REFINITIV

DELTA REPORT

10-Q

EVBN - EVANS BANCORP INC

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

The following comparison report has been automatically generated

TOTAL DELTAS	1909
CHANGES	592
DELETIONS	646
ADDITIONS	671

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

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

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

For the transition period from to ______

Commission file number 001-35021

EVANS BANCORP, INC.

(Exact name of registrant as specified in its charter)

New York 16-1332767

(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

6460 Main St. Williamsville, NY 14221

(Address of principal executive offices) (Zip Code)

(716) 926-2000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed

since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.50 par value	EVBN	NYSE American

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 x 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 x No ¨

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

Large accelerated filer ¨	Accelerated filer ¨ x
Non-accelerated filer x ¨	Smaller reporting company x
Emerging growth company ¨	

If an emerging growth company, indicate by checkmark 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 x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $.50 par value, 5,483,591 5,521,009 shares as of October 26, 2023 April 30, 2024.

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EVANS BANCORP, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

MARCH 31, 2024 AND DECEMBER 31, 2023

(in thousands, except share and per share amounts)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
ASSETS				
Cash and due from banks	$ 17,826	$ 16,796	$ 13,952	$ 19,669
Interest-bearing deposits at banks	7,468	6,258	164,400	3,798
Securities:				
Available for sale, at fair value and net of valuation allowance	334,460	364,326	268,476	275,680
(amortized cost: $411,172 at September 30, 2023; $428,216 at December 31, 2022)				
(amortized cost: $326,885 at March 31, 2024; $330,725 at December 31, 2023)				
Held to maturity, at amortized cost and net of valuation allowance	2,170	6,949	3,611	2,059
(fair value: $2,067 at September 30, 2023; $6,809 at December 31, 2022)				
(fair value: $3,531 at March 31, 2024; $1,988 at December 31, 2023)				
Federal Home Loan Bank common stock, at cost	3,348	10,437	4,384	4,914
Federal Reserve Bank common stock, at cost	3,092	3,074	3,676	3,097
Loans, net of allowance for credit losses of $21,846 at September 30, 2023 and $19,438 at December 31, 2022	1,682,554	1,652,931		
Properties and equipment, net of accumulated depreciation of $12,360 at September 30, 2023 and $11,596 at December 31, 2022	15,852	16,999		
Loans, net of allowance for credit losses of $22,287 at March 31, 2024 and $22,114 at December 31, 2023			1,699,589	1,698,832

Properties and equipment, net of accumulated depreciation of $12,950 at March 31, 2024 and $12,538 at December 31, 2023			15,173	15,397
Goodwill	12,702	12,702	1,768	1,768
Intangible assets	927	1,227	90	94
Bank-owned life insurance	42,528	41,826	43,004	42,758
Operating lease right-of-use asset	4,056	4,392	3,945	3,781
Other assets	47,760	40,593	37,876	36,816
TOTAL ASSETS	$ 2,174,743	$ 2,178,510	$2,259,944	$2,108,663
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Deposits:				
Demand	$ 447,306	$ 493,710	$ 399,558	$ 390,238
NOW	324,219	273,359	381,798	345,279
Savings	698,653	801,943	715,495	649,621
Time	335,228	202,667	394,515	333,623
Total deposits	1,805,406	1,771,679	1,891,366	1,718,761
Securities sold under agreement to repurchase	13,447	7,147	6,873	9,475
Other borrowings	151,252	193,001	131,023	145,123
Operating lease liability	4,351	4,723	4,218	4,063
Other liabilities	18,200	16,892	20,666	21,845
Subordinated debt	31,152	31,075	31,203	31,177
Total liabilities	2,023,808	2,024,517	2,085,349	1,930,444
STOCKHOLDERS' EQUITY:				
Common stock, $0.50 par value, 10,000,000 shares authorized; 5,587,269 and 5,544,339 shares issued at September 30, 2023 and December 31, 2022, respectively, and 5,483,591 and 5,437,048 shares outstanding at September 30, 2023 and December 31, 2022, respectively.	2,796	2,775		
Common stock, $0.50 par value, 10,000,000 shares authorized; 5,603,541 and 5,601,308 shares issued at March 31, 2024 and December 31, 2023, respectively, and 5,521,009 and 5,499,772 shares outstanding at March 31, 2024 and December 31, 2023, respectively.			2,804	2,803
Capital surplus	82,017	81,031	82,268	82,712
Treasury stock, at cost, 103,678 and 107,291 shares at September 30, 2023 and December 31, 2022, respectively	(3,656)	(3,891)		
Treasury stock, at cost, 82,532 and 101,536 shares at March 31, 2024 and December 31, 2023, respectively			(2,892)	(3,656)
Retained earnings	128,468	123,356	137,161	138,631
Accumulated other comprehensive loss (income), net of tax	(58,690)	(49,278)		
Accumulated other comprehensive loss, net of tax			(44,746)	(42,271)
Total stockholders' equity	150,935	153,993	174,595	178,219
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,174,743	$ 2,178,510	$2,259,944	$2,108,663

See Notes to Unaudited Consolidated Financial Statements

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EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(in thousands, except share and per share amounts)

	Three Months Ended September 30,	
	2023	2022

INTEREST INCOME		
Loans	$ 21,936	$ 17,988
Interest-bearing deposits at banks	132	217
Securities:		
Taxable	2,173	2,190
Non-taxable	51	92
Total interest income	24,292	20,487
INTEREST EXPENSE		
Deposits	7,544	755
Other borrowings	1,932	83
Subordinated debt	560	461
Total interest expense	10,036	1,299
NET INTEREST INCOME	14,256	19,188
PROVISION FOR CREDIT LOSSES	506	1,328
NET INTEREST INCOME AFTER		
PROVISION FOR CREDIT LOSSES	13,750	17,860
NON-INTEREST INCOME		
Deposit service charges	665	782
Insurance service and fees	3,498	3,383
Bank-owned life insurance	239	161
Interchange fee income	516	532
Other	638	909
Total non-interest income	5,556	5,767
NON-INTEREST EXPENSE		
Salaries and employee benefits	8,735	10,450
Occupancy	1,109	1,118
Advertising and public relations	348	417
Professional services	869	839
Technology and communications	1,517	1,339
Amortization of intangibles	100	100
FDIC insurance	350	255
Other	1,379	1,273
Total non-interest expense	14,407	15,791
INCOME BEFORE INCOME TAXES	4,899	7,836
INCOME TAX PROVISION	1,281	1,972
NET INCOME	$ 3,618	$ 5,864
Net income per common share-basic	$ 0.66	$ 1.06
Net income per common share-diluted	$ 0.66	$ 1.06
Weighted average number of common shares outstanding	5,481,566	5,510,118
Weighted average number of diluted shares outstanding	5,490,600	5,546,764

See Notes to Unaudited Consolidated Financial Statements

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EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

THREE MONTHS ENDED MARCH 31, 2024 AND 2023

(in thousands, except share and per share amounts)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
INTEREST INCOME				
Loans	$ 64,424	$ 50,540	$ 23,529	$ 20,886
Interest-bearing deposits at banks	308	513	79	96
Securities:				
Taxable	6,719	5,851	1,719	2,294
Non-taxable	194	197	47	89
Total interest income	71,645	57,101	25,374	23,365
INTEREST EXPENSE				
Deposits	17,840	1,903	9,288	4,015
Other borrowings	4,917	172	1,627	1,499
Subordinated debt	1,626	1,285	552	526
Total interest expense	24,383	3,360	11,467	6,040
NET INTEREST INCOME	47,262	53,741	13,907	17,325
PROVISION FOR CREDIT LOSSES	(264)	1,816	266	(654)
NET INTEREST INCOME AFTER				
PROVISION FOR CREDIT LOSSES	47,526	51,925	13,641	17,979
NON-INTEREST INCOME				
Deposit service charges	1,923	2,177	681	613
Insurance service and fees	8,648	8,249	149	2,429
Bank-owned life insurance	702	486	246	224
Interchange fee income	1,537	1,563	466	493
Other	1,561	2,335	725	354
Total non-interest income	14,371	14,810	2,267	4,113
NON-INTEREST EXPENSE				
Salaries and employee benefits	26,796	29,356	7,837	9,413
Occupancy	3,428	3,429	1,157	1,173
Advertising and public relations	911	1,034	171	156
Professional services	2,560	2,554	895	883
Technology and communications	4,414	3,750	1,409	1,356
Amortization of intangibles	300	300	4	100
FDIC insurance	1,050	775	325	350
Other	3,623	3,837	1,129	1,071
Total non-interest expense	43,082	45,035	12,927	14,502
INCOME BEFORE INCOME TAXES	18,815	21,700	2,981	7,590
INCOME TAX PROVISION	4,465	5,354	647	1,790
NET INCOME	$ 14,350	$ 16,346	$ 2,334	$ 5,800
Net income per common share-basic	$ 2.63	$ 2.97	$ 0.42	$ 1.07
Net income per common share-diluted	$ 2.62	$ 2.95	$ 0.42	$ 1.06
Weighted average number of common shares outstanding	5,464,741	5,505,936	5,507,760	5,444,352
Weighted average number of diluted shares outstanding	5,481,514	5,548,508	5,519,244	5,475,790

See Notes to Unaudited Consolidated Financial Statements

EVANS BANCORP, INC. AND SUBSIDIARIES UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

THREE MONTHS ENDED MARCH 31, 2024 AND 2023

THREE MONTHS ENDED MARCH 31, 2024 AND 2023

(in thousands)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
NET INCOME	$ 3,618	$ 5,864	$ 2,334	$5,800
OTHER COMPREHENSIVE LOSS, NET OF TAX:				
Unrealized loss on available-for-sale securities:	(8,813)	(15,581)		
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX:			OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX:	
Unrealized (loss) gain on available-for-sale securities:			(2,493)	3,635
Defined benefit pension plans:				
Amortization of prior service cost	-	6	-	-
Amortization of actuarial loss	20	50	18	20
Total	20	56	18	20
OTHER COMPREHENSIVE LOSS, NET OF TAX:	(8,793)	(15,525)		
COMPREHENSIVE LOSS	$ (5,175)	$ (9,661)		
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX:			OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX: (2,475)	3,655
COMPREHENSIVE (LOSS) INCOME			$ (141)	$9,455

See Notes to Unaudited Consolidated Financial Statements

EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(in thousands)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
NET INCOME	$ 14,350	$ 16,346
OTHER COMPREHENSIVE LOSS, NET OF TAX:		
Unrealized loss on available-for-sale securities	(9,472)	(44,319)
Defined benefit pension plans:		
Amortization of prior service cost	-	16
Amortization of actuarial loss	60	150
Total	60	166
OTHER COMPREHENSIVE LOSS, NET OF TAX	(9,412)	(44,153)
COMPREHENSIVE INCOME (LOSS)	$ 4,938	$ (27,807)

