (used in) investing activities	(216,358)	(213,022)
Financing activities:		
Net increase in deposits	36,276	570,937
Cash dividends paid on common stock	(7,419)	(7,406)
Proceeds from exercised stock options	210	85
Proceeds from secured borrowings, net of repayments	(2,898)	29,649
Repurchase of restricted stock	(4)	(12)
Proceeds from (repayment of) short-term FHLB advances	135,000	(325,000)
Increase (decrease) in securities sold under agreements to repurchase	633	(2,607)
Other net changes in noncontrolling interests	249	—
Net cash and cash equivalents provided by financing activities	162,047	265,646
Net change in cash and cash equivalents	(279)	16,006
Cash and cash equivalents at beginning of period	77,553	77,859
Cash and cash equivalents at end of period	\$ 77,274	\$ 93,865
Supplemental disclosure of cash flow information		
Cash payments for:		
Interest	\$ 80,491	\$ 66,148
Income taxes	\$ 42	\$ 3,908
Supplemental schedule of noncash activities:		
Initial recognition of operating lease right-of-use assets	\$ —	\$ 6,067
Loans held for investment transferred to loans held for sale, at lower of cost or market	\$ 361,825	\$ 8,755

See accompanying notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)

PRIMIS FINANCIAL CORP.

Notes to Unaudited Condensed Consolidated Financial Statements

1. ACCOUNTING POLICIES

Primis Financial Corp. ("Primis," "we," "us," "our" or the "Company") is the bank holding company for Primis Bank ("Primis Bank" or the "Bank"), a Virginia state-chartered bank which commenced operations on April 14, 2005. Primis Bank provides a range of financial services to individuals and small and medium-sized businesses.

As of **June 30, 2024** **September 30, 2024**, Primis Bank had twenty-four full-service branches in Virginia and Maryland and also provided services to customers through certain online and mobile applications. The Company is headquartered in McLean, Virginia and has an administrative office in Glen Allen, Virginia and an operations center in Atlee, Virginia. Primis Mortgage Company ("PMC"), a residential mortgage lender headquartered in Wilmington, North Carolina, is a consolidated subsidiary of Primis Bank. Panacea Financial Holdings, Inc. ("PFH"), headquartered in Little Rock, Arkansas, is consolidated into the Company. PFH owns the rights to the Panacea Financial brand and its intellectual property and partners with the Bank to offer a suite of financial products and services for doctors, their practices, and ultimately the broader healthcare industry.

The accounting policies and practices of Primis and its subsidiaries conform to U.S. generally accepted accounting principles ("U.S. GAAP") and to general practice within the banking industry. A discussion of the Company's material accounting policies are located in our 2023 Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K").

Principles of Consolidation

The consolidated financial statements include the accounts of Primis and its subsidiaries Primis Bank, PMC and PFH. Significant inter-company accounts and transactions have been eliminated in consolidation. Primis consolidates subsidiaries in which it holds, directly or indirectly, more than 50 percent of the voting rights or where it exercises control. Entities where Primis holds 20 to 50 percent of the voting rights, or has the ability to exercise significant influence, or both, are accounted for under the equity method. Primis owns EVB Statutory Trust I (the "Trust") which is an unconsolidated subsidiary and the junior subordinated debt owed to the Trust is reported as a liability of Primis. Primis consolidates PFH, as a result of the determination that it has a controlling financial interest over the entity as further described below.

We determine whether we have a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ("VIE") under U.S. GAAP. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. We consolidate voting interest entities in which we have all, or at least a majority of, the voting interest. As defined in U.S. GAAP, VIEs are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in a VIE is present when an enterprise has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. The Company has investments in VIE's for which we are not the primary beneficiary and, as such, are not included in our consolidated financial statements. The Company also has an investment in a VIE for which we are the primary beneficiary.

On December 21, 2023, PFH completed a \$24.5 million Series B financing round led by a global venture capital firm. As part of the financing round, Primis acquired approximately 19% of PFH's common stock for an immaterial purchase price due to previous operating losses in the Bank's Panacea Financial Division. The Company performed an analysis and determined that PFH is a VIE because it lacks one or more of the characteristics of a voting interest entity. The Company's

[Table of Contents](#)

analysis further determined that it has a controlling financial interest in PFH due to the substantial historical activities between PFH and the Bank's Panacea Financial Division coupled with the limited activities of PFH outside of its relationship with Primis as of December 31, 2023. Further, there are employees of Primis that have historically carried out substantially all of the activities of PFH. Accordingly, the Company determined it is the primary beneficiary of PFH and consolidated it as of December 31, 2023 and no circumstances have changed during the three or **six** **nine** months ended **June 30, 2024** **September 30, 2024** that changed this prior determination.

Operating Segments

The Company, through its Bank subsidiary, provides a broad range of financial services. While the Company's chief operating decision maker monitors the revenue streams of the various financial products and services, operations are managed and financial performance is

evaluated on an organization-wide basis. Management has determined that the Company has two reportable operating segments: Primis Mortgage and Primis Bank, as discussed in Note 11 – Segment Information.

Basis of Presentation

The unaudited condensed consolidated financial statements and notes thereto have been prepared in accordance with U.S. GAAP for interim financial information and instructions for Form 10-Q and follow general practice within the banking industry. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. However, in the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of the interim periods presented have been made. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the 2023 Form 10-K.

Reclassifications

In certain instances, amounts reported in the prior year annual audited consolidated financial statements or the interim condensed consolidated financial statements have been reclassified to conform to the current financial statement presentation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Estimates that are particularly susceptible to change in the near term include: the determination of the allowance for credit losses, the fair value of investment securities, the credit impairment of investment securities, the mortgage banking derivatives, interest rate swap derivatives, Consumer Program derivative, the valuation of goodwill, and deferred tax assets. Management monitors and continually reassess these at each reporting period.

Disposition of the Life Premium Finance Division

On October 24, 2024, the Company entered into a purchase and assumption agreement with EverBank, N.A. ("EverBank") for sale of the Company's Life Premium Finance division ("LPF"). EverBank will acquire LPF from the Company, except for a subset of mostly fixed rate and rate-capped loans that will be retained by the Bank. All of the LPF operations, including its employees, will be assumed by EverBank as part of the transaction that is expected to result in a pre-tax gain of \$4.5 million for the Company, net of advisory and legal fees, at the initial closing in the fourth quarter of 2024. EverBank will acquire approximately \$370 million of loans from the division with the Bank providing interim servicing until the transition of the business at the final closing which is expected on January 31, 2025. Between the first and second closings, EverBank will purchase loans generated by the division in ordinary course at par. After the second closing, EverBank will service the Bank's retained portfolio for the duration of the portfolio. On October 31, 2024, the Company closed on the initial sale of loans in which it sold \$354 million of amortized cost of loans that were on its balance

Table of Contents

sheet as of September 30, 2024. The remaining amount of funded loans as of September 30, 2024 to be sold to EverBank are expected to be sold on or before the second closing as described previously.

The Company performed an analysis of the pending transaction as of September 30, 2024, under U.S. GAAP and determined that the criteria was met for the assets of LPF (primarily loans and accrued interest) that will be sold to EverBank to be reported as loans held for sale and assets held for sale (transferred from Loans Held for Investment and other assets, respectively, at the lower of cost or market value) in the condensed consolidated balance sheet as of September 30, 2024. The Company also assessed the pending sale of LPF to determine if it should be reported under U.S. GAAP as discontinued operations of the Company in the condensed consolidated financial statements as of and for the three and nine months ended September 30, 2024 and 2023, and determined that the criteria was not met for separate presentation as discontinued operations. Notwithstanding this conclusion, the Company has presented pro forma financial information highlighting the impact of

the pending transaction to its balance sheet and income statements for certain periods as required by SEC regulation S-X in its Form 8-K filing on November 6, 2024.

Interest Rate Swaps

The Company is subject to interest rate risk exposure in the normal course of business through its core lending operations. Primarily to help mitigate interest rate risk associated with its loan portfolio, the Company entered into interest rate swaps in May and August 2023 with a large U.S. financial institution as the counterparty. Interest rate swaps are contractual agreements whereby one party pays a floating interest rate on a notional principal amount and receives a fixed-rate payment on the same notional principal, or vice versa, for a fixed period of time. Interest rate swaps change in value with movements in benchmark interest rates, such as Prime or the Secured Overnight Financing Rate ("SOFR"). Interest rate swaps subject the Company to market risk associated with changes in interest rates, changes in interest rate volatility,

Table of Contents

as well as the credit risk that the counterparty will fail to perform. The Company's interest rate swaps are pay-fixed and receive-floating whereby the Company receives a variable rate of interest based on SOFR.

The Company's interest rate swaps meet the definition of derivative instruments under ASC 815, *Derivatives and Hedging*, and are accounted for both initially and subsequently at their fair value. The Company assessed the derivative instruments at inception and determined they met the requirements under ASC 815 to be accounted for as fair value hedges. Fair value hedge relationships mitigate exposure to the change in fair value of the hedged risk in an asset, liability or firm commitment. The Company's interest rate swaps are fair value hedges that are accounted for using the portfolio layer method, which allows the Company to hedge the interest rate risk of prepayable loans by designating as the hedged item a stated amount of two separate and distinct closed portfolios of consumer and commercial loans that are expected to be outstanding for the designated hedge periods. Under the fair value hedging model, gains or losses attributable to the change in fair value of the derivative instruments, as well as the gains and losses attributable to the change in fair value of the hedged items, are recognized in interest income in the same income statement line item with the hedged item in the period in which the change in fair value occurs. The corresponding adjustment to the hedged asset or liability are included in the basis of the hedged items, while the corresponding change in the fair value of the derivative instruments are recorded as an adjustment to other assets or other liabilities, as applicable. The Company presents interest rate swaps on the balance sheets on a net basis when a right of offset exists, based on transactions with a single counterparty and any cash collateral paid to and/or received from that counterparty are subject to legally enforceable master netting arrangements. As of **June 30, 2024** **September 30, 2024**, the gross amounts of interest rate swap derivative assets and liabilities were **\$3.1 million** **\$0.3 million** and **\$0.0.9 million**, respectively, and are recorded in other assets in the consolidated balance sheet.

The following table represents the carrying value of the portfolio layer method hedged assets and the cumulative fair value hedging adjustments included in the carrying value of the hedged assets as of **June 30, 2024** **September 30, 2024** and December 31, 2023:

(dollars in thousands)	June 30, 2024			December 31, 2023			September 30, 2024			December 31, 2023		
	Amortized			Amortized			Amortized			Amortized		
	Cost Basis	Hedged Asset	Basis Adjustment	Cost Basis	Hedged Asset	Basis Adjustment	Cost Basis	Hedged Asset	Basis Adjustment	Cost Basis	Hedged Asset	Basis Adjustment
Fixed rate assets	\$ 869,722	\$ 246,820	\$ (3,180)	\$ 946,185	\$ 248,906	\$ (1,094)	\$ 843,197	\$ 250,525	\$ (1,094)	\$ 525	\$ 946,185	\$ 248,906

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU expands current disclosure requirements primarily through enhanced disclosures about significant segment expenses. Specifically, the ASU (i) requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), (ii) requires disclosure of an amount for other segment items by reportable segment and a description of its composition, (iii) requires providing in each interim period all current annual disclosures of a reportable segment's profit or loss and assets, and (iv) allows an entity to provide additional measures of profit or loss used by the CODM in assessing performance and deciding how to allocate resources in addition to providing the measure for this that is most consistent with GAAP, (v) requires disclosure of the title and position of the CODM and an explanation of how the CODM uses reported measures of segment profit or loss in assessing segment performance and deciding how to allocate resources, and (vi) requires an entity that has a single reportable segment to provide all disclosures required by this ASU and Topic 280. This ASU is effective for the Company's annual disclosures beginning for the year ended December 31, 2024 and its interim disclosures thereafter, with early adoption permitted. The Company is currently evaluating the impact of this ASU to its consolidated financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires annual disclosure of certain information relating to the rate reconciliation, income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. The ASU also eliminates certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures. This ASU is effective for the Company's annual disclosures beginning for the year ended December 31, 2025. The Company is currently evaluating the impact of this ASU to its financial statement disclosures.

In March 2024, the FASB issued ASU 2024-01, *Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*. This ASU adds an illustrative example to clarify how an entity should determine whether a profits interest or similar award is within the scope of ASC 718. The amendments in this standard will be effective for the Company on January 1, 2025. The Company does not believe this standard will have a material impact on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)*. This ASU requires more disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses, but does not change the requirements for the presentation of expenses on the face of the income statement. The amendments in this standard will be effective for the Company on January 1, 2027, and is required to be applied prospectively, with early adoption permitted. The Company does not believe this standard will have a material impact on its consolidated financial statements.

[Table of Contents](#)

2. INVESTMENT SECURITIES

The amortized cost and fair value of available-for-sale investment securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows (in thousands):

	Amortized Cost	Gross Unrealized		Fair Value	Amortized Cost	Gross Unrealized		Fair Value				
		Gains	Losses			Gains	Losses					
June 30, 2024												
September 30, 2024												
Residential government-sponsored mortgage-backed securities	\$ 105,433	\$ 13	\$ (14,684)	\$ 90,762	\$ 103,382	\$ 130	\$ (11,232)	\$ 92,280				
Obligations of states and political subdivisions	33,650	2	(3,959)	29,693	33,575	3	(3,010)	30,568				
Corporate securities	16,000	—	(2,274)	13,726	16,000	—	(1,997)	14,003				
Collateralized loan obligations	5,017	—	(9)	5,008								
Residential government-sponsored collateralized mortgage obligations	50,685	48	(1,879)	48,854	57,296	672	(1,135)	56,833				
Government-sponsored agency securities	16,292	—	(2,624)	13,668	16,303	—	(2,027)	14,276				
Agency commercial mortgage-backed securities	31,117	—	(3,806)	27,311	29,909	—	(2,956)	26,953				
SBA pool securities	3,882	9	(46)	3,845	7,686	9	(65)	7,630				
Total	\$ 262,076	\$ 72	\$ (29,281)	\$ 232,867	\$ 264,151	\$ 814	\$ (22,422)	\$ 242,543				

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
December 31, 2023				
Residential government-sponsored mortgage-backed securities	\$ 110,562	\$ 72	\$ (13,826)	\$ 96,808
Obligations of states and political subdivisions	33,801	12	(3,733)	30,080

Corporate securities	16,000	—	(1,952)	14,048
Collateralized loan obligations	5,018	—	(36)	4,982
Residential government-sponsored collateralized mortgage obligations	35,927	175	(1,631)	34,471
Government-sponsored agency securities	16,267	—	(2,556)	13,711
Agency commercial mortgage-backed securities	34,059	—	(3,949)	30,110
SBA pool securities	4,257	6	(53)	4,210
Total	\$ 255,891	\$ 265	\$ (27,736)	\$ 228,420

The amortized cost, gross unrecognized gains and losses, allowance for credit losses and fair value of investment securities held-to-maturity were as follows (in thousands):

	Amortized Cost	Gross Unrecognized		Allowance for Credit Losses	Fair Value
		Gains	Losses		
September 30, 2024					
Residential government-sponsored mortgage-backed securities	\$ 8,066	\$ 2	\$ (561)	\$ —	\$ 7,507
Obligations of states and political subdivisions	1,519	—	(37)	—	1,482
Residential government-sponsored collateralized mortgage obligations	181	—	(8)	—	173
Total	\$ 9,766	\$ 2	\$ (606)	\$ —	\$ 9,162

	Amortized Cost	Gross Unrecognized		Allowance for Credit Losses	Fair Value
		Gains	Losses		
December 31, 2023					
Residential government-sponsored mortgage-backed securities	\$ 9,040	\$ —	\$ (754)	\$ —	\$ 8,286
Obligations of states and political subdivisions	2,391	—	(42)	—	2,349
Residential government-sponsored collateralized mortgage obligations	219	—	(15)	—	204
Total	\$ 11,650	\$ —	\$ (811)	\$ —	\$ 10,839

Available-for-sale investment securities of \$15.9 million and \$34.2 million were purchased during the three and nine months ended September 30, 2024, respectively, and \$5.5 million and \$10.5 million were purchased during the three and nine months ended September 30, 2023, respectively. No held-to-maturity investments were purchased during the three

1011

Table of Contents

The amortized cost, gross unrecognized gains and losses, allowance for credit losses and fair value of investment securities held-to-maturity were as follows (in thousands):

	Amortized Cost	Gross Unrecognized		Allowance for Credit Losses	Fair Value
		Gains	Losses		
June 30, 2024					
Residential government-sponsored mortgage-backed securities	\$ 8,392	\$ —	\$ (854)	\$ —	\$ 7,538
Obligations of states and political subdivisions	2,069	—	(90)	—	1,979
Residential government-sponsored collateralized mortgage obligations	188	—	(13)	—	175
Total	\$ 10,649	\$ —	\$ (957)	\$ —	\$ 9,692

	Amortized Cost	Gross Unrecognized		Allowance for Credit Losses	Fair Value
		Gains	Losses		
December 31, 2023					
Residential government-sponsored mortgage-backed securities	\$ 9,040	\$ —	\$ (754)	\$ —	\$ 8,286
Obligations of states and political subdivisions	2,391	—	(42)	—	2,349
Residential government-sponsored collateralized mortgage obligations	219	—	(15)	—	204
Total	\$ 11,650	\$ —	\$ (811)	\$ —	\$ 10,839

Available-for-sale investment securities of \$9.4 million and \$18.2 million were purchased during the three and six months ended June 30, 2024, respectively, and \$5.0 million were purchased during the three and six months ended June 30, 2023. No held-to-maturity investments were purchased during the three months and **six nine ended June 30, 2024** September 30, 2024 and 2023. No investment securities were sold during the three **and nine months and six ended June 30, 2024** September 30, 2024 and 2023.

The amortized cost and fair value of available-for-sale and held-to-maturity investment securities as of **June 30, 2024** September 30, 2024, by contractual maturity, were as follows (in thousands). Investment securities not due at a single maturity date are shown separately.

	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
	Amortized		Amortized		Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Due within one year	\$ 245	\$ 242	\$ 550	\$ 549	\$ 445	\$ 438	\$ —	\$ —
Due in one to five years	9,791	9,124	795	759	9,595	9,167	795	782
Due in five to ten years	37,256	31,938	724	671	38,255	34,044	724	700
Due after ten years	23,667	20,791	—	—	17,583	15,198	—	—
Residential government-sponsored mortgage-backed securities	105,433	90,762	8,392	7,538	103,382	92,280	8,066	7,507
Residential government-sponsored collateralized mortgage obligations	50,685	48,854	188	175	57,296	56,833	181	173
Agency commercial mortgage-backed securities	31,117	27,311	—	—	29,909	26,953	—	—
SBA pool securities	3,882	3,845	—	—	7,686	7,630	—	—
Total	\$ 262,076	\$ 232,867	\$ 10,649	\$ 9,692	\$ 264,151	\$ 242,543	\$ 9,766	\$ 9,162

Investment securities with a carrying amount of approximately **\$153.2 million** \$151.4 million and \$200.2 million at **June 30, 2024**, **2024 September 30, 2024** and December 31, 2023, respectively, were pledged to secure public deposits, certain other deposits, a line of credit for advances from the FHLB of Atlanta, and repurchase agreements.

Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. With regard to U.S. Treasury and residential mortgage-backed securities issued by the U.S. government, or agencies thereof, it is expected that the securities will not be settled at prices less than the amortized cost basis of the securities as such securities are backed by the full faith and credit of and/or guaranteed by the U.S. government. Accordingly, no allowance for credit losses has been recorded for these securities. With regard to securities issued by states and political subdivisions and other held-to-maturity securities, management considers (i) issuer bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities and (iv) internal forecasts. As of September 30, 2024, Primis did not have a material allowance for credit losses on held-to-maturity securities.

As of September 30, 2024 and December 31, 2023, there were 156 and 134 investment securities available-for-sale, respectively, that were in an unrealized loss position. The unrealized losses related to investment securities available-for-sale as of September 30, 2024 and December 31, 2023, relate to changes in interest rates relative to when the investment securities were purchased, and do not indicate credit-related impairment. Primis performs quantitative analysis and if needed, a qualitative analysis in this determination. As a result of the Company's analysis, none of the securities were

[Table of Contents](#)

timely principal and interest payments under the contractual terms of the securities and (iv) internal forecasts. As of June 30, 2024, Primis did not have a material allowance for credit losses on held-to-maturity securities.

As of June 30, 2024, there were 143 investment securities available-for-sale that were in an unrealized loss position. The unrealized losses related to investment securities available-for-sale as of June 30, 2024 and December 31, 2023, relate to changes in interest rates relative to when the investment securities were purchased, and do not indicate credit-related impairment. Primis performs quantitative analysis and if needed, a qualitative analysis in this determination. As a result of the Company's analysis, none of the securities were deemed to require an allowance for credit losses. Primis has the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses.

The following tables present information regarding investment securities available-for-sale and held-to-maturity in a continuous unrealized loss position as of **June 30, 2024** September 30, 2024 and December 31, 2023 by duration of time in a loss position (in thousands):

	Less than 12 months		12 Months or More		Total		Less than 12 months		12 Months or More		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
June 30, 2024												
September 30, 2024							Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
Available-for-Sale	value	Losses	value	Losses	value	Losses	value	Losses	value	Losses	value	Losses
Residential government-sponsored mortgage-backed securities	\$ 131	\$ —	\$ 87,857	\$ (14,684)	\$ 87,988	\$ (14,684)	\$ —	\$ —	\$ 86,188	\$ (11,232)	\$ 86,188	\$ (11,232)
Obligations of states and political subdivisions	2,077	(24)	26,614	(3,935)	28,691	(3,959)	1,565	(4)	27,479	(3,006)	29,044	(3,010)
Corporate securities	—	—	13,726	(2,274)	13,726	(2,274)	—	—	14,003	(1,997)	14,003	(1,997)
Collateralized loan obligations	—	—	5,008	(9)	5,008	(9)						
Residential government-sponsored collateralized mortgage obligations	25,998	(207)	15,982	(1,672)	41,980	(1,879)	8,887	(36)	15,723	(1,099)	24,610	(1,135)
Government-sponsored agency securities	—	—	13,668	(2,624)	13,668	(2,624)	—	—	14,276	(2,027)	14,276	(2,027)
Agency commercial mortgage-backed securities	—	—	27,311	(3,806)	27,311	(3,806)	—	—	26,954	(2,956)	26,954	(2,956)
SBA pool securities	150	—	2,679	(46)	2,829	(46)	4,129	(28)	2,519	(37)	6,648	(65)
Total	\$28,356	\$ (231)	\$192,845	\$ (29,050)	\$221,201	\$ (29,281)	\$14,581	\$ (68)	\$187,142	\$ (22,354)	\$201,723	\$ (22,422)

June 30, 2024	Less than 12 months		12 Months or More		Total		Less than 12 months		12 Months or More		Total	
	Fair	Unrecognized	Fair	Unrecognized	Fair	Unrecognized	Fair	Unrecognized	Fair	Unrecognized	Fair	Unrecognized
September												
30, 2024												
Held-to-Maturity												
Maturity	value	Losses	value	Losses	value	Losses	value	Losses	value	Losses	value	Losses
Residential government-sponsored mortgage-backed securities	\$ —	\$ —	\$ 7,467	\$ (854)	\$ 7,467	\$ (854)	\$ —	\$ —	\$ 7,435	\$ (561)	\$ 7,435	\$ (561)
Obligations of states and political subdivisions	566	(14)	1,413	(76)	1,979	(90)	—	—	901	(37)	901	(37)
Residential government-sponsored collateralized mortgage obligations	—	—	175	(13)	175	(13)	—	—	173	(8)	173	(8)
Total	\$ 566	\$ (14)	\$ 9,055	\$ (943)	\$ 9,621	\$ (957)	\$ —	\$ —	\$ 8,509	\$ (606)	\$ 8,509	\$ (606)

December 31, 2023	Less than 12 months		12 Months or More		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
	value	Losses	value	Losses	value	Losses
Available-for-Sale						
Residential government-sponsored mortgage-backed securities	\$ —	\$ —	\$ 93,782	\$ (13,826)	\$ 93,782	\$ (13,826)
Obligations of states and political subdivisions	3,945	(19)	23,002	(3,714)	26,947	(3,733)
Corporate securities	939	(61)	13,109	(1,891)	14,048	(1,952)
Collateralized loan obligations	—	—	4,982	(36)	4,982	(36)
Residential government-sponsored collateralized mortgage obligations	—	—	17,306	(1,631)	17,306	(1,631)
Government-sponsored agency securities	—	—	13,711	(2,556)	13,711	(2,556)
Agency commercial mortgage-backed securities	—	—	30,110	(3,949)	30,110	(3,949)
SBA pool securities	301	(1)	2,693	(52)	2,994	(53)
Total	\$ 5,185	\$ (81)	\$ 198,695	\$ (27,655)	\$ 203,880	\$ (27,736)

1213

Table of Contents

December 31, 2023	Less than 12 months		12 Months or More		Total	
	Fair	Unrecognized	Fair	Unrecognized	Fair	Unrecognized
	value	Losses	value	Losses	value	Losses
Held-to-Maturity						
Residential government-sponsored mortgage-backed securities	\$ —	\$ —	\$ 8,286	\$ (754)	\$ 8,286	\$ (754)
Obligations of states and political subdivisions	1,373	(4)	396	(38)	1,769	(42)

Residential government-sponsored collateralized mortgage obligations	—	—	204	(15)	204	(15)
Total	\$ 1,373	\$ (4)	\$ 8,886	\$ (807)	\$ 10,259	\$ (811)

3. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the composition of our loan portfolio as of **June 30, 2024** **September 30, 2024** and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Loans held for sale, at fair value	\$ 94,644	\$ 57,691	\$ 96,897	\$ 57,691
Loans held for sale, at lower of cost or market			361,825	—
Total loans held for sale			\$ 458,722	\$ 57,691
Loans held for investment				
Loans secured by real estate:				
Commercial real estate - owner occupied (1)	\$ 463,328	\$ 455,397	\$ 463,848	\$ 455,397
Commercial real estate - non-owner occupied	612,428	578,600	609,743	578,600
Secured by farmland	4,758	5,044	4,356	5,044
Construction and land development	104,886	164,742	105,541	164,742
Residential 1-4 family	608,035	606,226	607,313	606,226
Multi-family residential	171,512	127,857	169,368	127,857
Home equity lines of credit	62,152	59,670	62,421	59,670
Total real estate loans	2,027,099	1,997,536	2,022,590	1,997,536
Commercial loans (2)	619,365	602,623	533,998	602,623
Paycheck Protection Program loans	1,969	2,023	1,941	2,023
Consumer loans	646,590	611,583	409,754	611,583
Total Non-PCD loans	3,295,023	3,213,765	2,968,283	3,213,765
PCD loans	5,539	5,649	5,440	5,649
Total loans held for investment	\$ 3,300,562	\$ 3,219,414	\$ 2,973,723	\$ 3,219,414

(1) Includes \$8.2 million \$6.3 million and \$7.7 million related to loans collateralizing secured borrowings as of **June 30, 2024** September 30, 2024 and December 31, 2023, respectively.