See Notes to Unaudited Consolidated Financial Statements

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EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(in thousands, except share and per share amounts)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, June 30, 2022	$ 2,769	$ 80,072	$ 114,982	$ (34,299)	$ (849)	$ 162,675
Net Income			5,864			5,864
Other comprehensive loss				(15,525)		(15,525)
Cash dividends ($0.64 per common share)			(3,527)			(3,527)
Stock compensation expense		328				328
Issued 1,419 shares in stock option exercises	1	35				36
Issued 600 restricted shares						-
Forfeitures 765 shares of restricted stock						-
Balance, September 30, 2022	$ 2,770	$ 80,435	$ 117,319	$ (49,824)	$ (849)	$ 149,851
Balance, June 30, 2023	$ 2,795	$ 81,777	$ 128,465	$ (49,897)	$ (3,656)	$ 159,484
Net Income			3,618			3,618
Other comprehensive loss				(8,793)		(8,793)
Cash dividends ($0.66 per common share)			(3,615)			(3,615)
Stock compensation expense		238				238
Issued 2,360 Restricted Shares/units, net of forfeitures	-	-				-
Issued 113 shares in stock option exercises	1	2				3
Balance, September 30, 2023	$ 2,796	$ 82,017	$ 128,468	$ (58,690)	$ (3,656)	$ 150,935

See Notes to Unaudited Consolidated Financial Statements

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EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(in thousands, except share and per share amounts)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, December 31, 2021	$ 2,744	$ 78,795	$ 108,024	$ (5,671)	$ -	$ 183,892
Net Income			16,346			16,346
Other comprehensive loss				(44,153)		(44,153)
Cash dividends ($1.26 per common share)			(6,936)			(6,936)
Stock compensation expense		952				952
Issued 18,844 restricted shares	9	(9)				-

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Issued 22,270 shares in stock option exercises	11	361				372
Repurchased 29,269 shares of common stock					(1,098)	(1,098)
Reissued 6,660 restricted shares in stock option exercises			(115)		249	134
Forfeitures 1,951 shares of restricted stock						-
Reissued 3,705 shares through Dividend Reinvestment Program	2	141				143
Issued 6,902 shares in Employee Stock Purchase Plan	4	195				199
Balance, September 30, 2022	$ 2,770	$ 80,435	$ 117,319	$ (49,824)	$ (849)	$ 149,851
Balance, December 31, 2022	$ 2,775	$ 81,031	$ 123,356	$ (49,278)	$ (3,891)	$ 153,993
Cumulative effect of change in accounting principle— credit losses	-	-	(2,026)	-	-	(2,026)
Beginning balance after cumulative effect adjustment	$ 2,775	$ 81,031	$ 121,330	$ (49,278)	$ (3,891)	$ 151,967
Net Income			14,350			14,350
Other comprehensive loss				(9,412)		(9,412)
Cash dividends ($1.32 per common share)			(7,212)			(7,212)
Stock compensation expense		772				772
Reissued 6,228 restricted shares		(235)			235	-
Issued 12,534 shares in stock option exercises	7	116				123
Issued 14,135 restricted shares/units, net of forfeitures	6	(6)				-
Issued 4,545 shares in Dividend Reinvestment Plan	2	152				154
Issued 9,101 shares in Employee Stock Purchase Plan	6	187				193
Balance, September 30, 2023	$ 2,796	$ 82,017	$ 128,468	$ (58,690)	$ (3,656)	$ 150,935

See Notes to Unaudited Consolidated Financial Statements

EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

THREE MONTHS ENDED MARCH 31, 2024 AND 2023

(in thousands, except share and per share amounts)

	Common Stock	**Capital Surplus**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Total**
Balance, December 31, 2022	$ 2,775	$ 81,031	$ 123,356	$ (49,278)	$ (3,891)	$ 153,993
Cumulative effect of change in accounting principle— credit losses			(2,026)			(2,026)
Beginning balance after cumulative effect adjustment	$ 2,775	$ 81,031	$ 121,330	$ (49,278)	$ (3,891)	$ 151,967
Net Income			5,800			5,800
Other comprehensive loss				3,655		3,655
Cash dividends ($0.66 per common share)			(3,597)			(3,597)
Stock compensation expense		306				306
Reissued 6,228 restricted shares		(235)			235	-
Issued 12,421 shares in stock option exercises	6	114				120
Issued 12,671 restricted shares, net of forfeitures	6	(6)				-
Balance, March 31, 2023	$ 2,787	$ 81,210	$ 123,533	$ (45,623)	$ (3,656)	$ 158,251
Balance, December 31, 2023	$ 2,803	$ 82,712	$ 138,631	$ (42,271)	$ (3,656)	$ 178,219
Net Income			2,334			2,334
Other comprehensive loss				(2,475)		(2,475)
Cash dividends ($0.66 per common share)			(3,634)			(3,634)
Stock compensation expense		330				330
Repurchased 7,000 shares of Common Stock					(204)	(204)
Issued 2,233 shares in stock option exercises	1	24				25
Reissued 26,004 restricted shares, net of forfeitures	-	(798)	(170)		968	-
Balance, March 31, 2024	$ 2,804	$ 82,268	$ 137,161	$ (44,746)	$ (2,892)	$ 174,595

See Notes to Unaudited Consolidated Financial Statements

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EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS	UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS		UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS	
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022				
THREE MONTHS ENDED MARCH 31, 2024 AND 2023			THREE MONTHS ENDED MARCH 31, 2024 AND 2023	
(in thousands)				
	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
OPERATING ACTIVITIES:				
Interest received	$ 71,171	$ 55,607	$ 25,129	$ 23,428
Fees received	12,501	14,424	2,101	5,640
Interest paid	(23,372)	(3,607)	(11,355)	(5,409)
Cash paid to employees and vendors	(43,228)	(46,166)	(16,187)	(18,409)
Income taxes paid	(7,669)	(3,327)	(1,879)	(4,967)
Proceeds from sale of loans held for sale	7,498	4,719	3,492	4,828
Originations of loans held for sale	(7,341)	(4,529)	(3,404)	(4,800)
Net cash provided by operating activities	$ 9,560	17,121		
Net cash (used) provided by operating activities			$ (2,103)	$ 311
INVESTING ACTIVITIES:				
Available for sales securities:				
Purchases	$ -	$(144,413)		
Proceeds from sales, maturities, calls, and payments	24,278	20,806	3,854	3,333
Held to maturity securities:				
Purchases	(1,344)	(6,581)	(1,906)	(309)
Proceeds from maturities, calls, and payments	6,123	2,174	353	3,551
Cash paid for bank-owned life insurance	-	(6,830)		
Proceeds from bank-owned life insurance claims	-	378		
Purchases of Federal Reserve Bank Stock			(579)	(6)
Redemption of FHLB Stock			530	5,073
Additions to properties and equipment	(575)	(654)	(188)	(364)
Proceeds from sales of assets	370	-	-	370
Proceeds from tax credit investment	12	191		
Sale of other real estate	-	17		
Net (increase) in loans	(31,528)	(54,670)		
Net cash used in investing activities	$ (2,664)	$(189,582)		
Net (increase) decrease in loans			(838)	13,898
Net cash provided by investing activities			$ 1,226	$ 25,546
FINANCING ACTIVITIES:				

Repayments from long-term borrowings, net	$(13,374)	$ (12,402)		
(Repayments) proceeds from short-term borrowings, net	(21,900)	28,200		
Net increase (decrease) in deposits	33,745	(63,256)		
Dividends paid	(3,597)	(3,409)		
Proceeds from long-term borrowings			$ 40,000	$ -
Repayments from long-term borrowings			(3,077)	(8,685)
Repayments from short-term borrowings, net			(53,602)	(102,484)
Net increase in deposits			172,620	78,242
Repurchase of treasury stock	-	(1,098)	(204)	-
Issuance of common stock	470	714	25	120
Reissuance of treasury stock	-	134		
Net cash used in financing activities	$ (4,656)	$ (51,117)		
Net cash provided (used) in financing activities			$155,762	$ (32,807)
Net increase (decrease) in cash and cash equivalents	2,240	(223,578)	154,885	(6,950)
CASH AND CASH EQUIVALENTS:				
Beginning of period	23,054	244,785	23,467	23,054
End of period	$ 25,294	$ 21,207	$178,352	$ 16,104

See Notes to Unaudited Consolidated Financial Statements

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EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

THREE MONTHS ENDED MARCH 31, 2024 AND 2023

(in thousands)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
RECONCILIATION OF NET INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES:				
Net income	$ 14,350	$ 16,346	$ 2,334	$ 5,800
Adjustments to reconcile net income to net cash				
provided by operating activities:				
Depreciation and amortization	1,216	1,270	301	387
Deferred tax expense	136	348	56	252
Provision for credit losses	(264)	1,816	266	(654)
Loss on sales of assets	31	5	-	31
Gain on loans sold	(156)	(92)	(87)	(26)
Stock compensation expense	772	952	330	306
Proceeds from sale of loans held for sale	7,498	4,719	3,492	4,828
Originations of loans held for sale	(7,341)	(4,529)	(3,404)	(4,800)
Changes in assets and liabilities affecting cash flow:				
Other assets	(2,042)	(3,003)	(750)	(7,199)
Other liabilities	(4,640)	(711)	(4,641)	1,386
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 9,560	$ 17,121	$ (2,103)	$ 311

See Notes to Unaudited Consolidated Financial Statements

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EVANS BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTH PERIOD ENDED MARCH 31, 2024 AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies followed by Evans Bancorp, Inc. (the “Company”), a financial holding company, and its two direct, wholly-owned subsidiaries: (i) Evans Bank, National Association (the “Bank”), and the Bank’s subsidiaries, Evans National Leasing, Inc. (“ENL”), and subsidiary, Evans National Holding Corp. (“ENHC”); and (ii) Evans National Financial Services, LLC (“ENFS”), and ENFS’s subsidiary, The Evans Agency, LLC (“TEA”), and TEA’s subsidiary ENB Associates Inc. (“ENBA”), in the preparation of the accompanying interim unaudited consolidated financial statements conform with U.S. generally accepted accounting principles (“GAAP”) and with general practice within the industries in which it operates. Except as Unless the context otherwise requires, the Company term “Company” refers collectively to Evans Bancorp, Inc. and its direct subsidiaries. The Company conducts its business through its subsidiaries. It does not engage in other substantial business.