(2) Includes \$13.0 million \$11.3 million and \$12.8 million related to loans collateralizing secured borrowings as of **June 30, 2024** September 30, 2024 and December 31, 2023, respectively.

The accounting policy related to the allowance for credit losses is considered a critical policy given the level of estimation, judgment, and uncertainty in the levels of the allowance required to account for the expected losses in the loan portfolio and the material effect such estimation, judgment, and uncertainty can have on the consolidated financial results.

Consumer Program Loans

The Company has \$194.2 million \$179.7 million and \$199.3 million of loans outstanding in the Consumer Program as of **June 30, 2024** September 30, 2024 and December 31, 2023, respectively, or 6% of our total gross loan portfolio as of each date. Loans in the Consumer Program are included within the Consumer Loans category disclosures in this footnote. As of **June 30, 2024, 42%** September 30,

14

[Table of Contents](#)

2024, 33% of the loans were in a promotional period requiring no payment of interest on their loans with 77% 81% of these promotional loan periods ending in the **second half** fourth quarter of 2024 through the **second** third quarter of 2025. As of December 31, 2023, 45% of the loans

13

[Table of Contents](#)

were in a promotional period requiring no payment of interest on their loans with 70% of these promotional loan periods ending in the second half of 2024 through the first quarter of 2025. During the three and six months ended June 30, 2024, \$3.7 million and \$9.3 million, respectively, of promotional loans paid off prior to the end of their promotional periods while \$2.7 million and \$7.5 million, respectively, of promotional loans reached the end of the promotional period and began amortizing.

Accrued Interest Receivable

Accrued interest receivable on loans totaled \$20.5 million \$22.4 million and \$20.1 million at **June 30, 2024** September 30, 2024 and December 31, 2023, respectively, and is included in other assets in the consolidated balance sheets.

Nonaccrual and Past Due Loans

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, we consider the borrower's debt service capacity through the analysis of current financial information, if available, and/or current information with regards to our collateral position. Regulatory provisions would typically require the placement of a loan on nonaccrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received in excess of principal due. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest

amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least six months) of repayment performance by the borrower.

1415

[Table of Contents](#)

The following tables present the aging of the recorded investment in past due loans by class of loans held for investment as of **June 30, 2024**, **September 30, 2024** and December 31, 2023 (in thousands):

	30 - 59 Days						60 - 89 Days						90 or More						30 - 59 Days						60 - 89 Days						90 Total															
	Past Due		Past Due		Total		Loans Not Past Due		Total		Past Due		Past Due		or More		Past Due		Past Due		Total		Loans Not		Total																					
June 30, 2024																																														
September 30, 2024																																														
Commercial real estate - owner occupied	\$ 47	\$ —	\$ 210	\$ 257	\$ 463,071	\$ 463,328	\$ —	\$ 45	\$ 4,021	\$ 4,066	\$ 459,782	\$ 463,848																																		
Commercial real estate - non-owner occupied	—	—	—	—	612,428	612,428	28,440	—	—	28,440	581,303	609,743																																		
Secured by farmland	—	—	—	—	4,758	4,758	—	—	—	—	4,356	4,356																																		
Construction and land development	1,620	15	955	2,590	102,296	104,886	13	662	—	675	104,866	105,541																																		
Residential	1,808	771	1,598	4,177	603,858	608,035	2,424	975	1,538	4,937	602,376	607,313																																		
1-4 family	—	—	—	—	171,512	171,512	—	—	99	99	169,269	169,368																																		
Multi- family residential	977	—	660	1,637	60,515	62,152	287	67	398	752	61,669	62,421																																		
Home equity lines of credit	4,349	65	2,068	6,482	612,883	619,365	979	1,083	1,900	3,962	530,036	533,998																																		
Commercial loans	—	—	1,897	1,897	72	1,969	173	—	1,713	1,886	55	1,941																																		
Paycheck Protection Program loans	3,121	3,077	188	6,386	640,204	646,590	5,146	2,867	238	8,251	401,503	409,754																																		
Total Non-PCD loans	11,922	3,928	7,576	23,426	3,271,597	3,295,023	37,462	5,699	9,907	53,068	2,915,215	2,968,283																																		
PCD loans	—	875	1,241	2,116	3,423	5,539	—	118	—	118	5,322	5,440																																		
Total	\$11,922	\$ 4,803	\$8,817	\$25,542	\$3,275,020	\$3,300,562	\$37,462	\$ 5,817	\$9,907	\$53,186	\$2,920,537	\$2,973,723																																		

December 31, 2023	30 - 59		60 - 89		90		Loans Not Past Due	Total
	Days	Days	Days	Total	Loans Not Past Due			
	Past Due	Past Due	or More	Past Due	Loans Not Past Due			
Commercial real estate - owner occupied	\$ 75	\$ —	\$ 219	\$ 294	\$ 455,103	\$ 455,397		
Commercial real estate - non-owner occupied	1,155	—	—	1,155	577,445	578,600		
Secured by farmland	—	—	—	—	5,044	5,044		
Construction and land development	26	143	—	169	164,573	164,742		
Residential 1-4 family	1,850	838	1,376	4,064	602,162	606,226		
Multi- family residential	—	—	—	—	127,857	127,857		
Home equity lines of credit	416	378	556	1,350	58,320	59,670		
Commercial loans	40	588	1,203	1,831	600,792	602,623		
Paycheck Protection Program loans	18	—	1,714	1,732	291	2,023		
Consumer loans	3,805	2,093	310	6,208	605,375	611,583		
Total Non-PCD loans	7,385	4,040	5,378	16,803	3,196,962	3,213,765		
PCD loans	2,061	128	1,241	3,430	2,219	5,649		
Total	\$ 9,446	\$ 4,168	\$ 6,619	\$ 20,233	\$ 3,199,181	\$ 3,219,414		

1516

[Table of Contents](#)

The amortized cost, by class, of loans and leases on nonaccrual status as of **June 30, 2024** **September 30, 2024** and December 31, 2023, were as follows (in thousands):

June 30, 2024	90 Days		Less Than		Total		Nonaccrual With		90 Days	Less Than		Total		Nonaccrual With			
	Past Due		90 Days		Nonaccrual		No Credit			Past Due		90 Days		Nonaccrual			
	or More		Past Due		Loans		Loss Allowance			or More		Past Due		Loans			
September 30, 2024																	
Commercial real estate - owner occupied	\$ 210	\$ 451	\$ 661	\$ 661	\$ 4,021	\$ 441	\$ 4,462	\$ 653									
Commercial real estate - non-owner occupied									—	404	404						
Secured by farmland	—	429	429	429	—	403	403	403									
Construction and land development	955	140	1,095	1,095	—	134	134	134									
Residential 1-4 family	1,598	1,796	3,394	3,394	1,537	1,868	3,405	3,405									
Multi- family residential					99	—	99	99									
Home equity lines of credit	660	692	1,352	1,352	398	805	1,203	1,203									
Commercial loans	2,068	22	2,090	54	1,900	168	2,068	135									
Consumer loans	188	718	906	906	238	674	912	912									
Total Non-PCD loans	5,679	4,248	9,927	7,891	8,193	4,897	13,090	7,348									
PCD loans	1,241	121	1,362	1,362	—	1,334	1,334	1,334									
Total	\$ 6,920	\$ 4,369	\$ 11,289	\$ 9,253	\$ 8,193	\$ 6,231	\$ 14,424	\$ 8,682									

December 31, 2023	90 Days		Less Than		Total		Nonaccrual With		90 Days	Less Than		Total		Nonaccrual With			
	Past Due		90 Days		Nonaccrual		No Credit			Past Due		90 Days		Nonaccrual			
	or More		Past Due		Loans		Loss Allowance			or More		Past Due		Loans			
REFINITIV CORPORATE DISCLOSURES www.refinitiv.com Contact Us																	
©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.																	
REFINITIV																	

Commercial real estate - owner occupied	\$ 219	\$ 469	\$ 688	\$ 688	\$ 219	\$ 469	\$ 688	\$ 688
Secured by farmland	—	480	480	480	—	480	480	480
Construction and land development	—	23	23	23	—	23	23	23
Residential 1-4 family	1,376	1,437	2,813	2,813	1,376	1,437	2,813	2,813
Home equity lines of credit	556	571	1,127	1,127	556	571	1,127	1,127
Commercial loans	1,203	576	1,779	207	1,203	576	1,779	207
Consumer loans	310	634	944	944	310	634	944	944
Total Non-PCD loans	3,664	4,190	7,854	6,282	3,664	4,190	7,854	6,282
PCD loans	1,241	—	1,241	1,241	1,241	—	1,241	1,241
Total	\$ 4,905	\$ 4,190	\$ 9,095	\$ 7,523	\$ 4,905	\$ 4,190	\$ 9,095	\$ 7,523

There were \$1.9 million and \$1.7 million of Paycheck Protection Program (“PPP”) loans greater than 90 days past due and still accruing as of both **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively.

16 17

Table of Contents

The following table presents nonaccrual loans as of **June 30, 2024** **September 30, 2024** by class and year of origination (in thousands):

		Revolving										Revolving									
		Loans										Loans									
		Revolving						Converted				Revolving						Converted			
		2024	2023	2022	2021	2020	Prior	Loans	To Term	Total		2024	2023	2022	2021	2020	Prior	Loans	To Term	Total	
Commercial real estate - owner occupied		\$—	\$—	\$—	\$—	\$210	\$—	\$451	\$—	\$661	\$—	\$—	\$—	\$—	\$—	\$210	\$—	\$4,252	\$—	\$—	\$4,462
Commercial real estate - non-owner occupied		—	—	—	—	—	429	—	—	429	—	—	—	—	—	—	—	404	—	—	404
Secured by farmland		—	—	—	—	—	429	—	—	429	—	—	—	—	—	—	—	403	—	—	403
Construction and land development		—	—	—	—	—	1,095	—	—	1,095	—	—	—	—	—	—	—	134	—	—	134
Residential 1-4 family		—	263	564	—	16	1,956	—	595	3,394	—	263	553	—	16	2,012	—	561	—	3,405	
Multi-family residential												—	—	—	—	—	99	—	—	—	99
Home equity lines of credit		—	—	—	—	—	69	1,268	15	1,352	—	—	—	—	—	69	1,120	14	1,203		
Commercial loans		—	615	—	383	—	1,092	—	—	2,090	—	—	—	383	—	928	649	108	2,068		
Consumer loans		—	40	491	375	—	—	—	—	906	—	53	544	314	—	1	—	—	—	912	
Total non-PCD nonaccruals		—	918	1,055	968	16	5,092	1,268	610	9,927	—	316	1,097	907	16	8,302	1,769	683	13,090		
PCD loans		—	—	—	—	—	1,362	—	—	1,362	—	—	—	—	—	—	1,334	—	—	1,334	
Total nonaccrual loans		\$—	\$918	\$1,055	\$968	\$16	\$6,454	\$1,268	\$610	\$11,289	\$—	\$316	\$1,097	\$907	\$16	\$9,636	\$1,769	\$683	\$14,424		

Interest received on nonaccrual loans was zero \$0.2 million and \$0.2 million \$0.4 million for the three and six nine months ended June 30, 2024 September 30, 2024, respectively, and zero and \$0.01 million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively.

Modifications Provided to Borrowers Experiencing Financial Difficulty

The Bank determines that a borrower may be experiencing financial difficulty if the borrower is currently delinquent on any of its debt, or if the Bank is concerned that the borrower may not be able to perform in accordance with the current terms of the loan agreement in the foreseeable future. Many aspects of the borrower's financial situation are assessed when determining whether they are experiencing financial difficulty, particularly as it relates to commercial borrowers due to the complex nature of the loan structure, business/industry risk and borrower/guarantor structures. Concessions may include the reduction of an interest rate at a rate lower than current market rates for a new loan with similar risk, extension of the maturity date, reduction of accrued interest, or principal forgiveness. When evaluating whether a concession has been granted, the Bank also considers whether the borrower has provided additional collateral or guarantors and whether such additions adequately compensate the Bank for the restructured terms, or if the revised terms are consistent with those currently being offered to new loan customers.

The assessments of whether a borrower is experiencing financial difficulty at the time a concession has been granted is subjective in nature and management's judgment is required when determining whether the concession results in a modification that is accounted for as a new loan or a continuation of the existing loan under U.S. GAAP.

Although each occurrence is unique to the borrower and is evaluated separately, for all portfolio segments, loans modified as a result of borrowers experiencing financial difficulty are typically modified through reductions in interest rates, reductions in payments, changing the payment terms from principal and interest to interest only, and/or extensions in term maturity.

For the quarter-ended June 30, 2024 three months ended September 30, 2024, one loan two commercial loans with a total of \$1.3 million in amortized cost basis of \$109 thousand was were modified to a borrower borrowers experiencing financial difficulty, representing 0.02% 0.24% of the secured by first liens commercial loan segment. This loan One of these two loans, with \$40 thousand in amortized cost was modified to reduce the interest rate \$627 in principal payments over 83 months compared to 6.68% from 7.98% through its 6/16/2042 maturity. Additionally, during the quarter, one loan with an amortized cost of \$846 thousand, assigned to secured by first liens and constituting 0.14% of this portfolio original \$845 payments over a 60 month term. The other modification, totaling \$1.2 million was no longer designated as modified under a financial difficulty modification. This loan, recognized as an FDM in February 22, 2023, resumed contractual payments in August 2023 and has had 15 consecutive months of satisfactory performance.

1718

[Table of Contents](#)

Two forbearance agreement, to monthly payments of \$8 thousand through its June 2026 maturity. Total contractual payments, prior to this modification, for the third quarter 2024, would have been \$57 thousand.

Additionally, during the three months ended September 30, 2024, the Company also modified two non-owner occupied commercial real estate loans totaling \$28.8 million in amortized cost, representing 4.7% of that loan segment. One of these loans had an amortized cost balance of \$28.4 million and was restructured to allow for the extension of its interest only period for an additional 24 months. Prior to this restructure total principal and interest payments received during the quarter would have been \$1.6 million, but due to the restructure the Company only received \$0.3 million in interest only payments. The other restructured loan with \$404 thousand in amortized cost included an extension of interest-only payments for an additional 18 months. This loan was originally scheduled to mature in March 2024 with payment due on the entire principal balance.

One existing other consumer loan modifications, modification made during the nine months ended September 30, 2024, with a total \$45 \$108 thousand in amortized cost and representing 0.01% 0.02% of this the residential 1-4 family segment, have has had no two 30-59 day payment delinquencies in the quarter. Of these two modifications, last three months, however the loan is current in principal payments under the modified terms as of September 30, 2024. The modification was an interest rate concession and the Company collected \$4 thousand during the quarter, but if the concession was not made the Company would have collected \$5 thousand. Another modification occurred during

the nine months ending September 30, 2024 of one loan with \$15 \$32 thousand in amortized cost was modified to interest only payments for eleven months, with a return to principal and interest payments in August 2024. Total contractual payments for this loan prior to modification would have been \$549. The other existing consumer loan, with \$30 thousand in amortized cost was modified to interest only payments for nine months, with principal and interest payments to resume June 2024. Total contractual payments, prior to modification, for this quarter would have been \$645.

Another existing, revolving representing 0.02% of the residential 1-4 family modification with a \$32 thousand amortized cost and amounting to 0.05% of its assigned segment. This loan, pool, which has paid as agreed in during the quarter. This loan third quarter 2024, was modified from its original 8.5% interest rate to a fixed 6.00% 6% interest rate for a 5 year 5-year term. Total contractual payments, prior to modification, for this the third quarter 2024 would have been \$714.

The following table depicts the amortized cost basis as of June 30, 2024 September 30, 2024, of the performance of loans that have been modified to borrowers experiencing financial difficulty in the last 12 months and returned to contractual payments (\$ in thousands):

	Payment Status				Payment Status			
	Current	30-59 days past due	60-89 days past due	90 days or more	Current	30-59 days past due	60-89 days past due	90 days or more
Commercial real estate - owner occupied	\$ 412	\$ —	\$ —	\$ —	\$ 410	\$ —	\$ —	\$ —
Residential 1-4 family	—	89	—	—	—	—	—	88
Consumer loans	52	—	158	—	226	—	—	—
Total	\$ 464	\$ 89	\$ 158	\$ —	\$ 636	\$ —	\$ —	\$ 88

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies certain loans by providing principal forgiveness. When principal forgiveness is provided, the amortized cost basis of the loan is written off against the allowance. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

If it is determined that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. At that time, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Credit Quality Indicators

Through its system of internal controls, Primis evaluates and segments loan portfolio credit quality using regulatory definitions for Special Mention, Substandard and Doubtful. Special Mention loans are considered to be criticized. Substandard and Doubtful loans are considered to be classified.

Special Mention loans are loans that have a potential weakness that deserve 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.

Substandard loans may be inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

18

[Table of Contents](#)

Doubtful loans 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 existing facts, conditions, and values, highly questionable or improbable. Prims had no loans classified as Doubtful as of **June 30, 2024** **September 30, 2024** or December 31, 2023.

In monitoring credit quality trends in the context of assessing the appropriate level of the allowance for credit losses on loans, we monitor portfolio credit quality by the weighted-average risk grade of each class of loan.

19 20

[Table of Contents](#)

The following table presents weighted-average risk grades for all loans, by class and year of origination/renewal as of **June 30, 2024** **September 30, 2024** (in thousands):

	2024	2023	2022	2021	2020	Revolving			Total											
						Loans														
						Revolving	Converted	To Term												
Commercial real estate - owner occupied																				
Pass	\$28,131	27,800	\$ 52,372	56,688	\$ 80,481	80,453	\$ 61,561	61,030	\$14,866	15,007	\$ 203,335	200,318	\$ 5,518	3,589	\$ 8,421	8,353	\$ 452,685	453,238		
Special Mention	—	—	—	—	—	—	—	—	7,789	3,968	—	—	—	—	7,789	3,968	—	—		
Substandard	—	—	—	—	210	—	—	2,644	6,432	—	—	—	—	—	—	2,854	6,642	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	\$28,131	27,800	\$ 52,372	56,688	\$ 80,481	80,453	\$ 61,771	61,240	\$14,866	15,007	\$ 213,768	210,718	\$ 5,518	3,589	\$ 8,421	8,353	\$ 463,328	463,848	—	—
Current period gross charge offs\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—	—
Weighted average risk grade	3.48	3.31	3.50	3.51	3.41	3.42	3.43	3.18	3.17	3.45	3.48	3.59	3.46	3.74	3.45	3.45	3.45	3.45	3.45	3.45
Commercial real estate - nonowner occupied																				
Pass	\$13,963	17,083	\$ 32,986	33,132	\$ 60,504	59,405	\$ 118,135	117,779	\$46,188	45,736	\$ 303,284	298,941	\$ 2,688	2,677	\$ 9,732	3,669	\$ 581,480	578,422	—	—
Special Mention	—	—	—	—	—	—	28,364	—	—	2,584	—	—	—	—	—	—	—	30,948	—	—
Substandard	—	—	—	—	—	—	—	—	2,954	—	—	—	—	—	—	—	—	2,954	—	—
Substandard	—	—	—	—	—	28,367	—	—	—	—	—	—	—	—	—	—	28,367	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

\$13,963 17,083 \$ 32,986 33,132 \$ 60,504 59,405 \$ 146,495 146,146 \$ 46,188 45,736 \$ 305,868 301,895 \$ 2,688 2,677 \$ 3,732 3,669 \$ 612,428 609,743											
Current period gross charge offs\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$
Weighted average risk grade	3.98 3.93	3.49	3.16	3.93 4.13	3.84	3.67 3.68	3.19 3.20	2.79 2.80	3.69 3.74		
Secured by farmland											
Pass	\$ 566,592 \$	336,68 \$	— \$	75 \$	97,86 \$	2,905 2,710 \$	286,371 \$	132,121 \$	4,329 3,953		
Special Mention	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	429,403	—	—	429,403		
Doubtful	—	—	—	—	—	—	—	—	—	—	—
	\$ 566,592 \$	336,68 \$	— \$	75 \$	97,86 \$	3,334 3,113 \$	286,371 \$	132,121 \$	4,758 4,356		
Current period gross charge offs\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Weighted average risk grade	4.00	—	N/A	4.00	■ N/A	4.09 4.17	3.96 3.93	3.08 3.07	4.02 4.08		
Construction and land development											
Pass	\$10,377 19,974 \$	31,439 29,903 \$	37,412 35,762 \$	12,611 10,273 \$	491,61 \$	10,539 8,612 \$	922,822 \$	— \$	103,791 105,407		
Special Mention	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	1,095 134	—	—	1,095 134	
Doubtful	—	—	—	—	—	—	—	—	—	—	—
	\$10,377 19,974 \$	31,439 29,903 \$	37,412 35,762 \$	12,611 10,273 \$	491,61 \$	11,634 8,746 \$	922,822 \$	— \$	104,886 105,541		
Current period gross charge offs\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Weighted average risk grade	3.04 3.03	3.60 3.70	3.64 3.67	3.11 3.05	3.37 4.01	3.66 3.42	3.33 3.36	N/A	3.50 3.47		
Residential 1-4 family											
Pass	\$18,584 30,114 \$	37,419 36,036 \$	169,035 168,609 \$	141,208 138,508 \$	39,141 38,900 \$	189,131 181,136 \$	5,460 5,894 \$	3,582 3,536 \$	603,560 602,733		
Special Mention	—	—	—	—	—	—	503,609	—	—	503,609	
Substandard	—	263	564,553	—	16	2,534 2,578	—	595,561	3,972 3,971		
Doubtful	—	—	—	—	—	—	—	—	—	—	—
	\$18,584 30,114 \$	37,682 36,299 \$	169,593 169,162 \$	141,208 138,508 \$	39,157 38,916 \$	192,168 184,323 \$	5,460 5,894 \$	4,177 4,097 \$	608,035 607,313		
Current period gross charge offs\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Weighted average risk grade	2.56 3.12	3.10	3.08	3.04	3.07	3.19 3.20	3.72 3.66	3.80 3.79	3.10 3.12		
Multi- family residential											
Pass	\$ — \$	456,453 \$	21,775 21,746 \$	32,568 32,433 \$	17,439 17,296 \$	73,029 72,341 \$	4,765 5,117 \$	594,579 \$	150,626 149,965		
Special Mention	—	—	—	20,000 18,438	—	—	—	—	—	20,000 18,438	
Substandard	—	—	—	—	—	603,684	—	283,281	886,965		
Doubtful	—	—	—	—	—	—	—	—	—	—	—
	\$ — \$	456,453 \$	21,775 21,746 \$	32,568 30,871 \$	17,439 17,296 \$	73,632 73,025 \$	4,765 5,117 \$	877,860 \$	171,512 169,368		
Current period gross charge offs\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Weighted average risk grade	N/A	3.00	3.17	3.76 3.72	3.91	3.32	3.98	4.64 4.65	3.52 3.51		
Home equity lines of credit											
Pass	\$ 77,90 \$	476,456 \$	348,345 \$	426,473 \$	46,45 \$	3,085 3,037 \$	55,424 55,913 \$	829,142 \$	60,711 60,501		
Special Mention	—	—	—	—	—	—	(1)	32	—	31	
Substandard	—	—	—	—	—	—	69	1,326 1,178	15,642	1,410 1,889	
Doubtful	—	—	—	—	—	—	—	—	—	—	—
	\$ 77,90 \$	476,456 \$	348,345 \$	426,473 \$	46,45 \$	3,153 3,105 \$	56,782 57,123 \$	844,784 \$	62,152 62,421		
Current period gross charge offs\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	—
Weighted average risk grade	3.00	3.00	3.00	3.00	3.00	3.93 3.94	3.11 3.10	3.93 5.52	3.16 3.17		
Commercial loans											
Pass	\$60,493 66,284 \$	133,387 94,575 \$	225,933 185,499 \$	46,750 33,562 \$	5,078 4,408 \$	24,047 22,983 \$	87,541 91,785 \$	6,915 6,729 \$	590,144 505,825		
Special Mention	—	—	22,273 22,267	—	—	—	871	4,256 3,417	111	26,727 25,685	
Substandard	—	615 4	—	383	189,175	1,307 1,130	—	688	108	2,494 2,488	
Doubtful	—	—	—	—	—	—	—	—	—	—	—
	\$60,493 66,284 \$	134,002 94,579 \$	248,206 207,766 \$	47,133 33,945 \$	5,267 4,583 \$	25,441 24,114 \$	91,797 95,890 \$	7,026 6,837 \$	619,365 533,998		
Current period gross charge offs\$	— \$	383 \$	— \$	— \$	— \$	— \$	543 \$	— \$	— \$	346 \$	— \$ 346,926