On November 30, 2023 the Company sold substantially all of the assets of TEA to Gallagher and indirect subsidiaries are collectively referred ceased its insurance business for the Company. For comparative purposes it should be noted that insurance business activity from TEA is included within prior year balances throughout this Quarterly Report on Form 10-Q. For further information on the sale of TEA see Note 2 to in this report as the “Company.” Company’s Consolidated Financial Statements included under Item 8 of the 2023 Annual Report on Form 10-K.

The Financial Accounting Standards Board (“FASB”) establishes changes to GAAP in the form of accounting standards updates (“ASUs”) to the FASB Accounting Standards Codification. The Company considers the applicability and impact of all ASUs when they are issued by FASB.

Effective January 1, 2023 the Company adopted ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments which requires an allowance for credit losses be deducted from the amortized cost basis of financial assets to present the net carrying value at the amount that is expected to be collected over the contractual term of the asset considering relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. In estimating expected losses in the loan portfolio, borrower-specific financial data and macro-economic assumptions are utilized to project losses over a reasonable and supportable forecast period. Assumptions and judgment are applied to measure amounts and timing of expected future cash flows, collateral values and other factors used to determine the borrowers’ abilities to repay obligations. Subsequent to the forecast period, the Company utilizes longer-term historical loss experience to estimate losses over the remaining contractual life of the loans. See Note 3 – “Loans and the Allowance for Credit Losses” to this Quarterly Report on Form 10-Q for the accounting policy for determining the Allowance for Credit Losses.

Prior to January 1, 2023, the allowance for credit losses represented the amount that in management’s judgment reflected incurred credit losses inherent in the loan and lease portfolio as of the balance sheet date. Based on portfolio composition, then current economic conditions, and reasonable and supportable forecasts of future conditions, the Company recognized an increase to the allowance for credit losses of $2.7 million upon adoption of the standard as of January 1, 2023 as compared with the allowance for credit losses recognized on its consolidated balance sheet at December 31, 2022. The $2.7 million increase was recognized as a net of tax cumulative effect adjustment to retained earnings of $2.0 million.

All other ASUs adopted by the Company during the current fiscal year are not expected to have a material impact on the Company’s consolidated financial position, results of operations, cash flows or disclosures.

The results of operations for the nine three month period ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results to be expected for the full year.

The accompanying unaudited consolidated financial statements should be read in conjunction with the Audited Consolidated Financial Statements and the Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (the “10-K”).

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2. SECURITIES

The amortized cost of securities and their approximate fair value at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were as follows:

	September 30, 2023				March 31, 2024			
	(in thousands)				(in thousands)			
	Amortized	Unrealized		Fair	Amortized	Unrealized		Fair
	Cost	Gains	Losses	Value	Cost	Gains	Losses	Value
Available for Sale:								

Debt securities:								
U.S. treasuries and government agencies	$ 160,603	$ -	$ (27,218)	$ 133,385	$ 113,196	$ -	$ (19,153)	$ 94,043
States and political subdivisions	22,631	1	(1,613)	21,019	6,255	1	(266)	5,990
Total debt securities	183,234	1	(28,831)	154,404	119,451	1	(19,419)	100,033
Mortgage-backed securities:								
FNMA	$ 71,375	$ -	$ (15,211)	$ 56,164	$ 65,334	$ -	$ (12,240)	$ 53,094
FHLMC	45,360	-	(7,943)	37,417	36,241	-	(5,947)	30,294
GNMA	39,082	-	(9,420)	29,662	38,466	-	(7,937)	30,529
SBA	20,992	-	(3,070)	17,922	20,239	-	(2,484)	17,755
CMO	51,129	-	(12,238)	38,891	47,154	-	(10,383)	36,771
Total mortgage-backed securities	$ 227,938	$ -	$ (47,882)	$ 180,056	$ 207,434	$ -	$ (38,991)	$ 168,443
Total securities designated as available for sale	$ 411,172	$ 1	$ (76,713)	$ 334,460	$ 326,885	$ 1	$ (58,410)	$ 268,476
Held to Maturity:								
Debt securities								
States and political subdivisions	$ 2,170	$ -	$ (103)	$ 2,067	$ 3,611	$ -	$ (80)	$ 3,531
Total securities designated as held to maturity	$ 2,170	$ -	$ (103)	$ 2,067	$ 3,611	$ -	$ (80)	$ 3,531

	December 31, 2022 (in thousands)				December 31, 2023 (in thousands)			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for Sale:								
Debt securities:								
U.S. treasuries and government agencies	$ 165,495	$ 1	$ (24,814)	$ 140,682	$ 114,152	$ -	$ (17,912)	$ 96,240
States and political subdivisions	23,480	4	(1,662)	21,822	6,258	2	(231)	6,029
Total debt securities	188,975	5	(26,476)	162,504	120,410	2	(18,143)	102,269
Mortgage-backed securities:								
FNMA	$ 75,921	$ -	$ (12,819)	$ 63,102	$ 66,262	$ 2	$ (11,294)	$ 54,970
FHLMC	46,922	-	(6,695)	40,227	36,743	-	(5,569)	31,174
GNMA	40,039	-	(6,580)	33,459	38,793	-	(7,683)	31,110
SBA	22,556	-	(2,419)	20,137	20,776	-	(2,291)	18,485
CMO	53,803	-	(8,906)	44,897	47,741	-	(10,069)	37,672
Total mortgage-backed securities	$ 239,241	$ -	$ (37,419)	$ 201,822	$ 210,315	$ 2	$ (36,906)	$ 173,411
Total securities designated as available for sale	$ 428,216	$ 5	$ (63,895)	$ 364,326	$ 330,725	$ 4	$ (55,049)	$ 275,680
Held to Maturity:								
Debt securities								
States and political subdivisions	$ 6,949	$ -	$ (140)	$ 6,809	$ 2,059	$ 1	$ (72)	$ 1,988
Total securities designated as held to maturity	$ 6,949	$ -	$ (140)	$ 6,809	$ 2,059	$ 1	$ (72)	$ 1,988

Available for sale securities with a total fair value of $198 million $114 million and $226 million $172 million were pledged as collateral to secure public deposits and for other purposes required or permitted by law at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The scheduled maturities of debt and mortgage-backed securities at September 30, 2023 March 31, 2024 are summarized below. All maturity amounts are contractual maturities. Actual maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without call premiums.

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	September 30, 2023 (in thousands)		March 31, 2024 (in thousands)	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Debt securities available for sale:				
Due in one year or less	$ 9,822	$ 9,653	$ 4,750	$ 4,729

Due after one year through five years	91,731	83,450	42,025	38,344
Due after five years through ten years	57,684	45,852	48,680	40,278
Due after ten years	23,997	15,449	23,996	16,682
	$ 183,234	$ 154,404	$ 119,451	$ 100,033
Mortgage-backed securities				
available for sale	$ 227,938	$ 180,056	$ 207,434	$ 168,443
Total	$ 411,172	$ 334,460	$ 326,885	$ 268,476
Debt securities held to maturity:				
Due in one year or less	$ 1,476	$ 1,473	$ 2,946	$ 2,944
Due after one year through five years	324	296	295	276
Due after five years through ten years	370	298	370	311
Due after ten years	-	-	-	-
Total	$ 2,170	$ 2,067	$ 3,611	$ 3,531

Contractual maturities of the Company's mortgage-backed securities generally exceed ten years; however, the effective lives may be significantly shorter due to prepayments of the underlying loans and due to the nature of these securities.

There were no gross realized gains or losses from sales of investment securities for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022. 2023.

Management has assessed the securities available for sale in an unrealized loss position at September 30, 2023 and December 31, 2022 March 31, 2024 and determined that it expected to recover the decline in fair value below amortized cost to be temporary. In making this determination, management considered basis of its securities. As of March 31, 2024, the period of time the securities were in a loss position, the percentage decline in comparison to the securities' amortized cost, and the financial condition of the issuer (primarily government or government-sponsored enterprises). In addition, management Company does not intend to sell these securities and nor is it is not more likely than not anticipated that the Company will it would be required to sell these any of its impaired securities before recovery of their amortized cost. Management believes the decline in fair value is primarily related to market interest rate fluctuations and not to the credit deterioration of the individual issuers. As a result, the Company does not hold an allowance for credit losses relating to securities. The Company holds no securities backed by sub-prime or Alt-A residential mortgages or commercial mortgages and also does not hold any trust-preferred securities.

The Company has not recorded any other-than-temporary impairment ("OTTI") charges during the nine month period ended September 30, 2023 and did not record any OTTI charges during 2022. The credit worthiness creditworthiness of the Company's securities portfolio is largely reliant on the ability of U.S. government sponsored agencies such as Federal Home Loan Bank ("FHLB"), Federal National Mortgage Association ("FNMA"), Government National Mortgage Association ("GNMA"), and Federal Home Loan Mortgage Corporation ("FHLMC"), and municipalities throughout New York State to meet their obligations. In addition, dysfunctional markets could materially alter the liquidity, interest rate, and pricing risk of the portfolio. Past The stable past performance is not a guarantee for similar performance of the Company's securities portfolio in future periods. going forward.

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Information regarding unrealized losses within the Company's available for sale and held to maturity securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 is summarized below. The securities are primarily U.S. government sponsored entities securities or municipal securities. All unrealized losses are related to market interest rate fluctuations and not indicative of credit loss.