2021

[Table of Contents](#)

	Revolving										Revolving									
	Loans										Loans									
	Revolving					Converted					Revolving					Converted				
	2024	2023	2022	2021	2020	Prior	Loans	To Term	Total		2024	2023	2022	2021	2020	Prior	Loans	To Term	Total	
Paycheck Protection Program																				
loans																				
Pass	\$ —	\$ —	\$ —	\$ 1,064	\$ 905	\$ —	\$ —	\$ —	\$ 1,969	\$ —	\$ —	\$ —	\$ 1,047	\$ 894	\$ —	\$ —	\$ —	\$ —	\$ 1,941	
Special Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	\$ —	\$ —	\$ —	\$ 1,064	\$ 905	\$ —	\$ —	\$ —	\$ 1,969	\$ —	\$ —	\$ —	\$ 1,047	\$ 894	\$ —	\$ —	\$ —	\$ —	\$ 1,941	
Current period gross charge offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Weighted average risk grade	N/A	N/A	N/A	2.17	2.00	N/A	N/A	N/A	2.09	N/A	N/A	N/A	2.17	2.00	N/A	N/A	N/A	2.09		
Consumer loans																				
Pass	\$ 216,016	\$ 102,503	\$ 293,063	\$ 22,759	\$ 699	\$ 3,376	\$ 6,679	\$ 451	\$ 645,546	\$ 188,912	\$ 18,885	\$ 166,897	\$ 22,461	\$ 612	\$ 3,162	\$ 7,105	\$ 657	\$ 408,691		
Special Mention	—	4	45	—	—	52	—	—	101	—	4	59	—	—	46	—	—	—	109	
Substandard	—	40	520	382	—	1	—	—	943	—	52	577	323	—	2	—	—	—	954	
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	\$ 216,016	\$ 102,547	\$ 293,628	\$ 23,141	\$ 699	\$ 3,429	\$ 6,679	\$ 451	\$ 646,590	\$ 188,912	\$ 18,941	\$ 167,533	\$ 22,784	\$ 612	\$ 3,210	\$ 7,105	\$ 657	\$ 409,754		
Current period gross charge offs	\$ 366	\$ 4,707	\$ 5,630	\$ 572	\$ —	\$ 21	\$ —	\$ —	\$ 11,296	\$ 740	\$ 7,812	\$ 9,779	\$ 718	\$ —	\$ 87	\$ —	\$ —	\$ —	\$ 19,136	
Weighted average risk grade	3.86	2.26	2.51	3.45	4.00	4.01	2.59	—	2.97	4.02	3.32	2.80	3.35	4.00	3.99	2.58	N/A	3.43		
PCD																				
Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,766	\$ —	\$ 2,766	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,983	\$ —	\$ —	\$ 1,983		
Special Mention	—	—	—	—	—	—	1,271	—	—	1,271	—	—	—	—	—	1,985	—	—	1,985	
Substandard	—	—	—	—	—	—	1,502	—	—	1,502	—	—	—	—	—	1,472	—	—	1,472	
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,539	\$ —	\$ 5,539	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,440	\$ —	\$ —	\$ 5,440		
Current period gross charge offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Weighted average risk grade	N/A	N/A	N/A	N/A	N/A	N/A	5.11	N/A	N/A	5.11	N/A	N/A	N/A	N/A	N/A	3.91	N/A	N/A	3.91	
Total	\$ 348,207	\$ 392,296	\$ 911,953	\$ 486,428	\$ 125,155	\$ 837,966	\$ 172,897	\$ 25,660	\$ 3,300,562	\$ 350,849	\$ 270,519	\$ 742,172	\$ 465,292	\$ 123,236	\$ 817,689	\$ 178,588	\$ 25,378	\$ 2,973,723		
Current period gross charge offs	\$ 366	\$ 4,707	\$ 5,630	\$ 572	\$ —	\$ 367	\$ —	\$ —	\$ 11,642	\$ 740	\$ 8,195	\$ 9,779	\$ 718	\$ —	\$ 630	\$ —	\$ —	\$ —	\$ 20,062	
Weighted average risk grade	3.57	2.94	2.97	3.49	3.49	3.48	3.32	3.64	3.28	3.67	3.32	3.15	3.58	3.49	3.49	3.32	3.70	3.42		

2122

[Table of Contents](#)

The following table presents weighted-average risk grades for all loans, by class and year of origination/renewal as of December 31, 2023 (in thousands):

	2023	2022	2021	2020	2019	Prior	Revolving		
							Loans		
							Revolving	Converted	Total
Commercial real estate - owner occupied									
Pass	\$ 42,262	\$ 97,259	\$ 61,316	\$ 17,914	\$ 23,675	\$ 191,674	\$ 4,054	\$ 6,503	\$ 444,657
Special Mention	—	—	—	—	—	5,368	—	—	5,368
Substandard	—	—	219	—	95	5,058	—	—	5,372
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 42,262	\$ 97,259	\$ 61,535	\$ 17,914	\$ 23,770	\$ 202,100	\$ 4,054	\$ 6,503	\$ 455,397
Current period gross charge offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Weighted average risk grade	3.52	3.35	3.44	3.38	3.37	3.54	3.46	3.97	3.48
Commercial real estate - nonowner occupied									
Pass	\$ 19,474	\$ 65,355	\$ 119,065	\$ 42,781	\$ 37,446	\$ 282,497	\$ 1,847	\$ 5,856	\$ 574,321
Special Mention	—	—	—	1,529	—	2,750	—	—	4,279
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 19,474	\$ 65,355	\$ 119,065	\$ 44,310	\$ 37,446	\$ 285,247	\$ 1,847	\$ 5,856	\$ 578,600
Current period gross charge offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,170	\$ —	\$ —	\$ 1,170
Weighted average risk grade	3.09	3.35	3.08	3.83	3.95	3.64	3.44	2.86	3.50
Secured by farmland									
Pass	\$ 361	\$ —	\$ 10	\$ 98	\$ —	\$ 3,333	\$ 607	\$ 155	\$ 4,564
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	480	—	—	480
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 361	\$ —	\$ 10	\$ 98	\$ —	\$ 3,813	\$ 607	\$ 155	\$ 5,044
Current period gross charge offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Weighted average risk grade	3.81	N/A	4.00	4.00	N/A	4.04	4.00	3.11	3.99
Construction and land development									
Pass	\$ 32,496	\$ 41,304	\$ 72,337	\$ 512	\$ 2,478	\$ 13,912	\$ 727	\$ 1	\$ 163,767
Special Mention	—	—	—	—	—	952	—	—	952
Substandard	—	—	—	—	—	23	—	—	23
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 32,496	\$ 41,304	\$ 72,337	\$ 512	\$ 2,478	\$ 14,887	\$ 727	\$ 1	\$ 164,742
Current period gross charge offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ 2
Weighted average risk grade	3.44	3.06	3.40	3.37	3.29	3.44	3.41	4.00	3.33
Residential 1-4 family									
Pass	\$ 37,097	\$ 163,464	\$ 148,845	\$ 40,697	\$ 56,117	\$ 148,066	\$ 3,293	\$ 2,499	\$ 600,078
Special Mention	—	1,036	—	—	—	511	—	—	1,547
Substandard	—	585	—	40	160	3,328	—	488	4,601
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 37,097	\$ 165,085	\$ 148,845	\$ 40,737	\$ 56,277	\$ 151,905	\$ 3,293	\$ 2,987	\$ 606,226
Current period gross charge offs	\$ —	\$ —	\$ —	\$ —	\$ 572	\$ 198	\$ —	\$ —	\$ 770
Weighted average risk grade	3.10	3.10	3.04	3.07	3.08	3.25	3.62	3.50	3.12

Multi- family residential																		
Pass	\$	544	\$	8,105	\$	21,404	\$	17,738	\$	6,925	\$	68,238	\$	3,360	\$	619	\$	126,933
Special Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	637	—	—	287	—	924	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	\$	544	\$	8,105	\$	21,404	\$	17,738	\$	6,925	\$	68,238	\$	3,360	\$	906	\$	127,857
Current period gross charge offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Weighted average risk grade		3.00		3.70		3.00		3.91		3.00		3.35		3.97		4.63		3.40
Home equity lines of credit																		
Pass	\$	521	\$	487	\$	417	\$	48	\$	72	\$	3,012	\$	52,923	\$	856	\$	58,336
Special Mention	—	—	—	—	—	—	—	—	—	—	—	111	—	—	—	111	—	—
Substandard	—	—	—	—	—	—	—	—	—	75	—	1,131	—	17	—	1,223	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	\$	521	\$	487	\$	417	\$	48	\$	72	\$	3,087	\$	54,165	\$	873	\$	59,670
Current period gross charge offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	32	\$	—	\$	32
Weighted average risk grade		3.01		3.00		3.00		3.00		3.00		3.95		3.10		3.93		3.15
Commercial loans																		
Pass	\$	155,238	\$	269,011	\$	50,804	\$	5,683	\$	2,370	\$	30,240	\$	78,984	\$	7,104	\$	599,434
Special Mention	—	—	—	—	—	—	—	21	—	114	—	—	—	1,180	—	—	—	1,315
Substandard	—	—	—	—	—	383	—	212	—	56	—	1,223	—	—	—	—	—	1,874
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	\$	155,238	\$	269,011	\$	51,187	\$	5,916	\$	2,540	\$	31,463	\$	80,164	\$	7,104	\$	602,623
Current period gross charge offs	\$	—	\$	—	\$	—	\$	17	\$	—	\$	1,240	\$	1,597	\$	—	\$	2,854
Weighted average risk grade		2.97		3.10		3.35		3.41		4.02		3.50		3.26		3.70		3.14

22 23

[Table of Contents](#)

	2023	2022	2021	2020	2019	Prior	Revolving			Loans								
							Revolving	Converted	Loans	To Term	Total							
Paycheck Protection Program loans																		
Pass	\$	—	\$	—	\$	1,087	\$	936	\$	—	\$	—	\$	—	\$	2,023		
Special Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	\$	—	\$	—	\$	1,087	\$	936	\$	—	\$	—	\$	—	\$	—	2,023	
Current period gross charge offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	—	
Weighted average risk grade		N/A		N/A		2.00		2.00		N/A		N/A		N/A		N/A	2.00	
Consumer loans																		
Pass	\$	294,825	\$	277,640	\$	25,695	\$	916	\$	89	\$	3,661	\$	6,998	\$	368	\$	610,192
Special Mention	—	—	—	—	—	—	—	—	—	63	—	—	—	—	—	—	63	

Substandard	8	831	479	—	9	1	—	—	1,328
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 294,833	\$ 278,471	\$ 26,174	\$ 916	\$ 98	\$ 3,725	\$ 6,998	\$ 368	\$ 611,583
Current period gross charge offs	\$ 2,379	\$ 7,910	\$ 621	\$ 3	\$ —	\$ 944	\$ 9	\$ —	\$ 11,866
Weighted average risk grade	3.43	2.59	3.55	4.00	4.13	5.81	2.80	N/A	3.06
PCD									
Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,842	\$ —	\$ —	\$ 2,842
Special Mention	—	—	—	—	—	1,295	—	—	1,295
Substandard	—	—	—	—	—	1,512	—	—	1,512
Doubtful	—	—	—	—	—	—	—	—	—
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,649	\$ —	\$ —	\$ 5,649
Current period gross charge offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Weighted average risk grade	N/A	N/A	N/A	N/A	N/A	4.66	N/A	N/A	4.66
Total	\$ 582,826	\$ 925,077	\$ 502,061	\$ 129,125	\$ 129,606	\$ 770,751	\$ 155,215	\$ 24,753	\$ 3,219,414
Current period gross charge offs	\$ 2,379	\$ 7,910	\$ 621	\$ 20	\$ 572	\$ 3,554	\$ 1,638	\$ —	\$ 16,694
Weighted average risk grade	3.28	3.00	3.20	3.50	3.40	3.52	3.22	3.59	3.26

Revolving loans that converted to term during the three and **six nine** months ended **June 30, 2024 and 2023 September 30, 2024** were as follows (in thousands):

							For the	For the
							three	nine
							months	months
							ended	ended
							September	September
							30, 2024	30, 2024
Residential 1-4 family				\$ 1,532	\$ 1,532	\$ 1,532	\$ 1,545	\$ 1,545
Commercial loans				507	507	575	369	429
Consumer loans				90	90	100	86	322
Total loans				\$ 2,129	\$ 2,129	\$ 2,207	\$ 2,000	\$ 2,296

There were no foreclosed residential real estate property held as of both **June 30, 2024 September 30, 2024** and December 31, 2023. The recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure was \$0.2 million and \$0.8 million as of **June 30, 2024 September 30, 2024** and December 31, 2023, respectively.

Allowance For Credit Losses – Loans

The allowance for credit losses on loans is a contra-asset valuation account, calculated in accordance with ASC 326 that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The amount of the allowance represents management's best estimate of current expected credit losses on loans considering available information, from internal and external sources, relevant to assessing collectability over the loans' contractual terms, adjusted for expected prepayments when appropriate.

In calculating the allowance for credit losses, most loans are segmented into pools based upon similar characteristics and risk profiles. For allowance modeling purposes, our loan pools include but are not limited to (i) commercial real estate - owner occupied, (ii) commercial real estate - non-owner occupied, (iii) construction and land development, (iv) commercial, (v) agricultural loans, (vi) residential 1-4 family and (vii) consumer loans. We periodically reassess each pool to ensure the loans within the pool continue to share similar characteristics and risk profiles and to determine whether further segmentation is necessary. For each loan pool, we measure expected credit losses over the life of each loan utilizing

Table of Contents

a combination of inputs: (i) probability of default, (ii) probability of attrition, (iii) loss given default and (iv) exposure at default. Internal data is supplemented by, but not replaced by, peer data when required, primarily to determine the probability of default input. The various pool-specific inputs may be adjusted for current macroeconomic assumptions. Significant macroeconomic variables utilized in our allowance models include, among other things, (i) Virginia Gross Domestic Product, (ii) Virginia House Price Index, and (iii) Virginia unemployment rates.

Management qualitatively adjusts allowance model results for risk factors that are not considered within our quantitative modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. Qualitative factor ("Q-Factor") adjustments are driven by key risk indicators that management tracks on a pool-by-pool basis.

In some cases, management may determine that an individual loan exhibits unique risk characteristics which differentiate the loan from other loans within our loan pools. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation.

The following tables present details of the allowance for credit losses on loans segregated by loan portfolio segment as of **June 30, 2024** September 30, 2024 and December 31, 2023, calculated in accordance with ASC 326 (in thousands).

No allowance for credit losses has been recognized for PPP loans as such loans are fully guaranteed by the SBA.

Table of Contents

Activity in the allowance for credit losses by class of loan for the three and **six** nine months ended **June 30, 2024** **September 30, 2024** and 2023 is summarized below (in thousands):

Commercial															Commercial																
Real Estate					Construction					Home Equity					Real Estate					Construction					Home Equity						
Owner	Non-owner	Secured by	and Land	1-4 Family	Multi-Family	Lines Of	Commercial	Consumer	PCD	Owner	Non-owner	Secured by	and Land	1-4 Family	Multi-Family	Lines Of	Commercial	Consumer	Owner	Non-owner	Secured by	and Land	1-4 Family	Multi-Family	Lines Of	Commercial	Consumer				
Six Months																															
Ended June																															
30, 2024	Occupied	Occupied	Farmland	Development	Residential	Residential	Credit	Loans	Loans	Loans	Total																				
Nine Months																															
Ended																															
September																															
30, 2024																															
Allowance for credit losses:																															
Beginning																															
balance																															
Provision																															
(recovery)																															
Charge offs																															
Recoveries																															
Ending																															
balance																															
Six Months																															
Ended June																															
30, 2023																															
Nine Months																															
Ended																															
September																															
30, 2023																															
Allowance for credit losses:																															
Beginning																															
balance																															
Provision																															
(recovery)																															
Charge offs																															
Recoveries																															
Ending																															
balance																															

Generally, a commercial loan, or a portion thereof, is charged-off when it is determined, through the analysis of any available current financial information with regards to the borrower, that the borrower is incapable of servicing unsecured debt, there is little or no prospect for near term improvement and no realistic strengthening action of significance is pending or, in the case of secured debt, when it is determined, through analysis of current information with regards to our collateral position, that amounts due from the borrower are in excess of the calculated current fair value of the collateral. Losses on installment loans are recognized in accordance with regulatory guidelines. All other consumer loan losses are recognized when delinquency exceeds 120 cumulative days with the exception of the Consumer Program loans that are charged-off once they become 90 days past due.

[Table of Contents](#)

The following table presents loans that were evaluated for expected credit losses on an individual basis and the related specific allocations, by loan portfolio segment as of **June 30, 2024** **September 30, 2024** and December 31, 2023 (in thousands):

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Loan Balance	Specific Allocations	Loan Balance	Specific Allocations	Loan Balance	Specific Allocations	Loan Balance	Specific Allocations
	\$	\$	\$	\$	\$	\$	\$	\$
Commercial real estate - owner occupied	\$ 2,505	\$ —	\$ 5,404	\$ —	\$ 6,300	\$ 526	\$ 5,404	\$ —
Commercial real estate - non-owner occupied					28,771	2,246	—	—
Secured by farmland	399	—	480	—	403	—	480	—
Construction and land development	955	—	—	—	—	—	—	—
Residential 1-4 family	2,039	—	2,695	—	2,024	—	2,695	—
Multi- family residential	885	—	923	—	866	—	923	—
Home equity lines of credit	280	—	290	—	892	—	290	—
Commercial loans	2,024	1,046	2,930	581	1,934	600	2,930	581
Consumer loans	5,775	5,775	6,002	5,990	3,797	3,797	6,002	5,990
Total non-PCD loans	14,862	6,821	18,724	6,571	44,987	7,169	18,724	6,571
PCD loans	5,539	607	5,649	1,672	5,440	286	5,649	1,672
Total loans	\$ 20,401	\$ 7,428	\$ 24,373	\$ 8,243	\$ 50,427	\$ 7,455	\$ 24,373	\$ 8,243

The following table presents a breakdown between loans that were evaluated on an individual basis and identified as collateral dependent loans and non-collateral dependent loans, by loan portfolio segment and their collateral value as of **June 30, 2024** **September 30, 2024** and December 31, 2023 (in thousands):

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Non Collateral		Non Collateral		Non Collateral		Non Collateral	
	Dependent	Dependent	Dependent	Dependent	Dependent	Dependent	Dependent	Dependent
	Assets (1)	Assets (1)	Assets (1)	Assets (1)	Assets (1)	Assets (1)	Assets (1)	Assets (1)
Commercial real estate - owner occupied	\$ 3,385	\$ —	\$ 5,986	\$ —	\$ 4,275	\$ —	\$ 5,986	\$ —
Commercial real estate - non-owner occupied	1,324	—	1,365	—	30,332	—	1,365	—
Secured by farmland	1,305	—	1,338	—	1,292	—	1,338	—
Construction and land development	1,017	—	65	—	—	—	65	—
Residential 1-4 family	2,844	—	3,512	—	2,866	—	3,512	—
Multi- family residential	887	—	925	—	867	—	925	—
Home equity lines of credit	279	—	289	—	891	—	289	—
Commercial loans	1,750	615	2,097	—	2,188	—	2,097	—
Consumer loans	—	—	—	393	—	—	—	393
Total loans	\$ 12,791	\$ 615	\$ 15,577	\$ 393	\$ 42,711	\$ —	\$ 15,577	\$ 393
Collateral value	\$ 28,602	\$ —	\$ 30,907	\$ 12	\$ 55,850	\$ —	\$ 30,907	\$ 12
(1) loan balances are presented net of SBA guarantees								

[Table of Contents](#)

4. DERIVATIVES

Consumer Program Derivative

The Company has a derivative instrument in connection with its agreement with a third-party that originates loans that are held on the Company's balance sheet. The third-party provides credit support and reimbursement for lost interest under the agreement and the Company provides performance fees to the third-party on performing loans. Specifically, a portion of the originated loans are originated with a promotional period where interest accrues on the loans but is not owed to the Company unless and until the loan begins to amortize. If the borrower prepays the principal on the loan prior to the end of the promotional period the accrued interest is waived, but becomes due to the Company from the third-party under the agreement. This expected payment of waived interest to the Company along with performance fees due to the third-party comprise the value of the derivative. The fair value of the derivative instrument was an asset of \$9.9 million \$7.1 million and \$10.8 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. The underlying cash flows were \$10.9 million \$7.8 million and \$12.4 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. The Company calculates the fair value of this derivative using a discounted cash flow model using inputs that are inherently judgmental and reflect management's best estimates of the assumptions a market participant would use to calculate the fair value. The most significant inputs and assumptions in determining the value of the derivative are noted below (\$ in thousands).

	June 30, 2024			September 30, 2024		
			Weighted Total			Weighted Total
	Low	High		Low	High	
Remaining cumulative charge-offs	\$ 33,580	\$ 39,899	n/a	\$ 54,153	\$ 57,546	n/a
Remaining cumulative promotional prepayments	\$ 39,625	\$ 72,418	\$ 49,447	\$ 34,118	\$ 62,353	\$ 42,549
Average life (years)	n/a	n/a	0.6	n/a	n/a	0.6
Discount rate	5.09%	15.21%	15.21%	4.04%	15.39%	15.39%
December 31, 2023						
	Weighted			Weighted		
	Low	High	Average	Low	High	Average
	\$ 25,661	\$ 35,334	n/a	\$ 25,661	\$ 35,334	n/a
Remaining cumulative charge-offs	\$ 41,085	\$ 75,086	\$ 49,716	\$ 41,085	\$ 75,086	\$ 49,716
Remaining cumulative promotional prepayments	n/a	n/a	1.0	n/a	n/a	1.0
Average life (years)	4.63%	14.64%	14.64%	4.63%	14.64%	14.64%
Discount rate						

Mortgage Banking Derivatives and Financial Instruments

The Company enters into IRLCs ("interest rate lock commitments") to originate residential mortgage loans held for sale, at specified interest rates and within a specified period of time (generally between 30 and 90 days), with borrowers who have applied for a loan and have met certain credit and underwriting criteria. The IRLCs are adjusted for estimated costs to originate the loan as well as the probability that the mortgage loan will fund within the terms of the IRLC (the pullthrough rate). Estimated costs to originate include loan officer commissions and

overrides. The pullthrough rate is estimated on changes in market conditions, loan stage, and actual borrower behavior using a historical analysis of IRLC closing rates. The Company obtains an analysis from a third party on a monthly basis to support the reasonableness of the pullthrough estimate.