	September 30, 2023 March 31, 2024					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Available for Sale:						
Debt securities:						
U.S. treasuries and government agencies	$ -	$ -	$ 133,385 94,043	$ (27,218) (19,153)	$ 133,385 94,043	$ (27,218) (19,153)
States and political subdivisions	1,922 196	(117) (4)	18,141 4,838	(1,496) (262)	20,063 5,034	(1,613) (266)
Total debt securities	1,922 196	(117) (4)	151,526 98,881	(28,714) (19,415)	153,448 99,077	(28,831) (19,419)

Mortgage-backed securities:						
FNMA	$ 55 74	$ (1) -	$ 56,109 52,965	$ (15,210) (12,240)	$ 56,164 53,039	$ (15,211) (12,240)
FHLMC	24 89	-	37,393 30,173	(7,943) (5,947)	37,417 30,262	(7,943) (5,947)
GNMA	-	-	29,662 30,529	(9,420) (7,937)	29,662 30,529	(9,420) (7,937)
SBA	-	-	17,921 17,755	(3,070) (2,484)	17,921 17,755	(3,070) (2,484)
CMO	-	-	38,891 36,771	(12,238) (10,383)	38,891 36,771	(12,238) (10,383)
Total mortgage-backed securities	$ 79 163	$ (1) -	$ 179,976 168,193	$ (47,881) (38,991)	$ 180,055 168,356	$ (47,882) (38,991)
Held to Maturity:						
Debt securities:						
States and political subdivisions	$ - 2,945	$ - (2)	$ 2,067 586	$ (103) (78)	$ 2,067 3,531	$ (103) (80)
Total temporarily impaired securities	$ 2,001 3,304	$ (118) (6)	$ 333,569 267,660	$ (76,698) (58,484)	$ 335,570 270,964	$ (76,816) (58,490)

	December 31, 2022 2023					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Available for Sale:						
Debt securities:						
U.S. treasuries and government agencies	$ 68,292 -	-	$ (5,929) 95,240	(17,912)	$ 71,389 95,240	$ (18,885)$139,681 $(24,814) (17,91
States and political subdivisions	19,540 878	(1,645) (2)	418 4,194	(17) (229)	19,958 5,072	(1,662) (231)
Total debt securities	87,832 878	(7,574) (2)	71,807 99,434	(18,902) (18,141)	159,639 100,312	(26,476) (18,143)
Mortgage-backed securities:						
FNMA	$ 23,242 -	-	$ (3,081) 54,831	(11,294)	$ 39,860 54,831	$ (9,738)$ 63,102 $(12,819) (11,29
FHLMC	11,927 -	(790) -	28,300 31,174	(5,905) (5,569)	40,227 31,174	(6,695) (5,569)
GNMA	10,763 -	(1,298) -	22,696 31,110	(5,282) (7,683)	33,459 31,110	(6,580) (7,683)
SBA	16,996 -	(1,971) -	3,141 18,485	(448) (2,291)	20,137 18,485	(2,419) (2,291)
CMO	11,288 -	(673) -	33,609 37,674	(8,233) (10,069)	44,897 37,674	(8,906) (10,069)
Total mortgage-backed securities	$ 74,216 -	$ (7,813) -	$ 127,606 173,274	$ (29,606) (36,906)	$ 201,822 173,274	$ (37,419) (36,906)
Held to Maturity:						
Debt securities:						
States and political subdivisions	$ 6,627 444	$ (118) (1)	$ 182 643	$ (22) (71)	$ 6,809 1,087	$ (140) (72)
Total temporarily impaired securities	$ 168,675 1,322	$ (15,505) (3)	$ 199,595 273,351	$ (48,530) (55,118)	$ 368,270 274,673	$ (64,035) (55,121)

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3. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

Loan Portfolio Composition

The following table presents selected information on the composition of the Company's loan portfolio as of the dates indicated:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(in thousands)		(in thousands)	
Mortgage loans on real estate:				
Residential mortgages	$ 441,021	$ 440,123	$ 440,675	$ 443,788

Commercial and multi-family	829,736	778,714	857,107	854,565
Construction-Residential	2,747	3,626	3,489	3,255
Construction-Commercial	126,787	117,403	114,869	114,623
Home equities	81,482	82,414	80,120	81,412
Total real estate loans	1,481,773	1,422,280	1,496,260	1,497,643
Commercial and industrial loans	222,841	250,069	225,947	223,100
Consumer and other loans	555	572	776	1,066
Unaccreted yield adjustments*	(769)	(552)	(1,107)	(863)
Total gross loans	1,704,400	1,672,369	1,721,876	1,720,946
Allowance for credit losses	(21,846)	(19,438)	(22,287)	(22,114)
Loans, net	$ 1,682,554	$ 1,652,931	$1,699,589	$1,698,832

* Includes net premiums and discounts on acquired loans and net deferred fees and costs on loans originated.

The As of March 31, 2024, the outstanding principal balance and the carrying amount of acquired credit-impaired credit-deteriorated loans totaled $0.8 million, and $0.7 million at September 30, 2023 and December 31, 2022, respectively. There were no valuation allowances for specifically identified impairment attributable to acquired credit-impaired loans at September 30, 2023 or December 31, 2022 March 31, 2024.

There were $578 million $944 million and $495 million $566 million in residential and commercial mortgage loans pledged to FHLBNY to serve as collateral for potential borrowings as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The Company may also sell certain fixed rate residential mortgages to FNMA, FHLMC and FHLB while maintaining the servicing rights for those mortgages. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had loan servicing portfolio principal balances of $114 million and $116 million $113 million, respectively, upon which it earned servicing fees. In the three and nine month periods period ended September March 30, 2023, 31, 2024, the Company sold $2.8 million and $7.3 million, respectively, $3.4 million of residential mortgages. In mortgages compared with $1.3 million in the three and nine month periods months ended September March 30, 2022, the Company sold $1.3 million and $4.8 million, respectively, of residential mortgages. 31, 2023.

The fair value of the mortgage servicing rights for that portfolio was $1.2 million at September 30, 2023 and $1.1 million at December 31, 2022 each of March 31, 2024 and December 31, 2023. There were no residential mortgages held for sale at September March 30, 2023 31, 2024 and December 31, 2022 December 31, 2023.

Credit Quality Indicators

The Company monitors the credit risk in its loan portfolio by reviewing certain credit quality indicators (“CQI”). The primary CQI for the commercial mortgage and commercial and industrial portfolios is the individual loan’s credit risk rating. The following list provides a description of the credit risk ratings that are used internally by the Bank when assessing the adequacy of its allowance for credit losses:

- Acceptable or better
- Watch
- Special Mention
- Substandard
- Doubtful
- Loss

“Special mention” and “substandard” loans are weaker credits with a higher risk of loss and are categorized as “criticized” assets.

The Company’s consumer loans, including residential mortgages and home equities, are not individually risk rated or reviewed in the Company’s loan review process. Unlike commercial customers, consumer loan customers are not required to provide the Company with updated financial information. Consumer loans also carry smaller balances. Given the lack of updated information after the initial underwriting of the loan and small size of individual loans, the Company uses delinquency status as the primary credit quality indicator for consumer loans. However, once a consumer loan is identified as impaired, it is individually evaluated for impairment.

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The following tables summarize amortized cost of loans by year of origination and internally assigned credit grades:

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(in thousands)	Term Loans Amortized Cost Basis by Origination Year								
As of September 30, 2023 March 31, 2024	2024	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total

Commercial and industrial loans										
Risk rating										
Pass	$16,411 14,680	$ 39,142 22,780	$ 23,093 37,089	$ 8,863 19,383	$ 6,501 11,442	$ 6,997 11,929	$ 92,631 82,532	$193,638 199,835		
Special Mention	302 -	8,866 947	2,801 2,516	4,803 2,666	297 820	2,000 1,337	5,806 13,567	24,875 21,853		
Substandard	-	-	450	2	3 427	19 342	- 3,027	915	3,393	4,332 4,248
Doubtful/Loss	-	-	-	-	-	-	-	-		
Total	$16,713 14,680	$ 48,010 23,727	$ 25,897 40,055	$ 13,685 22,051	$ 6,798 12,689	$ 9,912 13,608	$101,830 99,126	$222,845 225,936		
Current period gross writeoffs	$ -	$ 59	$ -	$ -	$ -	$ 4 8	$ -	$ -$	4 67	
Commercial real estate mortgages mortgages*										
Risk rating										
Pass	$98,073 14,168	$204,029 144,191	$172,097 194,358	$94,617 157,281	$67,061 95,303	$274,443 322,479	$ -	$910,320 927,780		
Special Mention	-	2,021 -	401 4,008	1,527	10,077	9,887 393	-	23,913 14,727	-	19,128
Substandard	-	-	12,069 4,756	194	6,913	3,677 11,672	-	22,853 8,590	-	25,018
Doubtful/Loss	-	-	-	-	-	-	-	-		
Total	$98,073 14,168	$206,050 144,191	$184,567 203,122	$96,338 169,346	$84,051 95,303	$288,007 345,796	$ -	$957,086 971,926		
Current period gross writeoffs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Consumer and other										
Payment performance										
Performing	$ 347 146	$ 208 527	$ 30 156	$ 15 24	$ 16 10	$ 26 23	$ 141 124	$ 783 1,010		
Nonperforming	-	-	-	-	-	-	-	-		
Total	$ 347 146	$ 208 527	$ 30 156	$ 15 24	$ 16 10	$ 26 23	$ 141 124	$ 783 1,010		
Current period gross writeoffs	$ 106 31	$ 18	$ 1 3	$ -	$ -	$ 1 -	$ -	$ 126 -$	34	
Residential mortgages mortgages*										
Payment performance										
Performing	$ 26,185 6,679	$ 73,548 36,281	$ 102,523 71,441	$ 70,612 98,508	$18,113 68,276	$148,244 158,033	$ -	$439,225 439,218		
Nonperforming	163	145	390	223	205	3,174	-	4,300 365	263	571 129 3,523 -4,851
Total	$ 26,348 6,679	$ 73,693 36,646	$ 102,913 71,704	$ 70,835 99,079	$18,318 68,405	$151,418 161,556	$ -	$443,525 444,069		
Current period gross writeoffs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Home equities										
Payment performance										
Performing	$ 926	$ 7,343	$ 2,668	$ 559	$ 556	$ 2,541	$ 63,723	$ 78,316		
Nonperforming	-	-	-	-	-	1	618	619		
Total	$ 926	$ 7,343	$ 2,668	$ 559	$ 556	$ 2,542	$ 64,341	$ 78,935		
Current period gross writeoffs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		

*Includes construction loans

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(in thousands)	Term Loans Amortized Cost Basis by Origination Year							
							Revolving Loans Amortized Cost	
As of December 31, 2023	2023	2022	2021	2020	2019	Prior	Basis	Total
Commercial and industrial loans								
Risk rating								
Pass	$ 24,338	$ 42,967	$ 21,614	$ 12,174	$ 5,686	$ 6,539	$ 86,459	$ 199,777
Special Mention	10	1,955	2,739	510	268	1,867	11,705	19,054
Substandard	-	2	3	460	-	838	2,955	4,258
Doubtful/Loss	-	-	-	-	-	-	-	-
Total	$ 24,348	$ 44,924	$ 24,356	$ 13,144	$ 5,954	$ 9,244	$ 101,119	$ 223,089
Current period gross writeoffs	$ -	$ -	$ -	$ -	$ 4	$ 3	$ -	$ 7
Commercial real estate mortgages*								
Risk rating								
Pass	$ 132,525	$ 194,197	$ 169,943	$ 95,264	$ 66,243	$ 263,628	$ -	$ 921,800
Special Mention	-	6,634	397	861	9,988	8,094	-	25,974
Substandard	-	-	11,737	-	6,733	3,617	-	22,087
Doubtful/Loss	-	-	-	-	-	-	-	-
Total	$ 132,525	$ 200,831	$ 182,077	$ 96,125	$ 82,964	$ 275,339	$ -	$ 969,861
Current period gross writeoffs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer and other								
Payment performance								
Performing	$ 597	$ 176	$ 27	$ 12	$ 13	$ 20	$ 144	$ 989
Nonperforming	-	-	-	-	-	-	-	-
Total	$ 597	$ 176	$ 27	$ 12	$ 13	$ 20	$ 144	$ 989
Current period gross writeoffs	$ 145	$ 18	$ 1	$ -	$ -	$ 1	$ -	$ 165
Residential mortgages*								
Payment performance								
Performing	$ 37,536	$ 72,624	$ 100,308	$ 69,454	$ 17,829	$ 144,499	$ -	$ 442,250
Nonperforming	156	270	576	351	204	3,044	-	4,601
Total	$ 37,692	$ 72,894	$ 100,884	$ 69,805	$ 18,033	$ 147,543	$ -	$ 446,851
Current period gross writeoffs	$ -	$ -	$ -	$ 1	$ -	$ -	$ -	$ 1
Home equities								
Payment performance								
Performing	$ 7,481 7,833	$ 2,955 2,768	$ 618 590	$ 614 588	$ 591 571	$ 2,192 2,126	$ 65,325 65,165	$ 79,776 79,641
Nonperforming	-	-	-	-	-	2 1	383 514	385 515
Total	$ 7,481 7,833	$ 2,955 2,768	$ 618 590	$ 614 588	$ 591 571	$ 2,194 2,127	$ 65,708 65,679	$ 80,161 80,156
Current period gross writeoffs	$ -	$ -	$ -	$ -	$ -	$ 25	$ -	$ 25

*Includes construction loans

The amortized cost of criticized assets of $70 million included $13 million of loans in the Company's hotel loan portfolio at March 31, 2024. At December 31, 2023 the amortized cost of criticized assets was $72 million including $19 million of loans in the Company's hotel loan portfolio.

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The amortized cost of criticized assets of $76 million included $19 million of loans in the Company's hotel loan portfolio at September 30, 2023. At December 31, 2022 the amortized cost of criticized assets was $93 million including $29 million of loans in the Company's hotel loan portfolio.

Past Due Loans

The following tables provide an analysis of the age of the amortized cost of loans that are past due as of the dates indicated:

	September 30, 2023 (in thousands)						March 31, 2024 (in thousands)					
	Current Balance	30-59 days	60-89 days	90+ days	Non-accruing Loans	Total Balance	Current Balance	30-59 days	60-89 days	90+ days	Non-accruing Loans	Total Balance
Commercial and industrial	$ 220,939	$ -	$ 30	$ -	$ 1,876	$ 222,845	$ 220,075	$ 4,138	$ 23	$ -	$ 1,700	$ 225,936
Residential real estate:												
Residential	435,096	1,382	-	-	4,300	440,778	434,341	1,388	-	-	4,851	440,580
Construction	2,747	-	-	-	-	2,747	3,489	-	-	-	-	3,489
Commercial real estate:												
Commercial	814,026	3,660	-	-	12,613	830,299	818,818	18,374	-	828	18,755	856,775
Construction	114,140	4,466	-	-	8,181	126,787	113,883	-	-	-	1,268	115,151
Home equities	77,666	1,614	496	-	385	80,161	77,239	920	157	-	619	78,935
Consumer and other	774	8	1	-	-	783	987	7	16	-	-	1,010
Total Loans	$ 1,665,388	$ 11,130	$ 527	$ -	$ 27,355	$ 1,704,400	$ 1,668,832	$ 24,827	$ 196	$ 828	$ 27,193	$ 1,721,876

	December 31, 2022 (in thousands)						December 31, 2023 (in thousands)					
	Current Balance	30-59 days	60-89 days	90+ days	Non-accruing Loans	Total Balance	Current Balance	30-59 days	60-89 days	90+ days	Non-accruing Loans	Total Balance
Commercial and industrial	$ 246,412	$ 235	$ 684	$ 139	$ 2,625	$ 250,095	$ 220,602	$ 518	$ 130	$ -	$ 1,839	$ 223,089
Residential real estate:												
Residential	434,393	1,105	-	472	3,738	439,708	437,471	1,173	341	-	4,602	443,587
Construction	3,502	-	-	-	-	3,502	3,264	-	-	-	-	3,264
Commercial real estate:												
Commercial	771,871	1,083	-	75	6,648	779,677	831,375	4,360	-	134	19,000	854,869
Construction	107,369	-	-	1,648	8,765	117,782	110,727	2,326	671	-	1,268	114,992
Home equities	79,320	759	206	100	563	80,948	77,080	1,906	655	-	515	80,156
Consumer and other	652	3	1	1	-	657	959	27	3	-	-	989
Total Loans	$ 1,643,519	$ 3,185	$ 891	$ 2,435	$ 22,339	$ 1,672,369	$ 1,681,478	$ 10,310	$ 1,800	$ 134	$ 27,224	$ 1,720,946

Allowance for Credit losses

Effective January 1, 2023 the Company adopted ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments which requires an allowance for credit losses to be deducted from the amortized cost basis of financial assets to present the net carrying value at the amount that is expected to be collected over the contractual term of the asset. In determining the allowance for credit losses, accruing loans with similar risk characteristics are generally evaluated collectively. The Company utilizes discounted cash flow models considering relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount to project principal balances over the remaining contractual lives of the loan portfolios and to determine estimated credit losses through a reasonable and supportable forecast period. The models have been statistically developed based on historical correlations of credit losses with prevailing economic metrics, including unemployment and gross domestic product. The Company utilizes a reasonable and supportable forecast period of one year. Subsequent to this forecast period the Company reverts, on a straight-line basis over a one-year period, to historical loss experience to inform its estimate of losses for the remaining contractual life of each portfolio. Model forecasts may be adjusted for inherent limitations of biases that have been identified through independent validation and back-testing of model performance to actual realized results. The Company also considered the impact of qualitative factors, including portfolio concentrations, changes in underwriting practices, imprecision in its economic forecasts, geopolitical conditions and other risk factors that might influence its loss estimation process.

The Company also estimates losses attributable to specific troubled credits identified through both normal and targeted credit review processes and includes all loans on nonaccrual status. The amounts of individually analyzed losses are determined through a loan-by-loan analysis. Such loss estimates are typically based on expected future cash flows, collateral values and other factors that may impact the borrower's ability to pay. To the extent that those loans are collateral-dependent, they are evaluated based on recent estimations of the fair value of the loan's collateral. In those cases where current appraisals may not yet be available, prior appraisals are utilized with

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adjustments, as deemed necessary, for estimates of subsequent declines in values as determined by line of business and/or loan workout personnel. Those adjustments are reviewed and assessed for reasonableness by the Company's credit risk personnel. Accordingly, for real estate collateral securing larger nonaccrual commercial loans and commercial real estate loans, estimated collateral values are based

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on current appraisals and estimates of value. For non-real estate loans, collateral is assigned a discounted estimated liquidation value and, depending on the nature of the collateral, is verified through field exams or other procedures. In assessing collateral, real estate and non-real estate values are reduced by an estimate of selling costs. Charge-offs are based on recent indications of value from external parties that are generally obtained shortly after a loan becomes nonaccrual. Loans to consumers that file for bankruptcy are generally charged-off to estimated net collateral value shortly after the Company is notified of such filings. When evaluating individual home equity loans and lines of credit for charge off and for purposes of estimating losses in determining the allowance for credit losses, the Company considers the required repayment of any first lien positions related to collateral property.

Prior to 2023, the allowance for credit losses represented the amount that in management's judgement reflected incurred credit losses inherent in the loan and lease portfolio as of the balance sheet date. A description of the methodologies used by the Company to estimate its allowance for credit losses prior to January 1, 2023 is included in Note 4 of Notes to Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

The following tables present the activity in the allowance for credit losses according to portfolio segment for the three month periods ended September March 30, 2023 31, 2024 and 2022. 2023.

	Three months ended September 30, 2023						Three months ended March 31, 2024					
	Commercial and Industrial	Commercial Real Estate Mortgages*	Consumer and Other	Residential Mortgages*	Home Equities	Total	Commercial and Industrial	Commercial Real Estate Mortgages*	Consumer and Other	Residential Mortgages*	Home Equities	Total
	(in thousands)						(in thousands)					
Allowance for credit losses:												
Allowance for credit losses:												
Beginning balance	$ 4,973	$ 12,633	$ 7	$ 3,465	$ 290	$ 21,368	$ 5,241	$ 12,548	$ 8	$ 3,883	$ 434	$ 22,114
Charge-offs	(4)	-	(47)	-	-	(51)	(67)	-	(34)	-	-	(101)
Recoveries	6	-	5	7	5	23	2	-	3	3	-	8
Provision	61	280	42	102	21	506	139	(1)	32	177	(81)	266
Ending balance	$ 5,036	$ 12,913	$ 7	$ 3,574	$ 316	$ 21,846	$ 5,315	$ 12,547	$ 9	$ 4,063	$ 353	$ 22,287

*Includes construction loans

	Three months ended September 30, 2022						Three months ended March 31, 2023
	Commercial and Industrial	Commercial Real Estate Mortgages*	Consumer and Other	Residential Mortgages*	Home Equities	Total	(in thousands)

							Commercial and Industrial	Commercial Real Estate Mortgages*	Consumer and Other	Residential Mortgages*	Home Equities	Total
Allowance for credit losses:			(in thousands)									
Allowance for credit losses:												
Beginning balance	$ 3,714	$ 12,305	$ 70	$ 2,164	$ 566	$ 18,819	$ 4,980	$ 11,595	$ 153	$ 2,102	$ 608	$ 19,438
Adoption of new accounting standard							324	1,145	(147)	1,618	(205)	2,735
Beginning balance after cumulative effect adjustment							$ 5,304	$ 12,740	$ 6	$ 3,720	$ 403	$ 22,173
Charge-offs	(1,515)	-	(45)	-	-	(1,560)	-	-	(30)	-	-	(30)
Recoveries	40	-	3	-	-	43	30	-	4	-	-	34
Provision	1,805	(603)	13	47	66	1,328	(67)	(186)	24	(342)	(83)	(654)
Ending balance	$ 4,044	$ 11,702	$ 41	$ 2,211	$ 632	$ 18,630	$ 5,267	$ 12,554	$ 4	$ 3,378	$ 320	$ 21,523

* Includes construction loans

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The following tables present the activity in the allowance for credit losses according to portfolio segment for the nine month periods ended September 30, 2023 and 2022.