Best efforts and mandatory forward loan sale commitments are commitments to sell individual mortgage loans using both best efforts and mandatory delivery at a fixed price to an investor at a future date. Forward loan sale commitments that are mandatory delivery are accounted for as derivatives and carried at fair value, determined as the amount that would be necessary to settle the derivative financial instrument at the balance sheet date. Forward loan sale commitments that are best efforts are not derivatives but can be and have been accounted for at fair value, determined in a similar manner to those that are mandatory delivery. Forward loan sale commitments are recorded on the balance sheet as derivative assets

2728

[Table of Contents](#)

those that are mandatory delivery. Forward loan sale commitments are recorded on the balance sheet as derivative assets and derivative liabilities with changes in their fair values recorded in mortgage banking income in the statement of operations.

The key unobservable inputs used in determining the fair value of IRLCs are as follows as of **June 30, 2024** **September 30, 2024** and December 31, 2023:

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Average pullthrough rates	90.20 %	77.20 %	85.3 %	77.2 %
Average costs to originate	1.31 %	1.36 %	1.32 %	1.36 %

The following summarizes derivative and non-derivative financial instruments as of **June 30, 2024** **September 30, 2024** and December 31, 2023:

Derivative financial instruments:	June 30, 2024		September 30, 2024	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Derivative assets (1)	\$ 1,237	\$ 52,802	\$ 1,538	\$ 65,032
Derivative liabilities	\$ —	\$ —	\$ —	\$ —
(1) Pullthrough rate adjusted				

Non-derivative financial instruments:	June 30, 2024		September 30, 2024	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Best efforts assets	\$ 198	\$ 11,502	\$ 145	\$ 12,355

Derivative financial instruments:	December 31, 2023		December 31, 2023	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Derivative assets (1)	\$ 611	\$ 23,077	\$ 611	\$ 23,077
Derivative liabilities	\$ 200	\$ 62,250	\$ 200	\$ 62,250
(1) Pullthrough rate adjusted				

Non-derivative financial instruments:	December 31, 2023		December 31, 2023	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Best efforts assets	\$ 91	\$ 4,677	\$ 91	\$ 4,677

The notional amounts of mortgage loans held for sale not committed to investors was **\$44.6 million** **\$45.3 million** and \$46.2 million as of **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively.

The Company has exposure to credit loss in the event of contractual non-performance by its trading counterparties in derivative instruments that the Company uses in its rate risk management activities. The Company manages this credit risk by selecting only counterparties that the Company believes to be financially strong, spreading the risk among multiple counterparties, by placing contractual limits on the amount of unsecured credit extended to any single counterparty and by entering into netting agreements with counterparties, as appropriate.

28

[Table of Contents](#)

5. FAIR VALUE

ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date

29

[Table of Contents](#)

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements Using						Fair Value Measurements Using					
	Significant			Significant			Significant			Significant		
	Quoted Prices in	Other	Significant	Quoted Prices in	Other	Significant	Quoted Prices in	Other	Significant	Quoted Prices in	Other	Significant
(dollars in thousands)	Total at	Identical Assets	Inputs	Inputs	Total at	Identical Assets	Inputs	Inputs	Total at	Identical Assets	Inputs	Inputs
Assets:	June 30, 2024	(Level 1)	(Level 2)	(Level 3)	September 30, 2024	(Level 1)	(Level 2)	(Level 3)	September 30, 2024	(Level 1)	(Level 2)	(Level 3)
Available-for-sale securities												

Residential government-sponsored mortgage-backed securities	\$ 90,762	\$ —	\$ 90,762	\$ —	\$ 92,280	\$ —	\$ 92,280	\$ —
Obligations of states and political subdivisions	29,693	—	29,693	—	30,568	—	30,568	—
Corporate securities	13,726	—	13,726	—	14,003	—	14,003	—
Collateralized loan obligations	5,008	—	5,008	—				
Residential government-sponsored collateralized mortgage obligations	48,854	—	48,854	—	56,833	—	56,833	—
Government-sponsored agency securities	13,668	—	13,668	—	14,276	—	14,276	—
Agency commercial mortgage-backed securities	27,311	—	27,311	—	26,953	—	26,953	—
SBA pool securities	3,845	—	3,845	—	7,630	—	7,630	—
	232,867	—	232,867	—	242,543	—	242,543	—
Loans held for investment	246,820	—	246,820	—	250,525	—	250,525	—
Loans held for sale	94,644	—	94,644	—	96,897	—	96,897	—
Consumer Program derivative	9,929	—	—	9,929	7,146	—	—	7,146
Mortgage banking financial assets	198	—	—	198	145	—	—	145
Mortgage banking derivative assets	1,237	—	—	1,237	1,538	—	—	1,538
Interest rate swaps, net	3,119	—	3,119	—				
Total assets	\$ 588,814	\$ —	\$ 577,450	\$ 11,364	\$ 598,794	\$ —	\$ 589,965	\$ 8,829

29 30

[Table of Contents](#)

(dollars in thousands)		Fair Value Measurements Using						Fair Value Measurements Using					
		Significant			Significant			Significant			Significant		
		Quoted Prices in Active Markets for Identical Assets	Other Observable	Significant Unobservable	Quoted Prices in Active Markets for Identical Assets	Other Observable	Significant Unobservable	Quoted Prices in Active Markets for Identical Assets	Other Observable	Significant Unobservable	Quoted Prices in Active Markets for Identical Assets	Other Observable	Significant Unobservable
		Total at	Inputs	Inputs									
		December 31, 2023	(Level 1)	(Level 2)	(Level 3)	December 31, 2023	(Level 1)	(Level 2)	(Level 3)	December 31, 2023	(Level 1)	(Level 2)	(Level 3)
Assets:													
Available-for-sale securities													
Residential government-sponsored mortgage-backed securities	\$	96,808	\$	—	\$ 96,808	\$	—	\$ 96,808	\$	—	\$ 96,808	\$	—
Obligations of states and political subdivisions		30,080		—	30,080		—	30,080		—	30,080		—
Corporate securities		14,048		—	14,048		—	14,048		—	14,048		—
Collateralized loan obligations		4,982		—	4,982		—	4,982		—	4,982		—
Residential government-sponsored collateralized mortgage obligations		34,471		—	34,471		—	34,471		—	34,471		—
Government-sponsored agency securities		13,711		—	13,711		—	13,711		—	13,711		—
Agency commercial mortgage-backed securities		30,110		—	30,110		—	30,110		—	30,110		—
SBA pool securities		4,210		—	4,210		—	4,210		—	4,210		—
Loans held for investment		228,420		—									
Loans held for sale		248,906		—									
Consumer Program derivative		57,691		—									
Mortgage banking financial assets		10,806		—									
		91	—	—	91		—	91	—	—	91		—

Mortgage banking derivative assets	611	—	—	611	611	—	—	611
Interest rate swaps, net	1,068	—	1,068	—				
Interest rate swaps					1,068	—	1,068	—
Total assets	\$ 547,593	\$ —	\$ 536,085	\$ 11,508	\$ 547,593	\$ —	\$ 536,085	\$ 11,508
Liabilities:								
Mortgage banking derivative liabilities	200	\$ —	\$ —	\$ 200	\$ 200	—	\$ —	\$ 200
Total liabilities	\$ 200	\$ —	\$ —	\$ 200	\$ 200	\$ —	\$ —	\$ 200

Assets measured at fair value on a non-recurring basis are summarized below:

(dollars in thousands)	Fair Value Measurements Using							
	Significant			Significant				
	Quoted Prices in Active Markets for Identical Assets		Other	Quoted Prices in Active Markets for Identical Assets		Other		
	Inputs	Inputs	Inputs	Inputs	Inputs	Inputs		
Total at	June 30, 2024	(Level 1)	(Level 2)	(Level 3)	September 30, 2024	(Level 1)	(Level 2)	(Level 3)
Collateral dependent loans	\$ 12,791	\$ —	\$ —	\$ 12,791	\$ 42,711	\$ —	\$ —	\$ 42,711
Assets held for sale	5,136	—	—	5,136	9,864	—	—	9,864

(dollars in thousands)	Fair Value Measurements Using						
	Significant			Significant			
	Quoted Prices in Active Markets for Identical Assets		Other	Quoted Prices in Active Markets for Identical Assets		Other	
	Inputs	Inputs	Inputs	Inputs	Inputs	Inputs	
Total at	December 31, 2023	(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)
Collateral dependent loans	\$ 15,577	\$ —	\$ —	\$ 15,577			
Assets held for sale	6,735	—	—	6,735			

30 31

[Table of Contents](#)

Fair Value of Financial Instruments

The carrying amount, estimated fair values and fair value hierarchy levels of financial instruments were as follows (in thousands) for the periods indicated:

	June 30, 2024				December 31, 2023				September 30, 2024				December 31, 2023			
	Fair Value		Carrying	Fair	Carrying		Fair	Fair Value		Carrying	Fair	Carrying		Fair	Carrying	
	Hierarchy Level	Amount	Value	Amount	Value	Hierarchy Level	Amount	Value	Hierarchy Level	Amount	Value	Amount	Value	Amount	Value	
Financial assets:																
Cash and cash equivalents	Level 1	\$ 66,580	\$ 66,580	\$ 77,553	\$ 77,553	Level 1	\$ 77,274	\$ 77,274	\$ 77,553	\$ 77,553						
Securities available-for-sale	Level 2	232,867	232,867	228,420	228,420	Level 2	242,543	242,543	228,420	228,420						
Securities held-to-maturity	Level 2	10,649	9,692	11,650	10,839	Level 2	9,766	9,162	11,650	10,839						
Stock in Federal Reserve																
Bank and Federal Home Loan Bank	Level 2	16,837	16,837	14,246	14,246	Level 2	20,875	20,875	14,246	14,246						
Preferred investment in mortgage company	Level 2	3,005	3,005	3,005	3,005	Level 2	3,005	3,005	3,005	3,005						
Net loans	Level 2 and 3	3,248,988	3,095,683	3,167,205	3,068,663	Level 2 and 3	2,922,591	2,786,734	3,167,205	3,068,663						
Loans held for sale	Level 2	94,644	94,644	57,691	57,691	Level 2	96,897	96,897	57,691	57,691						
Loans held for sale, at lower of cost or market						Level 3	361,825	361,825	—	—						
Consumer Program derivative	Level 3	9,929	9,929	10,806	10,806	Level 3	7,146	7,146	10,806	10,806						
Mortgage banking financial assets	Level 3	198	198	91	91	Level 3	145	145	91	91						
Mortgage banking derivative assets	Level 3	1,237	1,237	611	611	Level 3	1,538	1,538	611	611						
Interest rate swaps, net	Level 2	3,119	3,119	1,068	1,068	Level 2	—	—	1,068	1,068						
Financial liabilities:																
Demand deposits and NOW accounts	Level 2	\$ 1,213,849	\$ 1,213,849	\$ 1,245,969	\$ 1,245,969	Level 2	\$ 1,170,064	\$ 1,170,064	\$ 1,245,969	\$ 1,245,969						

Money market and savings accounts	Level 2	1,698,113	1,698,113	1,578,288	1,578,288	Level 2	1,708,909	1,708,909	1,578,288	1,578,288
Time deposits	Level 3	423,501	420,559	445,898	443,765	Level 3	427,458	427,112	445,898	443,765
Securities sold under agreements to repurchase	Level 1	3,273	3,273	3,044	3,044	Level 1	3,677	3,677	3,044	3,044
FHLB advances	Level 1	80,000	80,000	30,000	30,000	Level 1	165,000	165,000	30,000	30,000
Junior subordinated debt	Level 2	9,855	8,981	9,830	9,039	Level 2	9,867	8,943	9,830	9,039
Senior subordinated notes	Level 2	85,882	84,688	85,765	84,513	Level 2	85,941	85,701	85,765	84,513
Secured borrowings	Level 3	21,069	21,069	20,393	20,393	Level 3	17,495	17,495	20,393	20,393
Mortgage banking derivative liabilities	Level 3	—	—	200	200	Level 3	—	—	200	200
Interest rate swaps, net						Level 2	565	565	—	—

Carrying amount is the estimated fair value for cash and cash equivalents, loans held for sale, mortgage banking financial assets and liabilities, mortgage banking derivative assets and liabilities, Consumer Program derivative, interest rate swaps, demand deposits, savings accounts, money market accounts, FHLB advances, secured borrowings and securities sold under agreements to repurchase.

Fair value of junior subordinated debt and senior subordinated notes are based on current rates for similar financing. Carrying amount of Federal Reserve Bank and FHLB stock is a reasonable estimate of fair value as these securities are not readily marketable and are based on the ultimate recoverability of the par value. The fair value of off-balance-sheet items is not considered material. Fair value of net loans, time deposits, junior subordinated debt, and senior subordinated notes are measured using the exit-price notion. The net loans that use level 2 inputs are related to the portfolio of loans underlying our interest rate swaps as previously discussed in "Note 1 – Accounting Policies".

31 32

[Table of Contents](#)

6. LEASES

The Company leases certain premises under operating leases. In recognizing lease right-of-use assets and related liabilities, we account for lease and non-lease components (such as taxes, insurance, and common area maintenance costs) separately as such amounts are generally readily determinable under our lease contracts. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the Company had operating lease liabilities totaling **\$11.5 million** **\$11.7 million** and \$11.7 million, respectively, and right-of-use assets totaling **\$10.3 million** **\$10.5 million** and

\$10.6 million, respectively, reflected in our condensed consolidated balance sheets related to these leases. We do not currently have any financing leases. For the three months ended **June 30, 2024** **September 30, 2024** and 2023, our net operating lease costs were \$0.5 million and **\$0.6 million** **\$0.7 million**, respectively, and for the **six** nine months ended **June 30, 2024** **September 30, 2024** and 2023, our net operating lease costs were **\$1.1 million** **\$1.6 million** and **\$1.2 million** **\$1.9 million**, respectively. These net operating lease costs are reflected in occupancy expenses on our condensed consolidated statements of income (loss) and comprehensive income (loss).

The following table presents other information related to our operating leases:

	For the Six Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	September 30, 2024	September 30, 2023
Other information:				
Weighted-average remaining lease term - operating leases, in years	6.8	7.5	6.6	7.2
Weighted-average discount rate - operating leases	4.0 %	3.8 %	4.0 %	3.9 %

The following table summarizes the maturity of remaining lease liabilities:

(dollars in thousands)	As of	
	June 30, 2024	September 30, 2024
Lease payments due:		
2024	\$ 976	\$ 489
2025	2,081	2,191
2026	2,051	2,183
2027	2,041	2,173
2028	1,972	2,104
Thereafter	4,121	4,275
Total lease payments	13,242	13,415
Less: imputed interest	(1,754)	(1,711)
Lease liabilities	\$ 11,488	\$ 11,704

As of **June 30, 2024** **September 30, 2024**, the Company did not have any operating lease that has not yet commenced that will create additional lease liabilities and right-of-use assets for the Company.

7. DEBT AND OTHER BORROWINGS

Other borrowings can consist of FHLB convertible advances, FHLB of Atlanta overnight advances, FHLB advances maturing within one year, federal funds purchased, Federal Reserve Board Discount Window, secured borrowings and securities sold under agreements to repurchase ("repo") that mature within one year, which are secured transactions with customers. The balance in repo accounts **at both June 30, 2024** as of **September 30, 2024** and December 31, 2023 was **\$3.3 million** **\$3.7 million** and \$3.0 million, respectively.

3233

Table of Contents

At both June 30, 2024 **As of September 30, 2024** and December 31, 2023, we had pledged callable agency securities, residential government-sponsored mortgage-backed securities and collateralized mortgage obligations with a carrying value of **\$6.7 million** **\$7.0 million**

and \$6.8 million, respectively, to customers who require collateral for overnight repurchase agreements and deposits.

As of **June 30, 2024** **September 30, 2024**, Primis Bank had lendable collateral value in the form of residential 1-4 family mortgages, HELOCs, commercial mortgage loans, and investment securities supporting borrowing capacity of approximately **\$597.6 million** **\$565.9 million** from the FHLB, of which the Company has used **\$80.0 million** **\$165.0 million**.

In June 2023, the Bank began participating in the Federal Reserve discount window borrowing program. As of **June 30, 2024** **September 30, 2024**, the Bank had borrowing capacity of **\$714.1 million** **\$752.0 million** within the program and has not borrowed under the program.

In 2017, the Company assumed \$10.3 million of trust preferred securities that were issued on September 17, 2003 and placed through a trust in a pooled underwriting totaling approximately \$650 million. At **June 30, 2024** As of **September 30, 2024** and December 31, 2023, there was \$10.3 million outstanding, net of approximately **\$0.4 million** and **\$0.5 million** of debt issuance **costs**, **costs as of September 30, 2024 and December 31, 2023, respectively**. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the interest rate payable on the trust preferred securities was **8.56%** **8.55%** and 8.59%, respectively. As of **June 30, 2024** **September 30, 2024**, all of the trust preferred securities qualified as Tier 1 capital.

On January 20, 2017, Primis completed the sale of \$27.0 million of its fixed-to-floating rate senior Subordinated Notes due 2027. Interest is currently payable at an annual floating rate equal to three-month CME Term SOFR plus a tenor spread adjustment of 0.26% until maturity or early redemption. As of **June 30, 2024** **September 30, 2024**, 40% of these Notes qualified as Tier 2 capital.

On August 25, 2020, Primis completed the sale of \$60.0 million of its fixed-to-floating rate Subordinated Notes due 2030. Interest is payable at an initial annual fixed rate of 5.40% and after September 1, 2025, at a floating rate equal to a benchmark rate, which is expected to be Three-Month Term SOFR, plus a spread of 531 basis points. As of **June 30, 2024** **September 30, 2024**, all of these notes qualified as Tier 2 capital.

As of **both June 30, 2024** **September 30, 2024** and December 31, 2023, the remaining unamortized debt issuance costs related to the senior Subordinated Notes totaled **\$1.1 million**, and **\$1.2 million**, respectively.

Secured Borrowings

The Company transferred \$23.4 million in principal balance of loans to another financial institution in 2023 that were accounted for as secured borrowings and transferred another \$1.1 million under the same agreement during the three months ended March 31, 2024. The balance of secured borrowings was **\$21.1 million** **\$17.5 million** and \$20.4 million as of **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively, and the remaining amortized cost balance of the underlying loans was **\$21.2 million** **\$17.6 million** and \$20.5 million, respectively. None of the loans underlying the secured borrowings were past due 30 days or greater or on nonaccrual as of **June 30, 2024** **September 30, 2024** and December 31, 2023 and were all internally rated as "pass" loans as presented in our "credit quality indicators" section of "Note 3 – Loans and Allowance for Credit Losses". The loans were included in our allowance for credit losses process and an allowance was calculated on the loans as part of their inclusion in a pool with other loans with similar credit risk characteristics. There were no charge-offs of the loans underlying the secured borrowings during the three **or nine** months ended **June 30, 2024** **September 30, 2024**. The underlying loans collateralize the borrowings and cannot be sold or pledged by the Company.

8. STOCK-BASED COMPENSATION

The 2017 Equity Compensation Plan (the "2017 Plan") has a maximum number of 750,000 shares reserved for issuance. The purpose of the 2017 Plan is to promote the success of the Company by providing greater incentives to employees, non-employee directors, consultants and advisors to associate their personal financial interests with the long-term financial success of the Company, including its subsidiaries, and with growth in stockholder value, consistent with the Company's risk management practices. long-

term financial success of the Company, including its subsidiaries, and with growth in stockholder value, consistent with the Company's risk management practices.

A summary of stock option activity for the **six nine** months ended **June 30, 2024** **September 30, 2024** follows:

	Weighted						Weighted					
	Weighted		Average		Aggregate		Weighted		Average		Aggregate	
	Average	Remaining	Intrinsic		Exercise	Contractual	Value	Exercise	Contractual	Intrinsic		
	Shares	Price	Term	(in thousands)	Shares	Price	Term	Shares	Price	Term	(in thousands)	
Options outstanding, beginning of period	54,800	\$ 11.49	1.7	\$ 64	54,800	\$ 11.49	1.7	\$ 64				
Exercised	(3,500)	10.47			(19,000)							
Options outstanding, end of period	51,300	\$ 11.56	1.3	70	35,800	\$ 11.73	1.2				16	
Exercisable at end of period	51,300	\$ 11.56	1.3	\$ 70	35,800	\$ 11.73	1.2				16	

There was no stock-based compensation expense associated with stock options for the three and **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023. As of **June 30, 2024** **September 30, 2024**, we do not have any unrecognized compensation expense associated with the stock options.

A summary of time vested restricted stock awards for the **six nine** months ended **June 30, 2024** **September 30, 2024** follows:

	Weighted						Weighted					
	Weighted		Average		Weighted		Weighted		Average		Weighted	
	Average	Remaining	Average	Remaining	Grant-Date	Remaining	Grant-Date	Remaining	Fair Value	Contractual	Fair Value	Contractual
	Shares	Per Share	Term		Shares	Per Share	Term		Shares	Per Share	Term	
Unvested restricted stock outstanding, beginning of period	40,300	\$ 13.59	2.3		40,300	\$ 13.59	2.3					
Granted	—											
Vested	(15,800)	14.73			(16,800)	14.70						
Forfeited	—				(1,000)	9.79						
Unvested restricted stock outstanding, end of period	24,500	\$ 12.85	2.3		22,500	\$ 12.93	2.2					

Stock-based compensation expense for time vested restricted stock awards totaled \$0.1 million for **both** the three months ended **both June 30, 2024** **September 30, 2024** and 2023 and \$0.3 million and **\$0.1 million** **\$0.2 million** for the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively. As of **June 30, 2024** **September 30, 2024**, unrecognized compensation expense associated with restricted stock awards was \$0.2 million, which is expected to be recognized over a weighted average period of **2.32.2** years.

A summary of performance-based restricted stock units (the "Units") for the **six nine** months ended **June 30, 2024** **September 30, 2024** follows:

	Weighted						Weighted					
	Weighted		Average		Weighted		Weighted		Average		Weighted	
	Average	Remaining	Average	Remaining	Grant-Date	Remaining	Grant-Date	Remaining	Fair Value	Contractual	Fair Value	Contractual
	Shares	Per Share	Term		Shares	Per Share	Term		Shares	Per Share	Term	
Unvested Units outstanding, beginning of period	244,710	\$ 11.77	3.1		244,710	\$ 11.77	3.1					
Vested	(11,916)	12.24			(11,916)	12.24						
Forfeited	(9,334)	10.67			(9,334)	10.67						
Unvested Units outstanding, end of period	223,460	\$ 11.79	2.6		223,460	\$ 11.81	2.3					

[Table of Contents](#)

These Units are subject to service and performance conditions. These Units vest based on the achievement of both conditions. Achievement of the performance condition will be determined at the end of the five-year performance period (the "Performance Period") by evaluating the: 1) Company's adjusted earnings per share compound annual growth

34

[Table of Contents](#)

measured for the Performance Period and 2) performance factor achieved. Payouts between performance levels will be determined based on straight line interpolation.

The Company recognized no stock-based compensation expense during the three and ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024 and 2023 as a result of the probability of a portion of the Units vesting because it is not probable that these Units will vest. The potential unrecognized compensation expense associated with these Units was \$4.2 million and ~~\$3.0 million~~ \$4.4 million as of ~~June 30, 2024~~ September 30, 2024 and ~~2023~~ December 31, 2023, respectively.

9. COMMITMENTS AND CONTINGENCIES

Financial Instruments with Off-Balance Sheet Risk

Primis is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and guarantees of credit card accounts. These instruments involve elements of credit and funding risk in excess of the amount recognized in the consolidated balance sheets. Letters of credit are written conditional commitments issued by Primis to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Company had letters of credit outstanding totaling ~~\$10.1 million~~ \$9.8 million and \$9.6 million as of ~~June 30, 2024~~ September 30, 2024 and December 31, 2023, respectively.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and letters of credit is based on the contractual amount of these instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments. Unless noted otherwise, we do not require collateral or other security to support financial instruments with credit risk.