	Nine months ended September 30, 2023 (in thousands)					
	Commercial and Industrial	**Commercial Real Estate Mortgages***	**Consumer and Other**	**Residential Mortgages***	**Home Equities**	**Total**
Allowance for credit losses:						
Beginning balance	$ 4,980	$ 11,595	$ 153	$ 2,102	$ 608	$ 19,438
Adoption of new accounting standard	324	1,145	(147)	1,618	(205)	2,735
Beginning balance after cumulative effect adjustment	$ 5,304	$ 12,740	$ 6	$ 3,720	$ 403	$ 22,173
Charge-offs	(4)	-	(126)	(1)	(25)	(156)
Recoveries	59	-	23	6	5	93
Provision	(323)	173	104	(151)	(67)	(264)
Ending balance	$ 5,036	$ 12,913	$ 7	$ 3,574	$ 316	$ 21,846

*Includes construction loans

	Nine months ended September 30, 2022 (in thousands)					
	Commercial and Industrial	**Commercial Real Estate Mortgages***	**Consumer and Other**	**Residential Mortgages***	**Home Equities**	**Total**
Allowance for credit losses:						
Beginning balance	$ 3,309	$ 12,367	$ 54	$ 2,127	$ 581	$ 18,438
Charge-offs	(1,546)	-	(112)	(55)	-	(1,713)

Recoveries	76	-	13	-	-	89
Provision	2,205	(665)	86	139	51	1,816
Ending balance	$ 4,044	$ 11,702	$ 41	$ 2,211	$ 632	$ 18,630

*Includes construction loans

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The following tables present the allowance for credit losses and recorded investment on loans by segment as of September March 30, 2023 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023						March 31, 2024					
	(in thousands)						(in thousands)					
	Commercial and Industrial	Commercial Real Estate Mortgages*	Consumer and Other	Residential Mortgages*	Home Equities	Total	Commercial and Industrial	Commercial Real Estate Mortgages*	Consumer and Other	Residential Mortgages*	Home Equities	Total
Allowance for credit losses:												
Ending balance:												
Individually evaluated for impairment	-	179	-	2	-	181	53	719	-	13	-	785
Collectively evaluated for impairment	5,036	12,734	7	3,572	316	21,665	5,262	11,828	9	4,050	353	21,502
Total	$ 5,036	$ 12,913	$ 7	$ 3,574	$ 316	$ 21,846	$ 5,315	$ 12,547	$ 9	$ 4,063	$ 353	$ 22,287
Loans:												
Ending balance:												
Individually evaluated for impairment	1,914	23,557	-	4,844	721	31,036	2,107	22,810	-	5,356	906	31,179
Collectively evaluated for impairment	220,927	932,966	555	438,924	80,761	1,674,133	223,840	949,166	776	438,808	79,214	1,691,804
Total	$ 222,841	$ 956,523	$ 555	$ 443,768	$ 81,482	$ 1,705,169	$ 225,947	$ 971,976	$ 776	$ 444,164	$ 80,120	$ 1,722,983

* Includes construction loans

	December 31, 2022						December 31, 2023					
	(in thousands)						(in thousands)					
	Commercial and Industrial	Commercial Real Estate Mortgages*	Consumer and Other	Residential Mortgages*	Home Equities	Total	Commercial and Industrial	Commercial Real Estate Mortgages*	Consumer and Other	Residential Mortgages*	Home Equities	Total
Allowance for credit losses:												
Ending balance:												
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -						

Individually evaluated for impairment	-	251	-	28	77	356	36	719	-	-	-	755
Collectively evaluated for impairment	4,980	11,344	153	2,074	531	19,082	5,205	11,829	8	3,883	434	21,359
Total	$ 4,980	$ 11,595	$ 153	$ 2,102	$ 608	$ 19,438	$ 5,241	$ 12,548	$ 8	$ 3,883	$ 434	$ 22,114
Loans:												
Ending balance:												
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ 687	$ -	$ 687						
Individually evaluated for impairment	2,697	18,144	-	4,020	949	25,810	1,869	23,044	-	5,146	761	30,820
Collectively evaluated for impairment	247,372	877,973	572	439,042	81,465	1,646,424	221,231	946,144	1,066	441,897	80,651	1,690,989
Total	$ 250,069	$ 896,117	$ 572	$ 443,749	$ 82,414	$ 1,672,921	$ 223,100	$ 969,188	$ 1,066	$ 447,043	$81,412	$1,721,809

* Includes construction loans

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The Company's reserve for off-balance sheet credit exposures was not material at September March 30, 2023 31, 2024 and upon adoption December 31, 2023.

Table of ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. Contents

Nonaccrual Loans

The following tables provide amortized costs, at the class level, for nonaccrual loans as of the dates indicated:

	September 30, 2023			January 1, 2023	Nine Months Ended September 30, 2023	March 31, 2024			Three Months Ended March 31, 2024
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Amortized Cost	Interest Income Recognized	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized
		(in thousands)					(in thousands)		
Commercial and industrial	$ -	$ 1,876	$ 1,876	$ 2,625	$ 13	$ 66	$ 1,634	$ 1,700	$ -
Residential real estate:									
Residential	163	4,137	4,300	3,738	34	160	4,691	4,851	3
Construction	-	-	-	-	-	-	-	-	-
Commercial real estate:									
Commercial	-	12,613	12,613	6,648	219	6,569	12,186	18,755	-
Construction	1,268	6,913	8,181	8,765	-	1,268	-	1,268	-
Home equities	-	385	385	563	7	-	619	619	2

	September 30, 2022			January 1, 2022	Nine Months Ended September 30, 2022	March 31, 2023			Three Months Ended March 31, 2023
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Amortized Cost	Interest Income Recognized	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	Interest Income Recognized
			(in thousands)				(in thousands)		
Consumer and other	-	-	-	-	-	-	-	-	-
Total nonaccrual loans	$ 1,431	$ 25,924	$ 27,355	$ 22,339	$ 273	$ 8,063	$ 19,130	$ 27,193	$ 5
Commercial and industrial	$ 2	$ 4,478	$ 4,480	$ 4,919	$ 6	$ -	$ 2,520	$ 2,520	$ -
Residential real estate:									
Residential	246	3,452	3,698	3,020	12	151	3,720	3,871	8
Construction	-	-	-	-	-	-	-	-	-
Commercial real estate:									
Commercial	171	9,026	9,197	5,758	183	-	6,561	6,561	-
Construction	-	8,927	8,927	2,942	-	1,301	7,265	8,566	-
Home equities	37	478	515	755	14	29	418	447	-
Consumer and other	-	-	-	-	-	-	-	-	-
Total nonaccrual loans	$ 456	$ 26,361	$ 26,817	$ 17,394	$ 215	$ 1,481	$ 20,484	$ 21,965	$ 8

Collateral-dependent loans are loans that we expect the repayment to be provided substantially through the operation or sale of the collateral of the loan and we have determined that the borrower is experiencing financial difficulty. In such cases, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for selling costs. As of March 31, 2024 and December 31, 2023, there were $27 million of collateral-dependent loans, secured mainly by real estate and equipment. There have been no significant changes to the collateral that secures the collateral-dependent assets.

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Modifications to Borrowers Experiencing Financial Difficulty

The Company adopted Accounting Standards Update ("ASU") 2022-02, Financial Instruments – Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02") effective January 1, 2023. The amendments in ASU 2022-02 eliminated the recognition and measure measurement of troubled debt restructurings and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty.

The table below details the amortized cost of gross loans held for investment made to borrowers experiencing financial difficulty that were modified during the nine three months ended September 30, 2023: March 31, 2024 and March 31,2023:

(in thousands)	Term Extension	Total Class of Receivable	March 31, 2024		March 31, 2023	
(in thousands)			Term Extension	Total Class of Receivable	Term Extension	Total Class of Receivable
Commercial and industrial	$ 451	0.20 %	$ -	- %	$ -	- %
Residential real estate:						
Residential	558	0.13	319	0.07	104	0.00
Construction	-	-	-	-	-	-
Commercial real estate:						
Commercial	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Home equities	-	-	-	-	-	-

Consumer and other	-		- -	-	- -		- -	-
Total nonaccrual loans	$ 1,009		0.06 %	$ 319	0.02 %	$ 104	0.00	%

The financial impacts of the commercial and industrial residential mortgage modifications made to borrowers experiencing financial difficulty during the nine three months ended September 30, 2023 March 31, 2024 was a maturity extension of six months. In addition, residential Residential mortgage loan modifications made to borrowers experiencing financial difficulty during that same period the three months ended March 31, 2023 were maturity extensions ranging from six 159 months to 164 months.

The company has not committed to lend any additional amounts to the borrowers included in the previous table.

As of September 30, 2023 March 31, 2024 and March 31, 2023, the Company did not have any loans made to borrowers experiencing financial difficulty that were modified during the first nine three months of 2024 and 2023 that subsequently defaulted. Payment default is defined as movement to nonperforming status, foreclosure or charge-off, whichever occurs first.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The payment status of all loans modified to borrowers experiencing financial difficulties were current during the first nine three months of 2023 was current as of September 30, 2023. 2024 and 2023.

Troubled debt restructurings

Information on loan modifications prior to the adoption of ASU 2022-02 on January 1, 2023 is presented in accordance with the applicable accounting standards in effect at that time. During the three months ended September 30, 2022, the Company did not modify any loans. During the first nine months of 2022, the Company modified two loans that were determined to be troubled debt restructurings, a home equity loan with an outstanding balance of $38 thousand that included extension of maturity and interest rate reduction concessions and a commercial and industrial loan with an outstanding balance of $461 thousand that included an extension of maturity.

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4. COMMON EQUITY AND EARNINGS PER SHARE DATA

The common stock per share information is based upon the weighted average number of shares outstanding during each period. For the three and nine month periods ended September 30, 2023 March 31, 2024 and 2023 the Company had an average of 9,034 11,484 and 16,773 dilutive shares outstanding, respectively. For the three and nine month periods ended September 30, 2022 the Company had an average of 36,646 and 42,572 31,438 dilutive shares outstanding, respectively.

Potential common shares that would have the effect of increasing diluted earnings per share are considered to be anti-dilutive and not included in calculating diluted earnings per share. There was an average of 80,770 and 84,518 potentially anti-dilutive shares outstanding for For the three and nine month periods ended September 30, 2023, respectively. For the three March 31, 2024 and nine month periods ended September 30, 2022, 2023, there was an average of 54,680 78,080 and 55,847 53,910 potentially anti-dilutive shares outstanding, respectively. Potentially anti-dilutive shares outstanding were not included in calculating diluted earnings per share because their effect was anti-dilutive.

5. OTHER COMPREHENSIVE INCOME (LOSS)

The following tables summarize the changes in the components of accumulated other comprehensive income (loss) during the three and nine month periods ended September March 30, 2023 31, 2024 and 2022: 2023:

	Balance at June 30, 2023	Net Change	Balance at September 30, 2023	Balance at December 31, 2023	Net Change	Balance at March 31, 2024
	(in thousands)			(in thousands)		
Net unrealized loss on investment securities	$ (48,007)	$ (8,813)	$ (56,820)	$ (40,741)	$ (2,493)	$ (43,234)
Net defined benefit pension plan adjustments	(1,890)	20	(1,870)	(1,530)	18	(1,512)
Total	$ (49,897)	$ (8,793)	$ (58,690)	$ (42,271)	$ (2,475)	$ (44,746)

	Balance at June 30, 2022	Net Change	Balance at September 30, 2022	Balance at December 31, 2022	Net Change	Balance at March 31, 2023
	(in thousands)			(in thousands)		
Net unrealized loss on investment securities	$ (31,898)	$ (15,581)	$ (47,479)	$ (47,348)	$ 3,635	$ (43,713)
Net defined benefit pension plan adjustments	(2,401)	56	(2,345)	(1,930)	20	(1,910)
Total	$ (34,299)	$ (15,525)	$ (49,824)	$ (49,278)	$ 3,655	$ (45,623)

	Balance at December 31, 2022	Net Change	Balance at September 30, 2023
		(in thousands)	
Net unrealized loss on investment securities	$ (47,348)	$ (9,472)	$ (56,820)
Net defined benefit pension plan adjustments	(1,930)	60	(1,870)
Total	$ (49,278)	$ (9,412)	$ (58,690)
	Balance at December 31, 2021	**Net Change**	**Balance at September 30, 2022**
		(in thousands)	
Net unrealized loss on investment securities	$ (3,160)	$ (44,319)	$ (47,479)
Net defined benefit pension plan adjustments	(2,511)	166	(2,345)
Total	$ (5,671)	$ (44,153)	$ (49,824)

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	Three months ended September 30, 2023 (in thousands)			Three months ended September 30, 2022 (in thousands)			Three months ended March 31, 2024 (in thousands)			Three months ended March 31, 2023 (in thousands)		
	Before-Tax Amount	Income Tax (Provision) Benefit	Net-of-Tax Amount	Before-Tax Amount	Income Tax (Provision) Benefit	Net-of-Tax Amount	Before-Tax Amount	Income Tax (Provision) Benefit	Net-of-Tax Amount	Before-Tax Amount	Income Tax (Provision) Benefit	Net-of-Tax Amount
Unrealized loss on investment												
Unrealized (loss) gain on investment												
securities:												
Unrealized loss on investment												
Unrealized (loss) gain on investment												
securities	$ (11,904)	$ 3,091	$ (8,813)	$ (21,016)	$ 5,435	$ (15,581)	$ (3,364)	$ 871	$ (2,493)	$ 4,884	$ (1,249)	$ 3,635
Defined benefit pension plan adjustments:												
Amortization of prior service cost	-	-	-	8	(2)	6	-	-	-	-	-	-
Amortization of actuarial loss	27	(7)	20	68	(18)	50	25	(7)	18	27	(7)	20
Net change	27	(7)	20	76	(20)	56	25	(7)	18	27	(7)	20
Other comprehensive (loss) income	$ (11,877)	$ 3,084	$ (8,793)	$ (20,940)	$ 5,415	$ (15,525)	$ (3,339)	$ 864	$ (2,475)	$ 4,911	$ (1,256)	$ 3,655

	Nine months ended September 30, 2023 (in thousands)			Nine months ended September 30, 2022 (in thousands)		
	Before-Tax Amount	Income Tax (Provision) Benefit	Net-of-Tax Amount	Before-Tax Amount	Income Tax (Provision) Benefit	Net-of-Tax Amount
Unrealized loss on investment securities:						
Unrealized loss on investment securities	$ (12,822)	$ 3,350	$ (9,472)	$ (59,796)	$ 15,477	$ (44,319)
Defined benefit pension plan adjustments:						

Amortization of prior service cost	-	-	-	24	(8)	16
Amortization of actuarial loss	81	(21)	60	203	(53)	150
Net change	81	(21)	60	227	(61)	166
Other comprehensive (loss) income	$ (12,741)	$ 3,329	$ (9,412)	$ (59,569)	$ 15,416	$ (44,153)

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6. NET PERIODIC BENEFIT COSTS

On January 31, 2008, the Bank froze its defined benefit pension plan. The plan covered substantially all Bank employees. The plan provides benefits that are based on the employees' compensation and years of service. Under the freeze, eligible employees will receive, at retirement, the benefits already earned through January 31, 2008, but have not accrued any additional benefits since then. As a result, service cost is no longer incurred.

The Bank uses an actuarial method of amortizing prior service cost and unrecognized net gains or losses which result from actual expense and assumptions being different than those that are projected. The amortization method the Bank used recognized the prior service cost and net gains or losses over the average remaining service period of active employees.

The Bank also maintains a nonqualified supplemental executive retirement plan covering certain members of the Company's senior management. The Bank uses an actuarial method of amortizing unrecognized net gains or losses which result from actual expense and assumptions being different than those that are projected. The amortization method the Bank uses recognizes the net gains or losses over the average remaining service period of active employees.

The following table presents the net periodic cost for the Bank's defined benefit pension plan and supplemental executive retirement plan for the three month period ended March 31, 2024 and nine month periods ended September 30, 2023 and 2022:

	Three months ended September 30, (in thousands)			
	Pension Benefits		Supplemental Executive Retirement Plan	
	2023	2022	2023	2022
Service cost	$ -	$ -	$ 36	$ 33
Interest cost	62	44	62	31
Expected return on plan assets	(67)	(88)	-	-
Amortization of prior service cost	-	-	-	8
Amortization of the net loss	27	24	-	44
Net periodic cost (benefit)	$ 22	$ (20)	$ 98	$ 116

2023:

	Nine months ended September 30, (in thousands)				Three months ended March 31, (in thousands)			
	Pension Benefits		Supplemental Executive Retirement Plan		Pension Benefits		Supplemental Executive Retirement Plan	
	2023	2022	2023	2022	2024	2023	2024	2023
Service cost	$ -	$ -	$ 108	$ 99	$ -	$ -	$ 31	$ 36
Interest cost	187	133	187	93	57	62	63	62
Expected return on plan assets	(201)	(264)	-	-	(64)	(67)	-	-
Amortization of prior service cost	-	-	-	24	-	-	-	-
Amortization of the net loss	81	71	-	132	25	27	-	-
Net periodic cost (benefit)	$ 67	$ (60)	$ 295	$ 348	$ 18	$ 22	$ 94	$ 98

The components of net periodic cost other than the service cost component are included in the line item "other expense" in the income statement.

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7. REVENUE RECOGNITION OF NON-INTEREST INCOME

Insurance Service and Fees: Insurance services revenue relates to various revenue streams from services provided by TEA and the Bank.

As a result of the sale of TEA, insurance services revenue recognized during 2024 is a result of services provided by the Banks' wealth management department. TEA and the Bank's wealth management activity are both included in the comparative 2023 balances. See Note 2 to the Company's Consolidated Financial Statements included under Item 8 of the 2023 Annual Report on Form 10-K for more information on the sale of TEA.

A description of the Company's material revenue streams in non-interest income accounted for under ASC 606 follows:

Insurance Service and Fees: Insurance services revenue relates to various revenue streams from services provided by TEA and the Bank:

- TEA earns earned commission revenue from selling commercial and personal property and casualty ("P&C") insurance as well as employee benefits solutions to commercial customers.

  TEA has had agreements with various insurance companies to sell policies to customers on behalf of the carriers. The performance obligation for TEA is to sell annual P&C policies to commercial customers and consumers. This performance obligation is met when a new policy is sold or when an existing policy renews. The policies are generally one year terms. In the agreements with the respective insurance companies, a commission rate is agreed upon. The commission is recognized at the time of the sale of the policy or when a policy renews.

  TEA has signed contracts with insurance carriers that enable TEA to sell benefit plans to commercial customers on behalf of the insurance carriers. The performance obligation for TEA is to sell the plans to commercial customers. After the initial sale when the customer signs an agreement to purchase the offered benefit plan, the performance obligation is met each month when a customer continues utilizing benefit plans from the carrier. The customer does not commit to a specific length of time with the carrier. In the agreements with the respective insurance companies, a commission rate is agreed upon. Revenue is recognized each month when the customer continues with the benefit plan sold by TEA.
- TEA also earns contingent profit sharing revenue. The insurance companies measure the loss ratio for TEA's customers and pay TEA according to how profitable TEA customers are.

  TEA has signed written agreements with insurance carriers that document payouts to TEA based on the loss ratios of its customers. The performance obligation for TEA is to maintain a customer base with loss ratios below the agreed upon thresholds. In the contracts with the insurance companies, payout rates based on loss ratios are documented. The consideration is variable as loss ratios vary based on customer experience. TEA's performance obligation is over the course of the year as its customers' performance with insurance carriers is measured throughout the year as losses occur. Due to the variable nature of contingent profit sharing revenue, TEA will accrue contingent profit sharing revenue throughout the year based on recent historical results. As loss events occur and overall performance becomes known to TEA, accrual adjustments will be made until the cash is ultimately received.
- Financial services commission revenue from the Bank related to wealth management such as life insurance, annuities, and mutual funds sales is also included in the "insurance service and fees" line of the income statement.

  The Company earns wealth management fees from its contracts with customers for certain financial services. Fees that are transaction-based are recognized at the point in time that the transaction is executed. Other related services provided include financial planning services and the fees the Bank earns are recognized when the services are rendered.

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A disaggregation of the total insurance service and other fees for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 is provided in the tables below:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023
	(in thousands)		(in thousands)	
Commercial property and casualty insurance commissions	$ 1,670	$ 1,706	$ -	$ 889
Personal property and casualty insurance commissions	978	901	-	739
Employee benefits sales commissions	279	206	-	194
Profit sharing and contingent revenue	398	410	-	427
Wealth management and other financial services	147	137	149	127
Other insurance-related revenue	26	23	-	53
Total insurance service and other fees	$ 3,498	$ 3,383	$ 149	$2,429

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
	(in thousands)	
Commercial property and casualty insurance commissions	$ 3,723	$ 3,525
Personal property and casualty insurance commissions	2,716	2,554
Employee benefits sales commissions	640	649
Profit sharing and contingent revenue	1,024	971
Wealth management and other financial services	436	457
Other insurance-related revenue	109	93
Total insurance service and other fees	$ 8,648	$ 8,249

8. FAIR VALUE MEASUREMENT

Fair value is defined in ASC Topic 820 “Fair Value Measurement” as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are three levels of inputs to fair value measurement:

- Level 1 inputs are quoted prices for identical instruments in active markets;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs.