Allowance For Credit Losses - Off-Balance-Sheet Credit Exposures

The allowance for credit losses on off-balance sheet credit exposures is a liability account, calculated in accordance with ASC 326, representing expected credit losses over the contractual period for which we are exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if we have the unconditional right to cancel the obligation. Off-balance sheet credit exposures primarily consist of amounts available under outstanding lines of credit and letters of credit detailed above. For the period of exposure, the estimate of expected credit losses considers both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance sheet exposure. The likelihood and expected amount of funding are based on historical utilization rates. The amount of the allowance represents management's best estimate of expected credit losses on commitments expected to be funded over the contractual life of the commitment. Estimating credit losses on amounts expected to be funded uses the same methodology as described for loans in Note "Note 3 - Loans and Allowance for Credit Losses, Losses", as if such commitments were funded. The allowance for credit losses on off-balance-sheet credit exposures is reflected in other liabilities in our consolidated balance sheets.

The following table details activity in the allowance for credit losses on off-balance-sheet credit exposures:

	2024	2023	2024	2023
Balance as of January 1	\$ 1,579	\$ 1,416	\$ 1,579	\$ 1,416
Credit loss expense	(548)	(134)	(452)	(391)
Balance as of June 30	\$ 1,031	\$ 1,282		
Balance as of September 30			\$ 1,127	\$ 1,025

36

[Table of Contents](#)

Commitments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments are made predominately for adjustable rate loans, and generally have fixed

35

[Table of Contents](#)

expiration dates of up to three months or other termination clauses and usually require payment of a fee. Since many of the commitments may expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis.

We had \$105.8 million \$121.6 million of loan commitments outstanding as of June 30, 2024 September 30, 2024, all of which contractually expire within thirty years.

As of June 30, 2024 September 30, 2024 and December 31, 2023, we had unfunded lines of credit and undisbursed construction loan funds totaling \$387.7 million \$397.7 million and \$473.1 million, respectively, not all of which will ultimately be drawn. Almost all of our unfunded lines of credit and undisbursed construction loan funds are variable rate. The amount of certificate of deposit accounts maturing in less than one year was \$380.5 million \$380.6 million as of June 30, 2024 September 30, 2024, including \$75.0 million of brokered CDs. Management anticipates that funding requirements for these commitments can be met in the normal course of business.

Primis also had commitments on the subscription agreements entered into for investments in non-marketable equity securities of \$1.0 million and \$1.6 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

10. EARNINGS PER SHARE

The following is a reconciliation of the denominators of the basic and diluted earnings per share ("EPS") computations (amounts in thousands, except per share data):

	Weighted			Weighted		
	Average		Per Share	Average		Per Share
Income	Shares	Income	Shares	Income	Shares	Per Share

	(Numerator)	(Denominator)	Amount	(Numerator)	(Denominator)	Amount
For the three months ended June 30, 2024						
For the three months ended September 30, 2024						
Basic EPS	\$ 3,436	24,683	\$ 0.14	\$ 1,228	24,696	\$ 0.05
Effect of dilutive stock options and unvested restricted stock	—	25	—	—	24	—
Diluted EPS	\$ 3,436	24,708	\$ 0.14	\$ 1,228	24,720	\$ 0.05
For the three months ended June 30, 2023						
For the three months ended September 30, 2023						
Basic EPS	\$ (1,994)	24,639	\$ (0.08)	\$ (6,029)	24,642	\$ (0.24)
Effect of dilutive stock options and unvested restricted stock	—	—	—	—	—	—
Diluted EPS	\$ (1,994)	24,639	\$ (0.08)	\$ (6,029)	24,642	\$ (0.24)
For the six months ended June 30, 2024						
For the nine months ended September 30, 2024						
Basic EPS	\$ 5,902	24,677	\$ 0.24	\$ 7,130	24,684	\$ 0.29
Effect of dilutive stock options and unvested restricted stock	—	29	—	—	26	—
Diluted EPS	\$ 5,902	24,706	\$ 0.24	\$ 7,130	24,710	\$ 0.29
For the six months ended June 30, 2023						
For the nine months ended September 30, 2023						
Basic EPS	\$ 6,368	24,632	\$ 0.26	\$ 339	24,636	\$ 0.01
Effect of dilutive stock options and unvested restricted stock	—	53	—	—	—	—
Diluted EPS	\$ 6,368	24,685	\$ 0.26	\$ 339	24,636	\$ 0.01

The Company had **no 19,000** anti-dilutive options as of **June 30, 2024** **September 30, 2024** and **81,800 114,650** anti-dilutive options as of **June 30, 2023** **September 30, 2023**.

11. SEGMENT INFORMATION

The Company's management reporting process measures the performance of its operating segment based on internal operating structure, which is subject to change from time to time. As of **June 30, 2024** **September 30, 2024**, the Company operates two reportable segments for management reporting purposes as discussed below:

Primis Bank. This segment specializes in providing financing services to businesses in various industries and deposit-related services to businesses, consumers and other customers. The primary source of revenue for this segment is net interest income from the origination of loans.

Primis Mortgage. This segment specializes in originating mortgages in a majority of the U.S. The primary source of revenue for this segment is noninterest income and the origination and sale of mortgage loans.

The following table provides financial information for the Company's reportable segments. The information provided under the caption "Primis Bank" includes operations not considered to be reportable segments and/or general operating expenses of the Company, and includes the parent company (which includes PFH) and elimination adjustments to reconcile the results of the operating segment to the consolidated financial statements prepared in conformity with GAAP.

(\$ in thousands)	As of and for the three months ended June 30, 2024			As of and for the six months ended June 30, 2024			As of and for the three months ended September 30, 2024			As of and for the nine		
	Primis			Primis			Primis					
	Mortgage	Primis Bank	Consolidated	Mortgage	Primis Bank	Company	Primis Mortgage	Primis Bank	Consolidated	Primis Mortgage	Primis Mortgage	Primis Mortgage
Interest income	\$ 1,522	\$ 50,677	\$ 52,199	\$ 2,429	\$ 100,115	\$ 102,544	\$ 1,589	\$ 55,523	\$ 57,112	\$ 4,018	\$ 4,018	\$ 4,018
Interest expense	—	27,346	27,346	—	52,422	52,422	—	29,089	29,089	—	—	—
Net interest income	1,522	23,331	24,853	2,429	47,693	50,122	1,589	26,434	28,023	4,018	4,018	4,018
Provision for credit losses	—	3,119	3,119	—	9,627	9,627	—	7,511	7,511	—	—	—
Noninterest income	6,584	4,267	10,852	12,158	9,000	21,158	7,018	2,264	9,282	19,176	19,176	19,176
Noninterest expense	6,084	23,701	29,786	11,206	46,117	57,323	6,436	24,519	30,955	17,642	17,642	17,642
Income before income taxes	2,022	778	2,800	3,381	949	4,330	2,171	(3,332)	(1,161)	5,552	5,552	5,552
Income tax expense	487	778	1,265	811	1,172	1,983	519	(823)	(304)	1,330	1,330	1,330
Net income	\$ 1,535	\$ —	\$ 1,535	\$ 2,570	\$ (223)	\$ 2,347	\$ 1,652	\$ (2,509)	\$ (857)	\$ 4,222	\$ 4,222	\$ 4,222
Net income (loss)												
Total assets	\$ 107,623	\$ 3,858,395	\$ 3,966,018	\$ 107,623	\$ 3,858,395	\$ 3,966,018	\$ 110,902	\$ 3,913,445	\$ 4,024,347	\$ 110,902	\$ 110,902	\$ 110,902
As of and for the three months ended June 30, 2023												
(\$ in thousands)	Primis			Primis			Primis			Primis		
	Mortgage	Primis Bank	Consolidated	Mortgage	Primis Bank	Company	Primis Mortgage	Primis Bank	Consolidated	Primis Mortgage	Primis Mortgage	Primis Mortgage
	Interest income	\$ 701	\$ 49,499	\$ 50,200	\$ 1,097	\$ 93,361	\$ 94,458	\$ 873	\$ 47,154	\$ 48,027	\$ 1,971	\$ 1,971
Interest expense	—	26,866	26,866	—	45,802	45,802	—	23,697	23,697	—	—	—
Net interest income	701	22,633	23,334	1,097	47,559	48,656	873	23,457	24,330	1,971	1,971	1,971
Provision for credit losses	—	4,352	4,352	—	9,615	9,615	—	1,616	1,616	—	—	—
Noninterest income	5,217	3,720	8,937	9,532	17,075	26,607	4,932	4,792	9,724	14,463	14,463	14,463
Noninterest expense	5,271	25,168	30,439	10,259	47,134	57,393	5,108	31,840	36,948	15,366	15,366	15,366
Income (loss) before income taxes	647	(3,167)	(2,520)	370	7,885	8,255	697	(5,207)	(4,510)	1,068	1,068	1,068
Income tax expense (benefit)	162	(688)	(526)	96	1,791	1,887	174	1,345	1,519	270	270	270
Net income (loss)	\$ 485	\$ (2,479)	\$ (1,994)	\$ 274	\$ 6,094	\$ 6,368	\$ 523	\$ (6,552)	\$ (6,029)	\$ 798	\$ 798	\$ 798
Total assets	\$ 63,563	\$ 3,802,649	\$ 3,866,212	\$ 63,563	\$ 3,802,649	\$ 3,866,212	\$ 66,384	\$ 3,772,475	\$ 3,838,859	\$ 66,384	\$ 66,384	\$ 66,384

[Table of Contents](#)
12. SUBSEQUENT EVENT

On October 24, 2024, the Company entered into a purchase and assumption agreement with EverBank, N.A. ("EverBank") for sale of the Company's Life Premium Finance division ("LPF"). EverBank will acquire LPF from the Company, except for a subset of mostly fixed rate and rate-capped loans that will be retained by the Bank. All of the LPF operations, including its employees, will be assumed by EverBank as part of the transaction that is expected to result in a pre-tax gain of \$4.5 million for the Company, net of advisory and legal fees, at the initial closing in the fourth quarter of 2024. EverBank will acquire approximately \$370 million of loans from the division with the Bank providing interim servicing until the transition of the business at the final closing which is expected on January 31, 2025. Between the first and second closings, EverBank will purchase loans generated by the division in ordinary course at par. After the second closing, EverBank will service the Bank's retained portfolio for the duration of the portfolio. As of June 30, 2024, the Company had not made the decision to sell LPF and had not identified specific loans that it might sell, therefore the amortized cost balance of the loans remains in "loans held for investment" on the condensed consolidated balance sheets and an analysis whether LPF should be presented as discontinued operations under U.S. GAAP as of and for the three and six months ended June 30, 2024 was not deemed to be necessary.

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

Management's discussion and analysis is presented to aid the reader in understanding and evaluating the financial condition and results of operations of Primis. This discussion and analysis should be read with the condensed consolidated financial statements, the footnotes thereto, and the other financial data included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2023. Results of operations for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** are not necessarily indicative of results that may be attained for any other period. The emphasis of this discussion will be on the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** compared to the three and **nine** months and **six** ended **June 30, 2023** **September 30, 2023** for the consolidated statements of income (loss) and comprehensive income (loss). For the consolidated balance sheets, the emphasis of this discussion will be the balances as of **June 30, 2024** **September 30, 2024** compared to December 31, 2023. This discussion and analysis contains statements that may be considered "forward-looking statements" as defined in, and subject to the protections of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. See the following section for additional information regarding forward-looking statements.

FORWARD-LOOKING STATEMENTS

Statements and financial discussion and analysis contained in this Quarterly Report on Form 10-Q that are not statements of historical fact constitute forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. The words "believe," "may," "forecast," "should," "anticipate," "contemplate," "estimate," "expect," "project," "predict," "intend," "continue," "would," "could," "hope," "might," "assume," "objective," "seek," "plan," "strive" or similar words, or the negatives of these words, identify forward-looking statements.

Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements. In addition to the Risk Factors contained in this Quarterly Report on Form 10-Q, as well as the Risk Factors previously disclosed in our Annual Report

[Table of Contents](#)

on Form 10-K for the year ended December 31, 2023, and the other reports we file with the Securities and Exchange Commission, factors that could contribute to those differences include, but are not limited to:

- the effects of future economic, business and market conditions and disruptions in the credit and financial markets, domestic and foreign;
- potential increases in the provision for credit losses and other general competitive, economic, political, and market factors, including those affecting our business, operations, pricing, products, or services;
- fraudulent and negligent acts by loan applicants, mortgage brokers and our employees;
- our ability to recover certain losses related to fraudulent loans under the Company's insurance policies and to successfully complete the claims process and minimize the financial impact of these loans;
- our ability to implement our various strategic and growth initiatives, including our Panacea Financial and Life Premium Finance Divisions, Division, new digital banking platform, V1BE fulfillment service and Primitis Mortgage Company as well as our cost saving project to reduce administrative and branch expenses;
- adverse results from current or future litigation, regulatory examinations or other legal and/or regulatory actions;
- changes in the local economies in our market areas which adversely affect our customers and their ability to transact profitable business with us, including the ability of our borrowers to repay their loans according to their terms or a change in the value of the related collateral;
- changes in interest rates, inflation, loan demand, real estate values, or competition, as well as labor shortages, supply chain disruptions, the threat of recession and volatile equity capital markets;

[Table of Contents](#)

- changes in the availability of funds resulting in increased costs or reduced liquidity, as well as the adequacy of our cash flow from operations and borrowings to meet our short-term liquidity needs;
- a deterioration or downgrade in the credit quality and credit agency ratings of the investment securities in our investment securities portfolio;
- impairment concerns and risks related to our investment securities portfolio of collateralized mortgage obligations, agency mortgage-backed securities and obligations of states and political subdivisions;
- the incurrence and impairment of goodwill associated with current or future acquisitions and adverse short-term effects on our results of operations;
- increased credit risk in our assets and increased operating risk caused by a material change in commercial, consumer and/or real estate loans as a percentage of our total loan portfolio, including as a result of rising or elevated interest rates, inflation and recessionary concerns;
- the concentration of our loan portfolio in loans collateralized by real estate;
- our level of construction and land development and commercial real estate loans;
- risk related to a third-party's ability to satisfy its contractual obligation to reimburse us for waived interest on loans with promotional features that pay off early;
- our ability to identify and address potential cybersecurity risks on our systems and/or third party vendors and service providers on which we rely, heightened by the developments in generative artificial intelligence and increased use of our virtual private network platform, including data security breaches, credential stuffing, malware, "denial-of-service" attacks, "hacking" and identity theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information, disruption or damage to our systems, increased costs, losses, or adverse effects to our reputation;
- changes in the levels of loan prepayments and the resulting effects on the value of our loan portfolio;
- the failure of assumptions and estimates underlying the establishment of and provisions made to the allowance for credit losses;
- our ability to expand and grow our business and operations, including the acquisition of additional banks, and our ability to realize the cost savings and revenue enhancements we expect from such activities;

- government intervention in the U.S. financial system, including the effects of legislative, tax, accounting and regulatory actions and reforms, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the Jumpstart Our Business Startups Act, the Consumer Financial Protection Bureau, the capital ratios of Basel III as adopted by the federal banking authorities, **and the Tax Cuts and Jobs Act of 2017 and the CARES Act**, as well as the possibility that the U.S. could default on its debt obligations and the risk of inflation and interest rate increases resulting from monetary and fiscal stimulus response, which may have unanticipated adverse effects on our customers, and our financial condition and results of operations;
- increased competition for deposits and loans adversely affecting rates and terms;

39

[Table of Contents](#)

- the continued service of key management personnel;
- the potential payment of interest on demand deposit accounts to effectively compete for customers;
- potential environmental liability risk associated with properties that we assume upon foreclosure;
- increased asset levels and changes in the composition of assets and the resulting impact on our capital levels and regulatory capital ratios;
- risks of current or future mergers **acquisitions and dispositions, acquisitions**, including the related time and cost of implementing transactions and the potential failure to achieve expected gains, revenue growth or expense savings;
- increases in regulatory capital requirements for banking organizations generally, which may adversely affect our ability to expand our business or could cause us to shrink our business;
- acts of God or of war or other conflicts, including the current conflicts in Ukraine/Russia and the Middle East, acts of terrorism, pandemics or other catastrophic events that may affect general economic conditions;
- changes in accounting policies, rules and practices and applications or determinations made thereunder;
- any inability or failure to implement and maintain effective internal control over financial reporting and/or disclosure control or inability to remediate our existing material weaknesses in our internal controls deemed ineffective;
- failure to maintain effective internal controls and procedures, including the ability to remediate identified material weaknesses in internal control over financial reporting expediently;

40

[Table of Contents](#)

- the risk that our deferred tax assets could be reduced if future taxable income is less than currently estimated, if corporate tax rates in the future are less than current rates, or if sales of our capital stock trigger limitations on the amount of net operating loss carryforwards that we may utilize for income tax purposes;
- our ability to attract and retain qualified employees, including as a result of heightened labor shortages;
- risks related to environmental, social and governance strategies and initiatives, the scope and pace of which could alter our reputation and shareholder, associate, customer and third-party affiliations;
- our ability to de-consolidate Panacea Financial Holdings, Inc. ("PFH") and recognize gains on our investment in PFH common stock as a result of de-consolidation;
- negative publicity and the impact on our reputation;
- our ability to realize the value of derivative assets that are recorded at fair value due to changes in fair value driven by actual results being materially different than our assumptions;
- **our ability to grow the mortgage warehouse business and achievement of certain margin results;** and
- other factors and risks described under "Risk Factors" herein and in any of the reports that we file with the Securities and Exchange Commission (the "Commission" or "SEC") under the Exchange Act.

Forward-looking statements are not guarantees of performance or results and should not be relied upon as representing management's views as of any subsequent date. A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe we have chosen these assumptions or bases in good faith and that they are reasonable. We caution you, however, that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual

results can be material. When considering forward-looking statements, you should refer to the risk factors and other cautionary statements in this Quarterly Report on Form 10-Q and in our periodic and current reports filed with the SEC for specific factors that could cause our actual results to be different from those expressed or implied by our forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q (or an earlier date to the extent applicable). Except as required by applicable law, we undertake no obligation to update publicly these statements in light of new information or future events.

OVERVIEW

Priming Financial Corp. ("Priming," "we," "us," "our" or the "Company") is the bank holding company for Primis Bank ("Priming Bank" or the "Bank"), a Virginia state-chartered bank which commenced operations on April 14, 2005. Primis Bank provides a range of financial services to individuals and small and medium-sized businesses. As of **June 30, 2024** **September 30, 2024**, Primis Bank had twenty-four full-service branches in Virginia and Maryland and also provides services to customers through certain online and mobile applications. Twenty-two full-service retail branches are in Virginia and two full-service retail branches are in Maryland. The Company is headquartered in McLean, Virginia and has an administrative office in Glen Allen, Virginia and an operations center in Atlee, Virginia. Primis Mortgage Company, a residential mortgage lender headquartered in Wilmington, North Carolina, is a consolidated subsidiary of Primis Bank. PFH is a consolidated subsidiary of Primis and owns the rights to the Panacea Financial brand and its intellectual property and partners with the

40

[Table of Contents](#)

Bank to offer a suite of financial products and services for doctors, their practices, and ultimately the broader healthcare industry.

While Primis Bank offers a wide range of commercial banking services, it focuses on making loans secured primarily by commercial real estate and other types of secured and unsecured commercial loans to small and medium-sized businesses in a number of industries, as well as loans to individuals for a variety of purposes. Primis Bank invests in real estate-related securities, including collateralized mortgage obligations and agency mortgage backed securities. Primis Bank's principal sources of funds for loans and investing in securities are deposits and, to a lesser extent, borrowings. Primis Bank offers a broad range of deposit products, including checking (NOW), savings, money market accounts and certificates of deposit. Primis Bank actively pursues business relationships by utilizing the business contacts of its senior management, other bank officers and its directors, thereby capitalizing on its knowledge of its local market areas.

CURRENT ECONOMIC ENVIRONMENT

U.S. economic growth accelerated in **the first half of 2024**, with Real Gross Domestic Product growing by an annualized 1.6% in the first quarter, **and another 3%** in the second **quarter and another 2.8% in the third quarter**. According to the U.S. Bureau of Labor and Statistics, the rate of unemployment has increased from 3.7% at 2023 year end to 4.1% in **June** **in September 2024**. The Federal

41

[Table of Contents](#)

Reserve (the "Fed") raised interest rates 500 bps from May of 2022 through **July 2023**, a pace that has not been experienced in more than 40 years. However, during the third quarter of 2024 the Fed lowered interest rates by 50 basis points, easing monetary policy for the first time in four years and **sits at a** bringing the target range of **5.25% to 5.50%** **4.75% to 5.00%** as of **June 30, 2024** **September 30, 2024**. Inflation, while beginning to show signs of moderating, fell to 2.4% in September 2024 but still remains higher than the Fed's long term target rate of 2.0% and the Fed appears committed to maintaining high rates until inflation is back at their target rate. The Fed has indicated that future rate adjustments will **continue** to be data-dependent.

This higher Despite the current quarter rate cut, we continue to operate in a high rate environment that is continuing to put strong margin pressure on us and all banks, including Primis, as the banks. The cost of deposits has increased alongside the Fed rate increases while many loans in banks' portfolios are fixed due since 2022 and will continue to remain above historical low loan rates that borrowers locking in historic low rates in locked-in during the past few years prior to the rate hikes noted above. However, loan Loan growth in the current rate environment will benefit from the continued higher rates and should assist in partially offsetting growth in deposit costs. costs that have accumulated. Margin pressures for us, and the industry as a whole, is likely to remain until multiple future rate cuts occur.

FINANCIAL HIGHLIGHTS

- Net income available to common shareholders for the three months ended **June 30, 2024** September 30, 2024 totaled **\$3.4 million** \$1.2 million, or **\$0.14** \$0.05 basic and diluted earnings per share, compared to a net loss of **\$2.0 million** \$6.0 million, or **(\$0.08)** \$0.24 basic and diluted loss per share for the three months ended **June 30, 2023** September 30, 2023.
- Net income available to common shareholders for the **six** nine months ended **June 30, 2024** September 30, 2024 totaled **\$5.9 million** \$7.1 million, or **\$0.24** \$0.29 basic and diluted earnings per share, compared to **\$6.4 million** \$0.3 million, or **\$0.26** \$0.01 basic and diluted earnings per share for the **six** nine months ended **June 30, 2023** September 30, 2023.
- Total assets as of **June 30, 2024** September 30, 2024 were \$4.0 billion, an increase of **2.8%** 4.4% compared to December 31, 2023.
- Total loans held for investment as of **June 30, 2024** September 30, 2024 were **\$3.3 billion** \$3.0 billion, an increase a decrease of **\$81.1 million** \$0.2 million, or **2.5%** 7.6%, from December 31, 2023. When including the "loans held for sale, at the lower of cost or market" which are LPF loans that we transferred from held for investment to held for sale at quarter end in anticipation of sale, loans increased **3.6%** from December 31, 2023.
- Total deposits were \$3.3 billion at **June 30, 2024** as of September 30, 2024, an increase of **2.0%** 1.1% compared to December 31, 2023.
- Non-time deposits increased to \$2.9 billion as of **June 30, 2024** September 30, 2024, an increase of **\$87.7 million** \$54.7 million, or **3.1%** 1.9%, compared to December 31, 2023.
- The ratio of gross loans (excluding loans held for sale) to deposits stayed steady decreased to 90% at September 30, 2024, from 98% at **June 30, 2024**, compared to December 31, 2023.
- Net interest margin of **2.72%** 2.97% in the **second** third quarter of 2024 was up from **2.36%** 2.70% in the **second** third quarter of 2023 and down from **2.84%** in the first quarter of 2024. 2023.
- Net interest income increased during both the three and **six** nine months ended **June 30, 2024** September 30, 2024 compared to the same periods in 2023.
- Noninterest income declined during both the three and nine months ended September 30, 2024 and 2023, and but noninterest expenses were down during each of these periods by more than the three and six months ended June 30, 2024 compared to the same periods in 2023. noninterest income declines.
- Allowance for credit losses to total loans was **1.56%** at **June 30, 2024** 1.72% as of September 30, 2024, compared to **1.62%** at as of December 31, 2023.
- Asset quality remained relatively stable from year end with nonperforming assets as a percent of total assets (excluding SBA guarantees) at 0.25% as of **June 30, 2024** September 30, 2024 compared to 0.20% at as of December 31, 2023.

Table of Contents

RESULTS OF OPERATIONS

Net Income

Three-Month Comparison. Net income available to common shareholders for the three months ended **June 30, 2024** September 30, 2024 totaled **\$3.4 million** \$1.2 million, or **\$0.14** \$0.05 basic and diluted earnings per share, compared to a net loss of **\$2.0 million** \$6.0 million, or **(\$0.08)** \$0.24 basic and diluted earnings per share for the three months ended **June 30, 2023** September 30, 2023. The increase in net income during the three months ended **June 30, 2024** September 30, 2024 compared to the three months ended **June 30, 2023** September 30, 2023 was driven primarily by **\$1.5 million** \$3.7 million higher net interest income, **\$1.9 million** higher noninterest income, **\$0.7 million** \$6.0 million lower noninterest expense, partially offset by **\$0.4 million** lower noninterest income, and **\$1.2 million** less \$5.9 million higher provision for credit losses on loans. The net interest income increase was

[Table of Contents](#)

driven by higher average interest earning balances and higher yields on those balances and the decrease in noninterest expenses was driven by the goodwill impairment charge in 2023 compared to the current year. Additional details of each of these the changes in net income will be discussed in the remaining sections of this Results of Operations discussion section.

Six-Month Nine-Month Comparison. Net income available to common shareholders for the six nine months ended June 30, 2024 September 30, 2024 totaled \$5.9 million \$7.1 million, or \$0.24 \$0.29 basic and diluted earnings per share, compared to \$6.4 million \$0.3 million, or \$0.26 \$0.01 basic and diluted earnings per share for the six nine months ended June 30, 2023 September 30, 2023. The results between the two periods were relatively unchanged due to reflect an increase in net interest income of \$1.5 million \$5.2 million, a decrease in noninterest expense of \$6.1 million and noncontrolling interests of \$3.6 million \$5.6 million offset by a decline of \$5.4 million \$5.9 million in noninterest income. Noncontrolling income and higher provision of \$5.2 million. Net interest margin increases were driven by higher average loan balances and yields and the increase in noncontrolling interests were related to losses attributable to other stockholders of an entity that we are required to consolidated under U.S. GAAP in which we own approximately 19%. Details Noninterest income declines were driven by lower Consumer Program derivative income and noninterest expense decreases also included the goodwill impairment charge in the prior year compared to the current year as discussed above for the three months ended. Additional details of the other key areas comprising our changes in net income during the six months will be discussed in the remaining sections of this Results of Operations discussion section.

Net Interest Income

Our operating results depend primarily on our net interest income, which is the difference between interest and dividend income on interest-earning assets such as loans and investments, and interest expense on interest-bearing liabilities such as deposits and borrowings.

Three-Month Comparison. Net interest income was \$24.9 million \$28.0 million for the three months ended June 30, 2024 September 30, 2024, compared to \$23.3 million \$24.3 million for the three months ended June 30, 2023 September 30, 2023. Our net interest margin for the three months ended June 30, 2024 September 30, 2024 was 2.72% 2.97%, compared to 2.36% 2.70% for the three months ended June 30, 2023 September 30, 2023. Margin increased by 36 27 basis points as a result of net growth in yield on interest income growing earning assets outpacing the growth in rates paid on interest bearing liabilities by \$1.5 million while 24 basis points, partially offset by growth in average interest earning assets decreased from assets. Net interest income grew \$3.7 million, driven by \$9.1 million in interest income growth primarily as a result of loan growth at higher rates compared to the prior year. The growth in income was due to interest earning asset yield growth of 65 basis points outpacing interest bearing liability rate growth of 37 basis points. Higher higher lending rates were fueled by an increase in benchmark rates year-over-year since 2022 resulting in new loans at higher rates replacing maturing and the redeployment of excess cash into higher yielding assets drove interest income. Average interest bearing assets declined as a result of our decision on June 30, 2023 to begin sweeping excess cash paid off the balance sheet that had accumulated as a result of the increase in deposits from growth of our digital deposit platform during the three months ended June 30, 2023, loans at lower rates. The cost of interest bearing liabilities increased primarily due to benchmark interest rate increases in all deposits and higher growth of \$78 million in average deposits and growth of \$119 million in average borrowings partially offset by a decline in average interest-bearing deposits as a result that were utilized for funding of the aforementioned sweep activity since June 30, 2023.

[Table of Contents](#)

The following table details average balances of interest-earning assets and interest-bearing liabilities, the amount of interest earned/paid on such assets and liabilities, and the yield/rate for the periods indicated:

	Average Balance Sheets and Net Interest Margin					
	Analysis For the Three Months Ended					
	June 30, 2024			June 30, 2023		
	Average Balance	Interest Expense	Yield/Rate	Average Balance	Interest Expense	Yield/Rate
Assets						
Interest-earning assets:						
Loans held for sale	\$ 84,389	\$ 1,521	7.25 %	\$ 48,698	\$ 700	5.77 %
Loans, net of deferred fees ^{(1) (2)}	3,266,651	48,032	5.91 %	3,112,280	40,791	5.26 %
Investment securities	244,308	1,805	2.97 %	240,700	1,551	2.58 %
Other earning assets	73,697	841	4.59 %	568,251	7,158	5.05 %
Total earning assets	3,669,045	52,199	5.72 %	3,969,929	50,200	5.07 %
Allowance for credit losses	(51,723)			(35,770)		
Total non-earning assets	294,919			297,474		
Total assets	\$ 3,912,241			\$ 4,231,633		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
NOW and other demand accounts	\$ 778,458	\$ 4,827	2.49 %	\$ 826,598	\$ 4,343	2.11 %
Money market accounts	823,156	6,788	3.32 %	858,532	6,231	2.91 %
Savings accounts	866,652	8,912	4.14 %	1,026,159	10,406	4.07 %
Time deposits	423,107	4,095	3.89 %	495,721	3,803	3.08 %
Total interest-bearing deposits	2,891,373	24,622	3.42 %	3,207,010	24,783	3.10 %
Borrowings	158,919	2,724	6.89 %	114,893	2,083	7.27 %
Total interest-bearing liabilities	3,050,292	27,346	3.61 %	3,321,903	26,866	3.24 %
Noninterest-bearing liabilities:						
Demand deposits	433,315			473,319		
Other liabilities	34,495			38,408		
Total liabilities	3,518,102			3,833,630		
Primis common stockholders' equity	374,731			398,003		
Noncontrolling interest	19,409			—		
Total stockholders' equity	394,140			398,003		
Total liabilities and stockholders' equity	\$ 3,912,241	\$ 24,853		\$ 4,231,633	\$ 23,334	
Interest rate spread			2.11 %			1.83 %
Net interest margin			2.72 %			2.36 %

(1) Includes loan fees in both interest income and the calculation of the yield on loans.

(2) Calculations include non-accruing loans in average loan amounts outstanding.

Six-Month Comparison. Net interest income was \$50.1 million for the six months ended June 30, 2024, compared to \$48.7 million for the six months ended June 30, 2023. Our net interest margin for the six months ended June 30, 2024 was 2.78%, compared to 2.57% for the six months ended June 30, 2023. Margin increased by 21 basis points as a result of net interest income growing by \$1.5 million while average interest earning assets decreased from the prior year. The loan growth that outpaced deposit growth in income was due to interest earning asset yield growth of 69 basis points outpacing interest bearing liability rate growth of 56 basis points. Higher lending rates fueled by an increase in benchmark rates year-over-year and the redeployment of excess cash into higher yielding assets drove interest income. Average interest bearing assets declined as a result of our decision to sweep excess cash off of the balance sheet as described in the three-month comparison. The cost of interest bearing liabilities increased primarily due to increases in rates on all interest-bearing liabilities as a result of benchmark interest rate increases, partially offset by a 4% decrease in average interest-bearing liabilities quarter.

[Table of Contents](#)

The following table details average balances of interest-earning assets and interest-bearing liabilities, the amount of interest earned/paid on such assets and liabilities, and the yield/rate for the periods indicated:

Average Balance Sheets and Net Interest Margin						Average Balance Sheets and Net Interest Margin					
Analysis For the Six Months Ended						Analysis For the Three Months Ended					
June 30, 2024			June 30, 2023			September 30, 2024			September 30, 2023		
Interest			Interest			Interest			Interest		
Average	Income/	Yield/	Average	Income/	Yield/	Average	Income/	Yield/	Average	Income/	Yield/
Balance	Expense	Rate	Balance	Expense	Rate	Balance	Expense	Rate	Balance	Expense	Rate

	(Dollar amounts in thousands)						(Dollar amounts in thousands)					
Assets												
Interest-earning assets:												
Loans held for sale	\$ 71,643	\$ 2,428	6.82 %	\$ 37,086	\$ 1,091	5.93 %	\$ 98,110	\$ 1,589	6.44 %	\$ 55,775	\$ 873	6.21 %
Loans, net of deferred fees (3)(4)	3,236,769	94,857	5.89 %	3,051,441	78,850	5.21 %						
Loans, net of deferred fees (1)(2)							3,324,157	52,707	6.31 %	3,193,236	44,439	5.52 %
Investment securities	242,743	3,520	2.92 %	243,536	3,135	2.60 %	242,631	1,799	2.95 %	234,601	1,593	2.69 %
Other earning assets	75,382	1,739	4.64 %	478,786	11,382	4.79 %	83,405	1,017	4.85 %	93,159	1,122	4.78 %
Total earning assets	3,626,537	102,544	5.69 %	3,810,849	94,458	5.00 %	3,748,303	57,112	6.06 %	3,576,771	48,027	5.33 %
Allowance for credit losses	(51,416)			(34,940)			(49,966)			(37,262)		
Total non-earning assets	297,057			290,943			293,681			305,300		

Total assets	\$ 3,872,178	\$ 4,066,852	\$3,992,018	\$3,844,809								
Liabilities and stockholders' equity												
Interest-bearing liabilities:												
NOW and other demand accounts	\$ 776,201	\$ 9,294	2.41 %	\$ 774,878	\$ 6,610	1.72 %	\$ 748,202	\$ 4,630	2.46 %	\$ 806,339	\$ 4,460	2.19 %
Money market accounts	818,651	13,300	3.27 %	841,630	11,032	2.64 %	859,988	7,432	3.44 %	850,892	6,555	3.06 %
Savings accounts	833,490	16,957	4.09 %	811,221	15,156	3.77 %	866,375	8,918	4.10 %	703,809	6,760	3.81 %
Time deposits	427,224	8,085	3.81 %	492,412	7,029	2.88 %	425,238	4,371	4.09 %	460,961	3,801	3.27 %
Total interest-bearing deposits	2,855,566	47,636	3.35 %	2,920,141	39,827	2.75 %	2,899,803	25,351	3.48 %	2,822,001	21,576	3.03 %
Borrowings	139,553	4,786	6.90 %	199,533	5,975	6.04 %	238,994	3,738	6.22 %	119,797	2,121	7.02 %
Total interest-bearing liabilities	2,995,119	52,422	3.52 %	3,119,674	45,802	2.96 %	3,138,797	29,089	3.69 %	2,941,798	23,697	3.20 %
Noninterest-bearing liabilities:												
Demand deposits	446,905			514,677			421,908			472,485		
Other liabilities	34,708			33,505			36,527			39,303		
Total liabilities	3,476,732			3,667,856			3,597,232			3,453,586		
Primis common stockholders' equity	375,265			398,996			377,314			391,223		
Noncontrolling interest	20,181			—			17,472			—		
Total stockholders' equity	395,446			398,996			394,786			391,223		
Total liabilities and stockholders' equity	\$ 3,872,178			\$ 4,066,852			\$3,992,018	\$ 28,023		\$3,844,809	\$ 24,330	
Net interest income		\$ 50,122			\$ 48,656							
Interest rate spread			2.17 %			2.04 %				2.37 %		2.13 %
Net interest margin			2.78 %			2.57 %				2.97 %		2.70 %

(1) Includes loan fees in both interest income and the calculation of the yield on loans.

(2) Calculations include non-accruing loans and loans held for sale at lower of cost or market, that were transferred on the last day of the quarter, in average loan amounts outstanding.

Nine-Month Comparison. Net interest income was \$78.1 million for the nine months ended September 30, 2024, compared to \$73.0 million for the nine months ended September 30, 2023. Our net interest margin for the nine months ended September 30, 2024 was 2.85%, compared to 2.61% for the nine months ended September 30, 2023. Our interest margin increased by 24 basis points as a result of yields on interest earning assets outpacing rates on interest bearing liabilities by 18 basis points and less average assets during the year compared to the same period last year. This resulted in a \$5.2 million increase in net interest income driven by a \$24.3 million increase in interest income on loans in the current year compared to last year, partially offset by \$11.6 million more interest costs on deposits and \$9.7 million less income on other earning assets. Higher lending rates fueled by an increase in benchmark rates and the redeployment of excess cash into higher yielding assets drove interest income. The cost of interest bearing liabilities increased primarily due to increases in rates on all interest-bearing liabilities as a result of benchmark interest rate increases, partially offset by a 1% decrease in average interest-bearing liabilities. The interest on other earning assets declined alongside a decline in average other interest bearing assets as a result of our decision to sweep excess cash off balance sheet beginning at the end of second quarter of 2023. We had raised approximately \$1.0 billion in interest bearing deposits in our digital platform during

[Table of Contents](#)

the first six months of 2023 and that amount earned interest for six of the nine months ended September 30, 2023, but most of that cash was swept off of our balance sheet during the nine months ended September 30, 2024 or redeployed to other earning assets such as investment securities and loans.

The following table details average balances of interest-earning assets and interest-bearing liabilities, the amount of interest earned/paid on such assets and liabilities, and the yield/rate for the periods indicated:

Average Balance Sheets and Net Interest Margin						
Analysis For the Nine Months Ended						
	September 30, 2024			September 30, 2023		
	Interest			Interest		
	Average	Income/	Yield/	Average	Income/	Yield/
	Balance	Expense	Rate	Balance	Expense	Rate
	(Dollar amounts in thousands)					
Assets						
Interest-earning assets:						
Loans held for sale	\$ 80,530	\$ 4,017	6.66 %	\$ 43,384	\$ 1,964	6.05 %
Loans, net of deferred fees ^{(3) (4)}	3,266,111	147,564	6.04 %	3,099,224	123,289	5.32 %
Investment securities	242,706	5,319	2.93 %	240,525	4,728	2.63 %
Other earning assets	78,076	2,756	4.72 %	348,831	12,504	4.79 %
Total earning assets	3,667,423	159,656	5.82 %	3,731,964	142,485	5.10 %
Allowance for credit losses	(50,929)			(35,722)		
Total non-earning assets	295,815			296,197		
Total assets	\$ 3,912,309			\$ 3,992,439		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
NOW and other demand accounts	\$ 766,800	\$ 13,924	2.43 %	\$ 785,480	\$ 11,070	1.88 %
Money market accounts	832,531	20,732	3.33 %	844,752	17,587	2.78 %
Savings accounts	844,531	25,876	4.09 %	775,024	21,915	3.78 %
Time deposits	426,557	12,455	3.90 %	481,813	10,831	3.01 %
Total interest-bearing deposits	2,870,419	72,987	3.40 %	2,887,069	61,403	2.84 %
Borrowings	172,942	8,524	6.58 %	172,662	8,096	6.27 %
Total interest-bearing liabilities	3,043,361	81,511	3.58 %	3,059,731	69,499	3.04 %
Noninterest-bearing liabilities:						
Demand deposits	440,172			500,459		
Other liabilities	35,344			35,457		
Total liabilities	3,518,877			3,595,647		
Primis common stockholders' equity	374,154			396,792		
Noncontrolling interest	19,278			—		
Total stockholders' equity	393,432			396,792		
Total liabilities and stockholders' equity	\$ 3,912,309			\$ 3,992,439		
Net interest income		\$ 78,145			\$ 72,986	
Interest rate spread			2.24 %			2.06 %
Net interest margin			2.85 %			2.61 %

⁽³⁾ Includes loan fees in both interest income and the calculation of the yield on loans.

⁽⁴⁾ Calculations include non-accruing loans and loans held for sale at lower of cost or market, that were transferred on the last day of the quarter, in average loan amounts outstanding.

Provision for Credit Losses

The provision for credit losses is a current charge to earnings made in order to adjust the allowance for credit losses for current expected losses in the loan portfolio based on an evaluation of the loan portfolio characteristics, current economic conditions, changes in the nature and volume of lending, historical loan experience and other known internal and external factors affecting loan collectability, and assessment of reasonable and supportable forecasts of future economic conditions that would impact collectability of the loans. Our allowance for credit losses is calculated by

45

[Table of Contents](#)

segmenting the loan portfolio by loan type and applying risk factors to each segment. The risk factors are determined by considering historical loss data, peer data, as well as applying management's judgment.

The Company recorded a provision for credit losses for the three months ended **June 30, 2024** **September 30, 2024** and 2023, of **\$3.1 million** **\$7.5 million** and **\$4.4 million** **\$1.6 million**, respectively. The provision included amounts calculated in our normal reserve process for the Consumer Program loans which totaled **\$3.6 million** **\$4.0 million** and **\$1.3 million** **\$2.1 million** during the three months ended **June 30, 2024** **September 30, 2024** and 2023,

44

[Table of Contents](#)

respectively. Our provision for credit losses **during the three months ended September 30, 2024** was driven by provisions related to two loans evaluated individually for credit losses during the quarter and resulting in **\$3.1 million** of specific reserves. We also had **\$4.0 million** of provisions related to the Consumer Program loan portfolio calculated as part of our normal reserve process primarily centered around due to credit losses on loans originated from the third quarter of 2022 through the first quarter of 2023. Excluding the provision amounts related 2023 that have continued to the Consumer Program portfolio, we recorded a benefit for show credit losses of **\$0.5 million** and a provision of **\$3.1 million** for the three months ended June 30, 2024 and 2023, respectively. weaknesses.

The provisions were driven in part by net charge-offs during the periods which were **\$5.0 million** **\$8.0 million** and **\$1.6 million** **\$4.3 million** during the three months ended **June 30, 2024** **September 30, 2024** and 2023, respectively. During the three months ended **June 30, 2024** **September 30, 2024** and 2023, **\$4.3 million** **\$6.7 million** and **\$1.4 million** **\$2.1 million**, respectively, of net charge-offs were related to the Consumer Program loans. These charge-offs were primarily related to loans originated from the third quarter of 2022 to the first quarter of 2023. Excluding the Consumer Program loan charge-offs we had net charge-offs of **\$0.7 million** **\$1.3 million** and **\$0.3 million** **\$2.2 million** during the three months ended **June 30, 2024** **September 30, 2024** and 2023, respectively.

The Company recorded a provision for credit losses for both the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, of **\$9.6 million** **\$17.1 million** and **\$11.2 million**, respectively. The provision included amounts calculated in our normal reserve process for the Consumer Program loans which totaled **\$8.6 million** **\$12.6 million** and **\$6.1 million** **\$8.2 million** during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively. Our provision for credit losses was driven by provisions related to the Consumer Program loan portfolio were primarily driven by charge-offs centered around loans originated from the third quarter of 2022 through the first quarter of 2023, 2023 as previously noted. Excluding the provision amounts related to the Consumer Program portfolio, we recorded a provision for credit losses of **\$1.0 million** **\$4.5 million** and **\$3.6 million** **\$3.1 million** for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023,

respectively. The higher provision in the nine months ended September 30, 2024 was driven by the previously mentioned specific reserves on two loans during the quarter.

The provisions were driven in part by net charge-offs during the periods which were \$10.3 million \$18.2 million and \$5.6 million \$9.9 million during the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively. During six nine months ended June 30, 2024 September 30, 2024 and 2023, \$8.7 million \$15.4 million and \$3.3 million \$5.4 million, respectively, of net charge-offs were related to the Consumer Program loans. These charge-offs were primarily related to loans originated from the third quarter of 2022 to the first quarter of 2023, 2023 as previously discussed. Excluding the Consumer Program loan charge-offs we had net charge-offs of \$1.6 million \$2.8 million and \$2.3 million \$4.5 million during the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively respectively.

The Financial Condition section of this MD&A provides information on our loan portfolio, past due loans, nonperforming assets and the allowance for credit losses.

[Table of Contents](#)

Noninterest Income

The following table presents the major categories of noninterest income for the three months ended June 30, 2024 September 30, 2024 and 2023:

(dollars in thousands)	For the Three Months Ended			For the Three Months Ended		
	June 30,			September 30,		
	2024	2023	Change	2024	2023	Change
Account maintenance and deposit service fees	\$ 1,861	\$ 1,457	\$ 404	\$ 1,468	\$ 1,534	\$ (66)
Income from bank-owned life insurance	981	394	587	431	787	(356)
Mortgage banking income	6,402	5,198	1,204	6,803	4,922	1,881
Gain on sale of loans	(29)	—	(29)	—	217	(217)
Consumer Program derivative	1,272	1,758	(486)			
Consumer Program derivative gains				79	2,033	(1,954)
Other noninterest income	365	130	235	501	231	270
Total noninterest income	\$ 10,852	\$ 8,937	\$ 1,915	\$ 9,282	\$ 9,724	\$ (442)

Noninterest income increased 21% decreased 5% to \$10.9 million \$9.3 million for the three months ended June 30, 2024 September 30, 2024, compared to \$8.9 million \$9.7 million for the three months ended June 30, 2023 September 30, 2023. The increase decrease in noninterest income was primarily related to \$1.2 million \$2.0 million of higher mortgage banking lower Consumer Program derivative income and \$0.6 million \$0.4 million of higher lower income from bank-owned life insurance, partially offset by a decline an increase in Consumer Program derivative mortgage banking income. The increase in Mortgage mortgage banking income was a result of the continued growth of the mortgage business in 2024 compared to 2023. During the three months ended June 30, 2024 September 30, 2024 we realized \$3.7 million \$5.5 million on sale gains compared to \$2.8 million \$1.9 million during the three months ended June 30, 2023 September 30, 2023 as a result of higher sales volumes. The increase gains were partially offset by fair value losses on mortgage derivative assets and various loan sale costs driven by higher volumes. The decrease in income on bank-owned life insurance was driven by one-time death benefit gains during the

[Table of Contents](#)

prior year quarter of **\$0.6 million** **\$0.4 million**. The Consumer Program derivative income declined primarily due to fair value loss adjustments on the derivative asset of **\$0.8 million** **\$2.8 million** during the three months ended **June 30, 2024** **September 30, 2024** compared to fair value gains of **\$0.6 million** **\$9 thousand** during the three months ended **June 30, 2023** **September 30, 2023**. Offsetting the fair value loss adjustments during the three months ended **June 30, 2024** **September 30, 2024** and 2023 was **\$2.1 million** **\$2.9 million** and **\$1.2 million** **\$2.0 million**, respectively, of realized gains as a result of borrowers paying off their promotional period loans before the end of the promotional period which triggers payment from the derivative counterparty of the interest accrued during the promotional period along with other income due to us under the agreement.

The following table presents the major categories of noninterest income for the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023:

(dollars in thousands)	For the Six Months Ended			For the Nine Months Ended		
	June 30,		Change	September 30,		Change
	2024	2023		2024	2023	
Account maintenance and deposit service fees	\$ 3,254	\$ 2,681	\$ 573	\$ 4,722	\$ 4,215	\$ 507
Income from bank-owned life insurance	1,544	814	730	1,975	1,601	374
Mortgage banking income	11,976	9,513	2,463	18,779	14,435	4,344
Gain on sale of loans	307	51	256	307	268	39
Consumer Program derivative	3,313	13,201	(9,888)			
Consumer Program derivative gains				3,392	15,233	(11,841)
Other noninterest income	764	347	417	1,266	578	688
Total noninterest income	\$ 21,158	\$ 26,607	\$ (5,449)	\$30,441	\$36,330	\$ (5,889)

Noninterest income decreased **20%16%** to **\$21.2 million** **\$30.4 million** for the **six nine** months ended **June 30, 2024** **September 30, 2024**, compared to **\$26.6 million** **\$36.3 million** for the **six nine** months ended **June 30, 2023** **September 30, 2023**. The decrease in noninterest income was primarily driven by declines in Consumer Program derivative income, partially offset by **\$2.5 million** **\$4.3 million** of higher mortgage banking income and **\$0.7 million** of higher income from bank-owned life insurance. The Consumer Program derivative income declined primarily due to fair value loss adjustments on the derivative asset of **\$0.9 million** **\$3.7 million** during the **six nine** months ended **June 30, 2024** **September 30, 2024** compared to fair value gains of **\$11.1 million** during the **six nine** months ended **June 30, 2023** **September 30, 2023**. The derivative asset and related gains are driven by anticipated cash payments due to us from the third-party when borrowers prepay their loans in a no-interest promotional period. During the **first six nine** months of 2023, the value of the derivative and related gains were primarily driven by **\$52.3 million** **\$62.1 million** of loans with a **no-interest** **no-**

[Table of Contents](#)

interest promotional period originated **during** in the last quarter of 2022 and the **first six months** **nine months of 2023**. Comparatively, during the **first six nine** months of 2024 a nominal amount of no-interest promotional loans was originated and the existing ones were beginning to exit their promo period. Offsetting the fair value loss adjustments during the **six nine** months ended **June 30, 2024** **September 30, 2024** and adding to the gains in 2023 was **\$4.2 million** **\$7.1 million** and **\$2.1 million** **\$4.1 million**, respectively, of realized gains as a result of borrowers paying off their promotional period loans before the end of the promotional period which triggers payment from the derivative counterparty of the interest accrued during the promotional period, along with other income due to us under the agreement.

The increase in **Mortgage** **mortgage** banking income was a result of the continued growth of the mortgage business in 2024 compared to 2023. During the **six nine** months ended **June 30, 2024** **September 30, 2024** we realized **\$6.5 million** **\$12.0 million** on sale gains compared to **\$5.1 million** **\$7.0 million** during the **six nine** months ended **June 30, 2023** **September 30, 2023** as a result of higher sales volumes. The gains on

sale were partially offset with higher sales costs due to the higher volume. The decrease in noninterest income was also partially offset by an increase in income on bank-owned life insurance was driven by one-time death benefit gains during account maintenance and deposit fees due to higher volume of accounts and transactions in 2024 as a result of the six months of \$0.7 million deposit growth since 2023.

[Table of Contents](#)

Noninterest Expense

The following table presents the major categories of noninterest expense for the three months ended **June 30, 2024** **September 30, 2024** and 2023:

(dollars in thousands)	For the Three Months Ended			For the Three Months Ended		
	June 30,		Change	September 30,		Change
	2024	2023		2024	2023	
Salaries and benefits	\$ 16,088	\$ 15,283	\$ 805	\$ 16,764	\$ 13,809	\$ 2,955
Occupancy expenses	1,250	1,593	(343)	1,248	1,633	(385)
Furniture and equipment expenses	1,849	1,852	(3)	1,823	1,537	286
Amortization of core deposit intangible	317	318	(1)	318	317	1
Virginia franchise tax expense	632	848	(216)	631	849	(218)
FDIC insurance assessment	589	1,070	(481)	545	820	(275)
Data processing expense	2,347	2,828	(481)	2,552	2,250	302
Marketing expense	499	521	(22)	449	377	72
Telephone and communication expense	341	416	(75)	330	356	(26)
Professional fees	2,976	1,075	1,901	2,914	1,118	1,796
Goodwill impairment				—	11,150	(11,150)
Fraud losses	17	1,997	(1,980)	61	267	(206)
Miscellaneous lending expenses	285	568	(283)	1,098	424	674
Other operating expenses	2,596	2,070	526	2,222	2,041	181
Total noninterest expenses	\$ 29,786	\$ 30,439	\$ (653)	\$ 30,955	\$ 36,948	\$ (5,993)

Noninterest expenses declined **2%** **16%** to **\$29.8 million** **\$31.0 million** during the three months ended **June 30, 2024** **September 30, 2024**, compared to **\$30.4 million** **\$36.9 million** during the three months ended **June 30, 2023** **September 30, 2023**. The decline was primarily driven by higher fraud losses, FDIC insurance assessments and data processing costs in the prior year, partially offset by higher professional fees and salaries and benefits in 2024. The fraud losses goodwill impairment of **\$11.2 million** recognized during the three months ended **June 30, 2023** **September 30, 2023**. The decrease was primarily related to a substantial increase in deposit account fraud, which was also seen across the industry during that time. The FDIC insurance costs were higher during the three months ended June 30, 2023 as a result of the higher deposit base driven by the growth of the digital platform compared to the same period in 2024, less growth in deposits, and excess deposit cash sweeps being utilized during the quarter. The data processing expenses were higher during the three months ended June 30, 2023 driven by substantially higher application volume on the digital deposit platform as a result of a savings account rate promotion offered during 2023 that did not re-occur in 2024. During the three months ended June 30, 2024 these declines in noninterest expenses were partially offset by higher salaries and benefits expenses, professional fees, related to the SEC pre-clearance and restatement process, miscellaneous lending expenses in 2024. The higher salaries and benefits expense was driven by growth in the mortgage line of business and the Panacea division. The increase in professional fees was related to the SEC pre-clearance and restatement process. The higher miscellaneous lending expenses was driven by increased servicing costs paid to the third-party that services the Consumer Program loan portfolio for us.

[Table of Contents](#)

The following table presents the major categories of noninterest expense for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023:

(dollars in thousands)	For the Six Months Ended			For the Nine Months Ended		
	June 30,		Change	September 30,		Change
	2024	2023		2024	2023	
Salaries and benefits	\$ 31,822	\$ 30,311	\$ 1,511	\$48,587	\$44,120	\$ 4,467
Occupancy expenses	2,740	3,038	(298)	3,988	4,671	(683)
Furniture and equipment expenses	3,465	3,429	36	5,288	4,966	322
Amortization of core deposit intangible	634	635	(1)	952	952	—
Virginia franchise tax expense	1,263	1,697	(434)	1,894	2,546	(652)
FDIC insurance assessment	1,199	1,434	(235)	1,744	2,254	(510)
Data processing expense	4,578	5,079	(501)	7,130	7,329	(199)
Marketing expense	958	1,090	(132)	1,407	1,467	(60)
Telephone and communication expense	687	793	(106)	1,017	1,149	(132)
Professional fees	4,341	1,937	2,404	7,255	3,055	4,200
Fraud losses (recoveries)	(1)	2,452	(2,453)			
Goodwill impairment				—	11,150	(11,150)
Fraud losses				59	2,719	(2,660)
Miscellaneous lending expenses	737	1,453	(716)	1,835	1,878	(43)
Other operating expenses	4,900	4,045	855	7,123	6,085	1,038
Total noninterest expenses	\$ 57,323	\$ 57,393	\$ (70)	\$88,279	\$94,341	\$ (6,062)

Noninterest expenses **were** **essentially** **flat** **when** **comparing** **declined** **6%** **to** **\$88.3** **million** **during** **the** **six** **three** **months** **ended** **June 30, 2024** **September 30, 2024**, **compared** **to** **2023**, **\$94.3** **million** **during** **the** **three** **months** **ended** **September 30, 2023**. Decreases in expenses were seen across almost all expense categories but the decline was primarily driven by goodwill impairment and fraud losses (recoveries), miscellaneous lending. Our decline in expenses and data processing and were was partially offset by increases in professional fees and salaries and benefits. The decreases in noninterest expenses in fraud losses (recoveries) and data processing was primarily for during the same reasons as discussed above for the three nine months ended June 30, 2024 compared to 2023. The decrease in miscellaneous lending expenses during the six months ended June 30, 2024 compared to 2023 September 30, 2023 was primarily related to a substantial increase in deposit account fraud, which was also seen across the industry during that time. Other notable declines in expenses were seen in occupancy expenses, Virginia franchise tax, and FDIC insurance costs. The latter two categories were a result of a decline in average deposits and capital from the calculated credit loss reserve for unfunded commitments prior year. The occupancy expense decline is primarily related to the nine months of 2024 not including branch costs related to our branch restructuring in fourth quarter of 2023, while the nine months ended September 30, 2023 included these costs. The partially offsetting expense increases in noninterest expenses during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** compared to 2023 in professional fees and salaries and benefits was primarily for the same reasons as discussed above for the three months ended **June 30, 2024** **September 30, 2024** compared to 2023.

FINANCIAL CONDITION

The following illustrates key balance sheet categories as of **June 30, 2024** **September 30, 2024** and December 31, 2023 (in thousands):

	June 30,	December 31,		Change	September 30,	December 31,		Change
	2024	2023			2024	2023		
Total cash and cash equivalents	\$ 66,580	\$ 77,553	\$ (10,973)		\$ 77,274	\$ 77,553	\$ (279)	
Securities available-for-sale	232,867	228,420	4,447		242,543	228,420	14,123	
Securities held-to-maturity	10,649	11,650	(1,001)		9,766	11,650	(1,884)	
Loans held for sale	94,644	57,691	36,953					
Loans held for sale, at fair value					96,897	57,691	39,206	
Loans held for sale, at lower of cost or market					361,825	—	361,825	
Net loans	3,248,988	3,167,205	81,783		2,922,591	3,167,205	(244,614)	
Other assets	312,290	314,027	(1,737)		313,451	314,027	(576)	
Total assets	\$ 3,966,018	\$ 3,856,546	\$ 109,472		\$ 4,024,347	\$ 3,856,546	\$ 167,801	
Total deposits	\$ 3,335,463	\$ 3,270,155	\$ 65,308		\$ 3,306,431	\$ 3,270,155	\$ 36,276	
Borrowings	200,079	149,032	51,047		281,980	149,032	132,948	
Other liabilities	36,265	39,766	(3,501)		38,873	39,766	(893)	
Total liabilities	3,571,807	3,458,953	112,854		3,627,284	3,458,953	168,331	
Total equity	394,211	397,593	(3,382)		397,063	397,593	(530)	
Total liabilities and equity	\$ 3,966,018	\$ 3,856,546	\$ 109,472		\$ 4,024,347	\$ 3,856,546	\$ 167,801	

Loans

Gross loans held for investment were **\$3.3 billion** **\$3.0 billion** and **\$3.2 billion** as of **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively. As disclosed in "Note 1 - Accounting Policies" in this Form 10-Q, we entered into an agreement to sell approximately **\$370 million** of **June 30, 2024** LPF loans and the amount of those loans that were already funded as of September 30, 2024 have been reclassified to "loans held for sale, at lower of cost or market" as of September 30, 2024, which is the entire increase in that balance sheet category since year end and represents a large portion of the decrease in "net loans" since year end.

As of September 30, 2024 and December 31, 2023, a majority of our loans were to customers located in Virginia and Maryland. We are not dependent on any single customer or group of customers whose insolvency would have a material adverse effect on our operations. Our loan gross loans held for investment portfolio declined 8% from year end, which was driven by the reclassified LPF loans to held for sale at September 30. When considering the LPF held for sale loans, our gross loans grew 2.5% 4% in 2024. Our decline in gross loans held for investment as of September 30 was driven by decline in Consumer and Commercial loans driven by the LPF transfer and declines in the first six months construction and land development portfolio due to paydowns of 2024 which was driven loans in that portfolio. The declines were partially offset by growth in multi-family residential and non-owner and owner occupied commercial real estate, and consumer loans. The majority of this growth was concentrated in loan growth in the Panacea and Life Premium Finance divisions with loans that are diversified geographically and are spread across the nation. The overall loan portfolio growth was partially offset by a reduction in our construction and land development portfolio due to paydowns of loans in that portfolio.

On October 24, 2024, the Company entered into a purchase and assumption agreement with EverBank for sale of the Company's LPF division. EverBank will acquire LPF from the Company, except for a subset of mostly fixed rate and rate-capped loans that will be retained by the Bank. All of the LPF operations, including its employees, will be assumed by EverBank as part of the transaction that is expected to result in a pre-tax gain of \$4.5 million for the Company, net of advisory and legal fees, at the initial closing in the fourth quarter of 2024. EverBank will acquire approximately \$370 million of loans from the division with the Bank providing interim servicing until the transition of the business at the final closing which is expected on January 31, 2025. Between the first and second closings, EverBank will purchase loans generated by the division in ordinary course at par. After the second closing, EverBank will service the Bank's retained portfolio for the duration of the portfolio. As of June 30, 2024, the Company had not made the decision to sell LPF and had not identified specific loans that it might sell, therefore the amortized cost balance of the loans remains in "loans held for investment" on the condensed consolidated balance sheets in Item 1 in this Form 10-Q and where loans held for investment are disclosed in this MD&A.

[Table of Contents](#)

The composition of our loans held for investment portfolio consisted of the following as of June 30, 2024 September 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Loans secured by real estate:								
Commercial real estate - owner occupied	\$ 463,328	14.0 %	\$ 455,397	14.1 %	\$ 463,848	15.6 %	\$ 455,397	14.1 %
Commercial real estate - non-owner occupied	612,428	18.6 %	578,600	18.0 %	609,743	20.5 %	578,600	18.0 %
Secured by farmland	4,758	0.1 %	5,044	0.2 %	4,356	0.1 %	5,044	0.2 %
Construction and land development	104,886	3.2 %	164,742	5.1 %	105,541	3.5 %	164,742	5.1 %
Residential 1-4 family	608,035	18.4 %	606,226	18.8 %	607,313	20.4 %	606,226	18.8 %
Multi- family residential	171,512	5.2 %	127,857	4.0 %	169,368	5.7 %	127,857	4.0 %
Home equity lines of credit	62,152	1.9 %	59,670	1.9 %	62,421	2.1 %	59,670	1.9 %
Total real estate loans	2,027,099	61.4 %	1,997,536	62.0 %	2,022,590	68.0 %	1,997,536	62.0 %
Commercial loans	619,365	18.8 %	602,623	18.7 %	533,998	18.0 %	602,623	18.7 %
Paycheck protection program loans	1,969	0.1 %	2,023	0.1 %	1,941	0.1 %	2,023	0.1 %
Consumer loans	646,590	19.6 %	611,583	19.0 %	409,754	13.8 %	611,583	19.0 %
Total Non-PCD loans	3,295,023	99.8 %	3,213,765	99.8 %	2,968,283	99.8 %	3,213,765	99.8 %
PCD loans	5,539	0.2 %	5,649	0.2 %	5,440	0.2 %	5,649	0.2 %
Total loans	\$ 3,300,562	100.0 %	\$ 3,219,414	100.0 %	\$ 2,973,723	100.0 %	\$ 3,219,414	100.0 %

[Table of Contents](#)

The following table sets forth the contractual maturity ranges of our loans held for investment portfolio and the amount of those loans with fixed and floating interest rates in each maturity range as of **June 30, 2024** **September 30, 2024** (in thousands):

	After 1 Year										After 5 Years									
	One Year or Less		Through 5 Years		Through 15 Years		After 15 Years		Total	One Year or Less		Through 5 Years		Through 15 Years		Total				
	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating		Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating			
Loans secured by real estate:																				
Commercial real estate - owner occupied	\$ 20,796	\$ 87,424	\$ 25,272	\$ 134,902	\$ 135,575	\$ 1,715	\$ 57,644	\$ 463,328		\$ 24,224	\$ 87,471	\$ 22,411	\$ 141,538	\$ 129,847	\$ 1,700					
Commercial real estate - non-owner occupied	75,347	215,880	30,229	53,373	73,238	9,633	154,728	612,428		116,652	168,629	30,497	53,178	78,025	9,560					
Secured by farmland	1,365	1,157	78	117	797	—	1,244	4,758		1,197	982	75	119	769	—					
Construction and land development	67,729	1,833	16,525	3,870	12,686	665	1,578	104,886		61,797	1,683	18,070	5,571	18,376	—					
Residential 1-4 family	22,665	43,092	12,390	24,774	52,239	69,489	383,386	608,035		19,149	43,420	17,235	24,692	51,177	68,085					
Multi- family residential	16,096	97,767	3,480	—	28,048	—	26,121	171,512		10,113	95,717	14,818	—	—	22,816					
Home equity lines of credit	4,720	3,250	7,466	46	3,037	17	43,616	62,152		4,643	3,229	6,618	45	3,699	1,950					
Total real estate loans	208,718	450,403	95,440	217,082	305,620	81,519	668,317	2,027,099		237,775	401,131	109,724	225,143	304,709	79,360					
Commercial loans	100,375	112,461	121,397	225,733	55,651	1,102	2,646	619,365		111,686	105,301	40,289	233,617	39,395	1,071					
Paycheck protection program loans	905	880	—	184	—	—	—	1,969		894	874	—	173	—	—					
Consumer loans	3,954	284,831	170,795	80,048	104,943	2,013	6	646,590		5,175	276,167	49,496	70,069	6,849	1,950					
Total Non-PCD loans	313,952	848,575	387,632	523,047	466,214	84,634	670,969	3,295,023		355,530	783,473	199,509	529,002	350,953	82,430					
PCD loans	2,572	1,348	37	—	1,194	388	—	5,539		1,319	2,546	31	—	1,156	385					
Total loans	\$316,524	\$849,923	\$387,669	\$523,047	\$467,408	\$85,022	\$670,969	\$3,300,562		\$356,849	\$786,019	\$199,540	\$529,002	\$352,109	\$82,820					

The following table sets forth the contractual maturity ranges of our Consumer Program loan portfolio as of **June 30, 2024** **September 30, 2024**, which is only originated at fixed rates (in thousands):

	After One Year to Five Years Through Ten Years					One Year to Five Years Through After Ten Years				
	One Year or Less	Year to Five Years	Through Ten Years	After Ten Years	Total	One Year or Less	Year to Five Years	Through Ten Years	After Ten Years	Total
	Less	Years	Ten Years	Years	Total	Less	Years	Ten Years	Years	Total

Consumer Program Loans	\$ 1,447	\$ 128,335	\$ 45,770	\$ 18,665	\$ 194,217	\$ 479	\$ 109,242	\$ 44,034	\$ 25,924	\$ 179,679
------------------------	----------	------------	-----------	-----------	------------	--------	------------	-----------	-----------	------------

51

[Table of Contents](#)

The following table describes the period over which our Consumer Program loans that are currently in a no interest promotional period will exit that promotional period and begin to amortize. All of these promotional loans amortize over four years from the date they exit the promotional period if not prepaid before the end of the promotional period (in thousands):

Consumer Program Loans	Amount ending	Amount ending	Amount ending	Amount ending	
	No Interest	No Interest	Total Interest	No Interest	No Interest
	Promo Period in	Promo Period in	Promo	Promo Period in	Promo Period in
	next 12 months	next 13-24 months	as of 6/30/24	next 12 months	next 13-24 months as of 9/30/24
	\$ 63,280	\$ 19,111	\$ 82,391	\$ 48,394	\$ 11,270
					\$ 59,664

During the three months ended **June 30, 2024** **September 30, 2024**, **\$3.7 million** **\$13.6 million** of loans paid off during the no interest promo period and **\$2.7 million** **\$11.7 million** of loans ended their no interest promo period and began to amortize. During the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, **\$9.3 million** **\$22.9 million** of loans paid off during the no interest promo period and **\$7.5 million** **\$19.2 million** of loans ended their no interest promo period and began to amortize.

50

[Table of Contents](#)

Asset Quality; Past Due Loans and Nonperforming Assets

The following table presents a comparison of nonperforming assets as of **June 30, 2024** **September 30, 2024** and December 31, 2023 (in thousands):

	June 30,		December 31,		September 30,		December 31,	
	2024	2023	2024	2023	2024	2023	2024	2023
Nonaccrual loans	\$ 11,289	\$ 9,095	\$ 14,424	\$ 9,095				
Loans past due 90 days and accruing interest	1,897	1,714	1,714	1,714				
Total nonperforming assets	\$ 13,186	\$ 10,809	\$ 16,138	\$ 10,809				
SBA guaranteed amounts included in nonperforming loans	\$ 3,268	\$ 3,115	\$ 5,954	\$ 3,115				
Allowance for credit losses to total loans		1.56 %	1.62 %		1.72 %	1.62 %		
Allowance for credit losses to nonaccrual loans		456.88 %	574.06 %		354.48 %	574.06 %		
Allowance for credit losses to nonperforming loans		391.14 %	483.04 %		316.85 %	483.04 %		
Nonaccrual to total loans		0.34 %	0.28 %		0.49 %	0.28 %		

Nonperforming assets excluding SBA guaranteed loans to total assets	0.25 %	0.20 %	0.25 %	0.20 %
---	--------	--------	--------	--------

Asset quality remained relatively stable Nonperforming assets were up during the first six nine months of 2024, with nonperforming assets up \$2.4 million to \$13.2 million primarily as a result of driven by an increase in nonaccrual loans, loans of \$5.3 million to \$14.4 million. The increase was driven primarily by one two commercial real estate loans totalling \$4.2 million, one commercial loan three commercial loans, totalling \$0.7 million, one 1-4 family junior lien secured loan totalling \$0.2 million and five consumer loans one home equity line of credit loan totalling \$0.2 million added to nonaccrual during the year. Two All of these additions during the year are secured by collateral and portions of the commercial loans balances that remain from year end have partial SBA guarantees. Despite the increase in nonaccrual loans, our levels of nonaccruals to total loans and all but one of these loans nonaccruals to total assets is secured by collateral, still under 0.50% for both. We will generally place a loan on nonaccrual status when it becomes 90 days past due, with the exception of most consumer loans which are charged off at 120 days past due and Consumer Program loans which are charged off once they reach 90 days past due. Loans will also be placed on nonaccrual status in cases where we are uncertain whether the borrower can satisfy the contractual terms of the loan agreement. Cash payments received while a loan is categorized as nonaccrual will be recorded as a reduction of principal as long as doubt exists as to future collections.

We maintain appraisals on loans secured by real estate, particularly those categorized as nonperforming loans and potential problem loans. In instances where appraisals reflect reduced collateral values, we make an evaluation of the borrower's overall financial condition to determine the need, if any, for impairment or write-down to their fair values. If foreclosure occurs, we record OREO at the lower of our recorded investment in the loan or fair value less our estimated costs to sell.

52

[Table of Contents](#)

Our loan portfolio losses and delinquencies have been primarily limited by our underwriting standards and portfolio management practices. Whether losses and delinquencies in our portfolio will increase significantly depends upon the value of the real estate securing the loans and economic factors, such as the overall economy, rising or elevated interest rates, historically high or persistent inflation, and recessionary concerns.

We originate a portion of our consumer loans (the Consumer Program) using a third party that sources and subsequently manages the portfolio of loans. As of June 30, 2024 September 30, 2024, the principal balance outstanding was \$194.2 million \$179.7 million. These loans are accounted for similar to our other consumer loans and are not placed on nonaccrual because they are charged off when they become 90 days past due. The allowance on this portfolio of loans was \$22.3 million \$19.5 million as of June 30, 2024 September 30, 2024 and represented 43% 44% of our total allowance for credit losses. Net charge-offs on this portfolio were \$4.3 million \$4.0 million and \$8.7 million \$12.6 million during the three and six nine months ended June 30, 2024 September 30, 2024, respectively, and represented approximately 87% 50% and 85% 69%, respectively, of net charge-offs recorded during the periods.

The Company tightened its origination criteria in regard to this portfolio in April of 2023 and from that point forward we generally originated loans to consumer borrowers being managed by the third party with FICO scores over 720, whereas prior periods loan production included approximately 40% of loans to borrowers with weaker credit scores. This older vintage lower credit score portion of the portfolio has driven the uptick in related charge-offs during 2023 which continued into the first six months of 2024 and necessitated the update of the Company's expected loss rates on this portfolio for purposes of determining the allowance for credit losses as discussed in our Annual Report on Form 10-K for 2023. This updated loss rate has been a driver in the increase of the allowance on the portfolio. The newer production represented

51

[Table of Contents](#)

approximately 33% 38% of the portfolio as of **June 30, 2024** September 30, 2024 and is expected to improve the quality mix of the portfolio and result in lower realized net charge-offs and provisions for credit losses in future periods.

Investment Securities

The following table sets forth a summary of the investment securities portfolio as of the dates indicated. Available-for-sale investment securities are reported at fair value, and held-to-maturity investment securities are reported at amortized cost (in thousands).

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Available-for-sale investment securities:				
Residential government-sponsored mortgage-backed securities	\$ 90,762	\$ 96,808	\$ 92,280	\$ 96,808
Obligations of states and political subdivisions	29,693	30,080	30,568	30,080
Corporate securities	13,726	14,048	14,003	14,048
Collateralized loan obligations	5,008	4,982	—	4,982
Residential government-sponsored collateralized mortgage obligations	48,854	34,471	56,833	34,471
Government-sponsored agency securities	13,668	13,711	14,276	13,711
Agency commercial mortgage-backed securities	27,311	30,110	26,953	30,110
SBA pool securities	3,845	4,210	7,630	4,210
Total	\$ 232,867	\$ 228,420	\$ 242,543	\$ 228,420
Held-to-maturity investment securities:				
Residential government-sponsored mortgage-backed securities	\$ 8,392	\$ 9,040	\$ 8,066	\$ 9,040
Obligations of states and political subdivisions	2,069	2,391	1,519	2,391
Residential government-sponsored collateralized mortgage obligations	188	219	181	219
Total	\$ 10,649	\$ 11,650	\$ 9,766	\$ 11,650

Debt investment securities that we have the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at amortized cost. Investment securities classified as available-for-sale are those debt securities that may be sold in response to changes in interest rates, liquidity needs or other similar factors. Investment securities available-for-sale are carried at fair value, with unrealized gains or losses net of deferred taxes, included in accumulated other

53

[Table of Contents](#)

comprehensive income (loss) in stockholders' equity. Our portfolio of available-for-sale securities currently contains a material amount of unrealized mark-to-market adjustments due to increases in market interest rates since the original purchase of many of these securities. We intend to hold these securities until maturity or recovery of the value and do not anticipate realizing any losses on the investments.

Investment securities, available-for-sale and held-to-maturity, totaled **\$243.5 million** \$252.3 million as of **June 30, 2024** September 30, 2024, an increase of **1.4% 5.1%** from \$240.1 million as of December 31, 2023, primarily due to purchases of available-for-sale securities, partially offset by paydowns, maturities, and calls of the investments over the past **six nine** months. We recognized no credit impairment charges related to credit losses on our held-to-maturity investment securities during the three and **six nine** months ended **June 30, 2024** September 30, 2024 and an immaterial amount of credit impairment charges were taken during the three and **six nine** months ended **June 30, 2023** September 30, 2023.

For additional information regarding investment securities refer to "Note 2 - Investment Securities" in this Form 10-Q.

Deposits and Other Borrowings

Deposits

The market for deposits is competitive. We offer a line of traditional deposit products that currently include noninterest-bearing and interest-bearing checking (or NOW accounts), commercial checking, money market accounts, savings

52

[Table of Contents](#)

accounts and certificates of deposit. We compete for deposits through our banking branches with competitive pricing, as well as nationally through advertising and online banking. We use deposits as a principal source of funding for our lending, purchasing of investment securities and for other business purposes.

The variety of deposit accounts we offer allows us to be competitive in obtaining funds and in responding to the threat of disintermediation (the flow of funds away from depository institutions such as banking institutions into direct investment vehicles such as government and corporate securities). Our ability to attract and maintain deposits, and the effect of such retention on our cost of funds, has been, and will continue to be, significantly affected by the general economy and market rates of interest.

Total deposits were \$3.3 billion as of **June 30, 2024** **September 30, 2024**, a **2%** **1%** increase from December 31, 2023. The increase in deposits from year end was primarily driven by growth in money market and savings accounts due to our competitive rates on these products. Savings accounts increased **11%** **12%** from \$783.8 million as of December 31, 2023 to **\$866.3 million** **\$873.8 million** as of **June 30, 2024** **September 30, 2024**. Money market accounts increased 5% from \$794.5 million as of December 31, 2023 to **\$831.8 million** **\$835.1 million** as of **June 30, 2024** **September 30, 2024**. Our deposits are diversified in type and by underlying customer and lack significant concentrations to any type of customer (i.e. commercial, consumer, government) or industry.

Uninsured deposits are defined as the portion of deposit accounts in U.S. offices that exceed the FDIC insurance limit and amounts in any other uninsured investment or deposit account that are classified as deposits and are not subject to any federal or state deposit insurance regimes. Total uninsured deposits as calculated per regulatory guidance were **\$849.3 million** **\$820.4 million**, or 25% of total deposits, as of **June 30, 2024** **September 30, 2024**.

Other Borrowings

We use other borrowed funds to support our liquidity needs and to temporarily satisfy our funding needs from increased loan demand and for other shorter term purposes. We are a member of the FHLB and are authorized to obtain advances from the FHLB from time to time as needed. The FHLB has a credit program for members with different maturities and interest rates, which may be fixed or variable. We are required to collateralize our borrowings from the FHLB with purchases of FHLB stock and other collateral acceptable to the FHLB. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, total FHLB borrowings were **\$80.0 million** **\$165.0 million** and \$30.0 million, respectively. As of **June 30, 2024** **September 30, 2024**, we had **\$517.6 million** **\$300.9 million** of unused and available FHLB lines of credit. Subsequent to **September 30, 2024**, we repaid all of our outstanding

54

[Table of Contents](#)

FHLB advances of \$165.0 million with excess liquidity from the LPF loan sale. This increased our available FHLB lines of credit by a similar amount following repayment.

Other borrowings can consist of federal funds purchased, secured borrowings due to failed loan sales, and securities sold under agreements to repurchase ("repo") that mature within one year, which are secured transactions with customers. The balance in repo accounts at both **June 30, 2024** **September 30, 2024** and December 31, 2023 was **\$3.3 million** **\$3.7 million** and \$3.0 million, respectively.

We had secured borrowings of **\$21.1 million** **\$17.5 million** and \$20.4 million as of **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively, related to loan transfers to **another other financial institution** **institutions** during 2023 and the first **six nine** months of 2024 that did not meet the criteria to be treated as a sale under relevant accounting guidance. These borrowings reflect the cash received for transferring the loans to the other financial institution and any unamortized sale premium and are secured by approximately the same amount of loans held for investment that are recorded in our balance sheet. We retained the servicing of the loans that were transferred and accordingly receive principal and interest from the borrower as contractually required and transfer the interest to the other financial institution net of our contractually agreed upon servicing fee. The loans transferred have an average maturity of approximately ten years which will be the time over which the principal balance of the loans in our balance sheet and secured borrowings will pay down, absent borrower prepayments. During the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, additional advances were made to borrowers under the loans previously transferred in 2023 and were accordingly treated as additional secured borrowings as of **June 30, 2024** **September 30, 2024**. Additionally, during the three and nine months ended September 30, 2024, we voluntarily repurchased \$3.5 million of the loans included in the original failed loan sales from one of the other institutions which drove the decline in our balance of secured borrowers and the loans held for investment collateralizing secured borrowings. For additional information on secured borrowings refer to "Note 7 –Debt and Other Borrowings" in this Form 10-Q.

[Table of Contents](#)

Junior Subordinated Debt and Senior Subordinated Notes

For information about junior subordinated debt and senior subordinated notes and their anticipated principal repayments refer to "Note 7 – Debt and Other Borrowings."

Liquidity and Funds Management

The objective of our liquidity management is to ensure the ability to meet our financial obligations. These obligations include the payment of deposits on demand or at maturity, the repayment of borrowings at maturity and the ability to fund commitments and other new business opportunities. We obtain funding from a variety of sources, including customer deposit accounts, customer certificates of deposit and payments on our loans and investments. If our level of core deposits are not sufficient to fully fund our lending activities, we have access to funding from additional sources, including but not limited to borrowing from the Federal Home Loan Bank of Atlanta and institutional certificates of deposits. In addition, we maintain federal funds lines of credit with two correspondent banks, totaling \$75 million, and utilize securities sold under agreements to repurchase and reverse repurchase agreement borrowings from approved securities dealers as needed. For additional information about borrowings and anticipated principal repayments refer to "Note 7 –Debt and Other **Borrowings**", and Note "Note 9 – Commitments and Contingencies."

We prepare a cash flow forecast on a 30, 60 and 90 day basis along with a one and two year basis. These projections incorporate expected cash flows on loans, investment securities, and deposits based on data used to prepare our interest rate risk analyses. As of **June 30, 2024** **September 30, 2024**, Primis was not aware of any known trends, events or uncertainties that have or are reasonably likely to have a material impact on our liquidity. As of **June 30, 2024** **September 30, 2024**, Primis has no material commitments or long-term debt for capital expenditures.

Capital Resources

Capital management consists of providing equity to support both current and future operations. Primis Financial Corp. and its subsidiary, Primis Bank, are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional

[Table of Contents](#)

discretionary - actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action ("PCA"), we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the most recent regulatory notifications categorized the Bank as well capitalized under regulatory framework for PCA. Federal banking agencies do not provide a similar well capitalized threshold for bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require Primis to maintain minimum amounts and ratios of Total and Tier I capital (as defined in the regulations) to average assets (as defined). Management believes, as of **June 30, 2024** **September 30, 2024**, that Primis meets all capital adequacy requirements to which it is subject.

[Table of Contents](#)

The following table provides a comparison of the leverage and risk-weighted capital ratios of Primis Financial Corp. and Primis Bank at the periods indicated to the minimum and well-capitalized required regulatory standards:

		Minimum				Minimum			
		Required for		Actual Ratio at		Required for		Actual Ratio at	
		Capital	To Be	June 30,	December 31,	Capital	To Be	September 30,	December 31,
		Adequacy	Categorized as	2024	2023	Adequacy	Categorized as	2024	2023
		Purposes	Well Capitalized (1)			Purposes	Well Capitalized (1)		
Primis	Financial								
Corp.									
Leverage ratio		4.00 %	n/a	8.25 %	8.37 %	4.00 %	n/a	8.20 %	8.37 %
Common equity tier 1 capital ratio		4.50 %	n/a	8.85 %	8.96 %	4.50 %	n/a	8.23 %	8.96 %
Tier 1 risk-based capital ratio		6.00 %	n/a	9.14 %	9.25 %	6.00 %	n/a	8.51 %	9.25 %
Total risk-based capital ratio		8.00 %	n/a	12.45 %	13.44 %	8.00 %	n/a	11.68 %	13.44 %
Primis	Bank								
Leverage ratio		4.00 %	5.00 %	9.86 %	9.80 %	4.00 %	5.00 %	9.73 %	9.80 %
Common equity tier 1 capital ratio		7.00 %	6.50 %	11.05 %	10.88 %	7.00 %	6.50 %	10.38 %	10.88 %
Tier 1 risk-based capital ratio		8.50 %	8.00 %	11.05 %	10.88 %	8.50 %	8.00 %	10.38 %	10.88 %

Total risk-based capital ratio	10.50 %	10.00 %	12.30 %	12.12 %	10.50 %	10.00 %	11.63 %	12.12 %
--------------------------------	---------	---------	---------	---------	---------	---------	---------	---------

⁽¹⁾ Prompt corrective action provisions are not applicable at the bank holding company level.

Bank regulatory agencies have approved regulatory capital guidelines ("Basel III") aimed at strengthening existing capital requirements for banking organizations. The Basel III Capital Rules require Primis Financial Corp. and Primis Bank to maintain (i) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer", (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer, (iii) a minimum ratio of Total capital to risk-weighted assets of at least 8.0%, plus the capital conservation buffer and (iv) a minimum leverage ratio of 4.0%. Failure to meet minimum capital requirements may result in certain actions by regulators which could have a direct material effect on the consolidated financial statements.

Primis Financial Corp. and Primis Bank remain well-capitalized under Basel III capital requirements. Primis Bank had a capital conservation buffer of **4.30%** **3.63%** as of **June 30, 2024** **September 30, 2024**, which exceeded the 2.50% minimum requirement below which the regulators may impose limits on distributions.

Primis Bank's capital position is consistent with being well-capitalized under the regulatory framework for PCA.

CRITICAL ACCOUNTING POLICIES

The critical accounting policies are discussed in MD&A in our Annual Report on Form 10-K for the year ended December 31, 2023. Significant accounting policies and changes in accounting principles and effects of new accounting pronouncements are discussed in "Note 1 - Organization and Significant Accounting Policies" in the Form 10-K for the year ended December 31, 2023. Disclosures regarding changes in our significant accounting policies since year end and the effects of new accounting pronouncements are included in "Note 1 - Accounting Policies" in this Form 10-Q. There

[Table of Contents](#)

have been no changes to the significant accounting policies during the first **six nine** months of 2024. Notwithstanding, we are providing an update to the Goodwill discussion from our Form 10-K to describe the results of our annual impairment testing performed during the quarter.

Goodwill

As discussed in our Form 10-K for the year ended December 31, 2023, we are required to test goodwill for impairment at least annually and that test is performed as of September 30 of each year. Our goodwill is allocated to our two reporting units, Primis Bank and Primis Mortgage, and as of September 30, 2024, \$90.7 million of goodwill is allocated to the Primis Bank reporting unit and \$2.7 million is allocated to the Primis Mortgage reporting unit. As of September 30, 2024, we elected to forgo a qualitative assessment allowed under U.S. GAAP and performed a quantitative assessment to test goodwill for impairment. As part of our impairment assessment, the fair value of each reporting unit was estimated using a combination of a market and income approach. The income approach is a valuation technique under which we estimate future cash flows using the financial forecast from the perspective of an unrelated market participant and a terminal value was then applied to the projected cash flow stream. Future estimated cash flows were discounted to their present value to calculate the estimated fair value. The market valuation approach evaluated transactions of comparable banks and considered market pricing ratios of public bank peers. As of September 30, 2024, the estimated fair value significantly exceeded the carrying value of the Primis Mortgage reporting unit and no goodwill impairment was required.

As of September 30, 2024, the estimated fair value of the Primis Bank reporting unit was 111% of the carrying value of the reporting unit, and no goodwill impairment was required. Fair value determinations utilized in the quantitative goodwill impairment test for the Primis Bank reporting unit required considerable judgment and is sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of the reporting unit requires us to make assumptions and estimates regarding future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates at September 30 included estimated future annual interest income and interest expense, lending and deposit interest rates, Fed borrowing rates, discount rates, growth rates of the bank and its loan and deposit portfolio, credit losses on the loan portfolio, and other market factors. We also make assumptions in certain testing methodologies about the composition

of our peers and market acquisition transactions related to banks that we believe are similar to us. If current expectations of future growth rates, interest rates, provision for credit losses, and margins are not met, if market factors outside of our control, such as discount rates, Fed borrowing rates, or inflation, change, or if management's expectations or plans otherwise change, including updates to long-term operating plans, then the fair value of the reporting unit may decline below its carrying value and result in goodwill impairment in the future.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are engaged primarily in the business of investing funds obtained from deposits and borrowings into interest-earning loans and investments. Consequently, our earnings depend to a significant extent on our net interest income, which is the difference between the interest income on loans and other investments and the interest expense on deposits and borrowings. To the extent that our interest-bearing liabilities do not reprice or mature at the same time as our interest-earning assets, we are subject to interest rate risk and corresponding fluctuations in net interest income. Our Asset-Liability Committee ("ALCO") meets regularly and is responsible for reviewing our interest rate sensitivity position and establishing policies to monitor and limit exposure to interest rate risk. The policies established by the ALCO are reviewed

55

[Table of Contents](#)

and approved by our Board of Directors. We have employed asset/liability management policies that seek to manage our net interest income, without having to incur unacceptable levels of credit or investment risk.

We use simulation modeling to manage our interest rate risk, and review quarterly interest sensitivity. This approach uses a model which generates estimates of the change in our economic value of equity ("EVE") over a range of interest rate scenarios. EVE is the present value of expected cash flows from assets, liabilities and off-balance sheet contracts using assumptions including estimated loan prepayment rates, reinvestment rates and deposit decay rates.

Based The following tables are based on an analysis of our interest rate risk as measured by the estimated change in EVE resulting from instantaneous and sustained parallel shifts in the yield curve (plus 400 basis points or minus 100 basis points, measured in 100 basis point increments) as of **June 30, 2024** September 30, 2024 and December 31, 2023, **all**. All changes are within our Asset/Liability Risk Management Policy guidelines.

57

[Table of Contents](#)

Sensitivity of EVE					
As of September 30, 2024					
Change in Interest Rates in Basis Points (Rate Shock)	EVE			EVE as a % of	
	Amount	\$ Change	% Change	Total	Equity
Up 400	\$ 290,085	\$ (116,209)	(28.60)%	7.21 %	73.06 %
Up 300	315,683	(90,611)	(22.30)%	7.84 %	79.50 %
Up 200	340,802	(65,492)	(16.12)%	8.47 %	85.83 %
Up 100	381,722	(24,572)	(6.05)%	9.49 %	96.14 %
Base	406,294	—	— %	10.10 %	102.32 %

Down 100	417,311	11,017	2.71 %	10.37 %	105.10 %
Down 200	409,703	3,409	0.84 %	10.18 %	103.18 %
Down 300	393,244	(13,050)	(3.21)%	9.77 %	99.04 %
Down 400	366,629	(39,665)	(9.76)%	9.11 %	92.34 %

Sensitivity of EVE					
As of December 31, 2023					
Change in Interest Rates in Basis Points (Rate Shock)	EVE		EVE as a % of		
	Amount	\$ Change	% Change	Total	Equity
	From Base	From Base		Assets	Book Value
Up 400	\$ 428,175	\$ (54,019)	(11.20)%	11.10 %	107.69 %
Up 300	438,298	(43,896)	(9.10)%	11.37 %	110.24 %
Up 200	447,711	(34,483)	(7.15)%	11.61 %	112.61 %
Up 100	471,457	(10,737)	(2.23)%	12.22 %	118.58 %
Base	482,194	—	— %	12.50 %	121.28 %
Down 100	486,399	4,205	0.87 %	12.61 %	122.34 %
Down 200	477,430	(4,764)	(0.99)%	12.38 %	120.08 %
Down 300	456,987	(25,207)	(5.23)%	11.85 %	114.94 %
Down 400	417,079	(65,115)	(13.50)%	10.81 %	104.90 %

Our interest rate sensitivity is also monitored by management through the use of a model that generates estimates of the change in the net interest income ("NII") over a range of interest rate scenarios. NII depends upon the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them. In this regard, the model assumes that the composition of our interest sensitive assets and liabilities existing as of **June 30, 2024** **September 30, 2024** and December 31, 2023 remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. All changes are within our ALM Policy guidelines as of **June 30, 2024** **September 30, 2024** and December 31, 2023.

Sensitivity of NII			
As of September 30, 2024			
Change in Interest Rates in Basis Points (Rate Shock)	Adjusted NII		
	Amount	\$ Change	
	From Base	From Base	
Up 400	\$ 97,718	\$	(12,832)
Up 300	100,559		(9,991)
Up 200	103,361		(7,189)
Up 100	107,472		(3,078)
Base	110,550		—
Down 100	112,571		2,021
Down 200	112,928		2,378
Down 300	112,879		2,329
Down 400	113,139		2,589

Sensitivity of NII		
As of December 31, 2023		
Adjusted NII		
Change in Interest Rates In Basis Points (Rate Shock)	Amount	\$ Change From Base
Up 400	\$ 98,539	\$ (16,112)
Up 300	101,939	(12,712)
Up 200	105,326	(9,325)
Up 100	110,513	(4,138)
Base	114,651	—
Down 100	117,230	2,579
Down 200	118,099	3,448
Down 300	118,114	3,463
Down 400	119,065	4,414

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurements. Modeling changes in EVE and NII sensitivity requires the making of certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. Accordingly, although the EVE tables and NII tables provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on our net worth and NII. Sensitivity of EVE and NII are modeled using different assumptions and approaches.

ITEM 4 – CONTROLS AND PROCEDURES

(a) *Evaluation of Disclosure Controls and Procedures.* Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this quarterly report on Form 10-Q, under the supervision and with the participation of management, including our **chief executive officer** **Chief Executive Officer** ("CEO") and **chief financial officer** **Chief Financial Officer** ("CFO"), we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d -15(e) under the Securities Exchange Act of 1934) utilizing the framework established in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon that evaluation, our **Chief Executive Officer** **CEO** and **Chief Financial Officer** **CFO** have concluded that these controls and procedures are not effective as of the end of the period covered by this Quarterly Report on Form 10-Q. This conclusion was reached as a result of the continued remediation of previously identified material weaknesses in its internal controls over financial reporting as further described in Item 9A in the 2023 Annual Report on Form 10-K.

Notwithstanding the material weaknesses that have not been fully remediated, the Company's management, including the CEO and CFO, has concluded that the condensed consolidated financial statements, included in this Form 10-Q, as of and for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, fairly present, in all material respects, the Company's financial condition, results of operations and cash-flows for the periods presented in conformity with generally accepted accounting principles for interim financial statements.

(b) *Changes in Internal Control over Financial Reporting.* There were no changes in our internal controls over financial reporting that occurred during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. During the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, the

Company continued to remediate the material weaknesses in its internal control over financial reporting as previously identified and disclosed in Item 9A. in the 2023 Annual Report on Form 10-K. While management believes it has put effective controls in place to remediate the previously identified material weaknesses, the controls have not been operating for a sufficient amount of time to conclude that the material weakness has been fully remediated. The

[Table of Contents](#)

Company will continue to operate and test the new controls until it believes they have been operating effectively for a sufficient amount of time. The Company anticipates the material weaknesses to be fully remediated as soon as possible.

PART II - OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

Primis and Primis Bank are from time to time a party, as both plaintiff and defendant, to various claims and proceedings arising in the ordinary course of the Bank's business, including administrative and/or legal proceedings that may include employment-related claims, as well as claims of lender liability, breach of contract, and other similar lending-related claims. While the ultimate resolution of these matters cannot be determined at this time, the Bank's management presently believes that such matters, individually and in the aggregate, will not have a material adverse effect on the Bank's financial condition or results of operations. There are no proceedings pending, or to management's knowledge, threatened, that represent a significant risk against Primis or Primis Bank as of **June 30, 2024** **September 30, 2024**.

ITEM 1A – RISK FACTORS

In addition to the other information set forth in this Report, in evaluating an investment in the Company's securities, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A of our 2023 Form 10-K, which could materially affect the Company's business, financial position, results of operations, cash flows, or future results. Please be aware that these risks may change over time and other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our business, financial condition or results of operations, or the trading price of our securities.

There are no material changes during the period covered by this Report to the risk factors previously disclosed in our 2023 Form 10-K.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Not applicable.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

Pursuant to Item 408(a) of Regulation S-K, none of the Company's directors or executive officers adopted, terminated or modified a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the three and **six nine** months ended **June 30, 2024** **September 30, 2024**.

[Table of Contents](#)

ITEM 6 - EXHIBITS

(a) Exhibits.

Exhibit No.	Description
3.1	Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-1 (Registration No. 333-136285) filed August 4, 2006).
3.2	Certificate of Amendment to the Articles of Incorporation dated January 31, 2005 (incorporated herein by reference to Exhibit 3.2 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-1 (Registration No. 333-136285) filed on August 4, 2006).
3.3	Certificate of Amendment to the Articles of Incorporation dated April 13, 2006 (incorporated herein by reference to Exhibit 3.3 to Primis Financial Corp.'s (formerly Southern National's) Registration Statement on Form S-1 (Registration No. 333-136285) filed on August 4, 2006).
3.4	Articles of Amendment to the Articles of Incorporation dated June 30, 2021 (incorporated herein by reference to Exhibit 3.1 to Primis Financial Corp.'s Current Report on Form 8-K filed on June 30, 2021).
3.5	Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.2 to Primis Financial Corp.'s Current Report on Form 8-K filed on June 30, 2021).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

5861

[Table of Contents](#)

101

The following materials from Primis Financial Corp. Quarterly Report on Form 10-Q for the quarter ended **June 30, 2024** **September 30, 2024**, formatted in Inline XBRL (Extensible Business Reporting Language), filed herewith: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (unaudited), (iii) Consolidated Statement of Changes in Stockholders' Equity (unaudited), (iv) Consolidated Statements of Cash Flows (unaudited), and (v) Notes to Consolidated Financial Statements (unaudited).

104

The cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document).

- + Management contract or compensatory plan or arrangement
- * Filed with this Quarterly Report on Form 10-Q
- ** Furnished with this Quarterly Report on Form 10-Q

5962

[Table of Contents](#)

Signatures

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

Primis Financial Corp.

(Registrant)

December 11, 2024

/s/ Dennis J. Zember, Jr.

(Date)

Dennis J. Zember, Jr.

President and Chief Executive Officer

December 11, 2024

/s/ Matthew Switzer

(Date)

Matthew Switzer

Executive Vice President and Chief Financial Officer

6063

CERTIFICATIONS

I, Dennis J. Zember, Jr., certify that:

1. I have reviewed this report on Form 10-Q of Primis Financial Corp.;
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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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(s) 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: December 11, 2024

/s/ Dennis J. Zember

Dennis J. Zember, Jr.

President and Chief Executive Officer

CERTIFICATIONS

I, Matthew Switzer, certify that:

1. I have reviewed this report on Form 10-Q of Primis Financial Corp.;
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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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(s) 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: December 11, 2024

/s/ Matthew Switzer

Matthew Switzer

Executive Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Primis Financial Corp. ("Primis") on Form 10-Q for the period ending **June 30, 2024** **September 30, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of Primis hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on their knowledge and belief: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Primis as of and for the periods covered in the Report.

/s/ Dennis J. Zember, Jr.

Dennis J. Zember, Jr.

President and Chief Executive Officer

/s/ Matthew Switzer

Matthew Switzer

Executive Vice President and Chief Financial Officer

December 11, 2024

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.

©2024, Refinitiv. All rights reserved. Patents Pending.