Observable market data should be used when available.

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FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following table presents, for each of the fair-value hierarchy levels as defined in this footnote, those financial instruments which are measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively:

(in thousands)	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value
September 30, 2023								
March 31, 2024								
Securities available-for-sale:								
US treasuries and government agencies	$ -	$ 133,385	$ -	$ 133,385	$ -	$ 94,043	$ -	$ 94,043
States and political subdivisions	-	21,019	-	21,019	-	5,990	-	5,990
Mortgage-backed securities	-	180,056	-	180,056	-	168,443	-	168,443
December 31, 2022								
December 31, 2023								
Securities available-for-sale:								
US treasuries and government agencies	$ -	$ 140,682	$ -	$ 140,682	$ -	$ 96,240	$ -	$ 96,240

States and political subdivisions	-	21,822	-	21,822	-	6,029	-	6,029
Mortgage-backed securities	-	201,822	-	201,822	-	173,411	-	173,411

Securities available for sale

Fair values for available for sale securities are determined using independent pricing services and market-participating brokers. The Company utilizes a third-party for these pricing services. The third-party utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information for structured securities, cash flow and, when available, loan performance data. Because many fixed income securities do not trade on a daily basis, the third-party service provider's evaluated pricing applications apply information as applicable through processes, such as benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. In addition, our third-party pricing service provider uses model processes, such as the Option Adjusted Spread model, to assess interest rate impact and develop prepayment scenarios. The models and the process take into account market convention. For each asset class, a team of evaluators gathers information from market sources and integrates relevant credit information, perceived market movements and sector news into the evaluated pricing applications and models. The third-party, at times, may determine that it does not have sufficient verifiable information to value a particular security. In these cases the Company will utilize valuations from another pricing service.

On a quarterly basis the Company reviews changes, as submitted by our third-party pricing service provider, in the market value of its securities portfolio. Individual changes in valuations are reviewed for consistency with general interest rate movements and any known credit concerns for specific securities. Additionally, on a quarterly basis the Company has its entire securities portfolio priced by a second pricing service to determine consistency with another market evaluator. If, on the Company's review or in comparing with another servicer, a material difference between pricing evaluations were to exist, the Company may submit an inquiry to our third-party pricing service provider regarding the data used to value a particular security. If the Company determines it has market information that would support a different valuation than our third-party service provider's evaluation it can submit a challenge for a change to that security's valuation.

Securities available for sale are classified as Level 2 in the fair value hierarchy as the valuation provided by the third-party provider uses observable market data.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A NONRECURRING BASIS

The Company is required, on a nonrecurring basis, to adjust the carrying value of certain assets or provide valuation allowances related to certain assets using fair value measurements. The following table presents for each of the fair-value hierarchy levels as defined in this footnote, those financial instruments which are measured at fair value on a nonrecurring basis September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(in thousands)	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value
September 30, 2023								
March 31, 2024								
Collateral dependent individually analyzed loans	$ -	$ -	$ 1,244	$ 1,244	$ -	$ -	$ 7,273	$ 7,273
December 31, 2022								
December 31, 2023								
Collateral dependent individually analyzed loans	$ -	$ -	$ 1,170	$ 1,170	$ -	$ -	$ 7,147	$ 7,147

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Individually analyzed loans

Collateral dependent loans carried at fair value have been partially charged-off or receive individually analyzed allocations of the allowance for credit losses. The Company evaluates and values collateral dependent individually analyzed loans at the time the loan is identified to be individually analyzed, and the fair values of such loans are estimated using Level 3 inputs in the fair value hierarchy. Each loan's collateral value has a unique appraisal and management's discount of the value is based on factors unique to each individually analyzed loan. The significant unobservable input in determining the fair value is management's subjective discount on appraisals of the collateral securing the loan, which ranges from 10%-50%. Fair value is estimated based on the value of the collateral securing these loans. Collateral may consist of real estate and/or business assets including equipment, inventory and/or accounts receivable and the value of these assets is determined based on appraisals by qualified licensed appraisers hired by the Company. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, estimated costs to sell, and/or management's expertise and knowledge of the client and the client's business.

The Company has an appraisal policy in which appraisals are obtained upon a commercial loan being downgraded on the Company's internal loan rating scale to a special mention or a substandard depending on the amount of the loan, the type of loan and the type of collateral. All individually analyzed commercial loans are graded substandard or worse on the internal loan rating scale. For consumer loans, the Company obtains appraisals when a loan becomes 90 days past due or is determined to be individually analyzed, whichever occurs first. Subsequent to the downgrade or reaching 90 days past due, if the loan remains outstanding and individually analyzed for at least one year or more, management may require another follow-up appraisal. Between receipts of updated appraisals, if necessary, management may perform an internal valuation based on any known changing conditions in the marketplace such as sales of similar properties, a change in the condition of the collateral, or feedback from local appraisers. Collateral dependent individually analyzed loans had a gross value of $1.4 million $8.1 million, with an allowance for credit loss of $0.2 million $0.8 million, at September 30, 2023 March 31, 2024 compared with $1.5 million $7.9 million and $0.4 million $0.8 million, respectively, at December 31, 2022 December 31, 2023.

The table below depicts the estimated fair values of the Company's financial instruments, including those that are not measured and reported at fair value on a recurring basis or nonrecurring basis.

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)		(in thousands)		(in thousands)		(in thousands)	
Financial assets:								
Level 1:								
Cash and cash equivalents	$ 25,294	$ 25,294	$ 23,054	$ 23,054	$ 178,352	$ 178,352	$ 23,467	$ 23,467
Level 2:								
Available for sale securities	334,460	334,460	364,326	364,326	268,476	268,476	275,680	275,680
FHLB and FRB stock	6,440	N/A	13,511	N/A	8,060	N/A	8,011	N/A
Level 3:								
Held to maturity securities	2,170	2,067	6,949	6,809	3,611	3,531	2,059	1,988
Loans, net	1,682,554	1,589,905	1,652,931	1,564,641	1,699,589	1,608,565	1,698,832	1,606,666
Financial liabilities:								
Level 1:								
Demand deposits	$ 447,306	$ 447,306	$ 493,710	$ 493,710	$ 399,558	$ 399,558	$ 390,238	$ 390,238
NOW deposits	324,219	324,219	273,359	273,359	381,798	381,798	345,279	345,279
Savings deposits	698,653	698,653	801,943	801,943	715,495	715,495	649,621	649,621
Level 2:								
Securities sold under agreement to repurchase	13,447	13,447	7,147	7,147	6,873	6,873	9,475	9,475
Other borrowed funds	151,252	150,581	193,001	192,443	131,023	130,699	145,123	145,055
Subordinated debt	31,152	30,086	31,075	30,263	31,203	29,847	31,177	29,563
Level 3:								
Time deposits	335,228	332,792	202,667	199,910	394,515	392,997	333,623	331,675

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9. SEGMENT INFORMATION

The Prior to the sale of TEA, the Company comprises was comprised of two primary business segments, banking and insurance agency activities. The For comparative purposes the following tables set forth information regarding these segments for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022. 2023. For further information on the sale of TEA see Note 2 to the Company's Consolidated Financial Statements included under Item 8 of the 2023 Annual Report on Form 10-K.

	Three months ended September 30, 2023			Three months ended March 31, 2024		
	Banking Activities	Insurance Agency Activities	Total	Banking Activities	Insurance Agency Activities	Total
	(in thousands)			(in thousands)		
Net interest income	$ 14,256	$ -	$ 14,256	$ 13,907	$ -	$ 13,907
Provision for credit losses	506	-	506	266	-	266
Net interest income after provision for credit losses	13,750	-	13,750	13,641	-	13,641
Insurance service and fees	121	3,377	3,498	149	-	149
Other non-interest income	2,058	-	2,058	2,118	-	2,118
Amortization expense	5	95	100	4	-	4
Other non-interest expense	12,527	1,780	14,307	12,923	-	12,923

	Banking Activities	Insurance Agency Activities	Total	Banking Activities	Insurance Agency Activities	Total
Income before income taxes	3,397	1,502	4,899	2,981	-	2,981
Income tax provision	890	391	1,281	647	-	647
Net income	$ 2,507	$ 1,111	$ 3,618	$ 2,334	$ -	$ 2,334

	Three months ended September 30, 2022			Three months ended March 31, 2023		
	Banking Activities	Insurance Agency Activities	Total	Banking Activities	Insurance Agency Activities	Total
	(in thousands)			(in thousands)		
Net interest income	$ 19,188	$ -	$ 19,188	$ 17,325	$ -	$ 17,325
Provision for credit losses	1,328	-	1,328	(654)	-	(654)
Net interest income after provision for credit losses	17,860	-	17,860	17,979	-	17,979
Insurance service and fees	134	3,249	3,383	123	2,306	2,429
Other non-interest income	2,384	-	2,384	1,684	-	1,684
Amortization expense	5	95	100	5	95	100
Other non-interest expense	13,750	1,941	15,691	12,557	1,845	14,402
Income before income taxes	6,623	1,213	7,836	7,224	366	7,590
Income tax provision	1,658	314	1,972	1,707	83	1,790
Net income	$ 4,965	$ 899	$ 5,864	$ 5,517	$ 283	$ 5,800

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	Nine months ended September 30, 2023		
	Banking Activities	Insurance Agency Activities	Total
	(in thousands)		
Net interest income	$ 47,262	$ -	$ 47,262
Provision for credit losses	(264)	-	(264)
Net interest income after provision for credit losses	47,526	-	47,526
Insurance service and fees	398	8,250	8,648
Other non-interest income	5,723	-	5,723
Amortization expense	14	286	300
Other non-interest expense	37,311	5,471	42,782
Income before income taxes	16,322	2,493	18,815
Income tax provision	3,847	618	4,465
Net income	$ 12,475	$ 1,875	$ 14,350

	Nine months ended September 30, 2022		
	Banking Activities	Insurance Agency Activities	Total
	(in thousands)		
Net interest income	$ 53,741	$ -	$ 53,741
Provision for credit losses	1,816	-	1,816
Net interest income after provision for credit losses	51,925	-	51,925
Insurance service and fees	442	7,807	8,249
Other non-interest income	6,561	-	6,561

Amortization expense	15	285	300
Other non-interest expense	39,137	5,598	44,735
Income before income taxes	19,776	1,924	21,700
Income tax provision	4,855	499	5,354
Net income	$ 14,921	$ 1,425	$ 16,346

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10. CONTINGENT LIABILITIES AND COMMITMENTS

The unaudited consolidated financial statements do not reflect various commitments and contingent liabilities, which arise in the normal course of business, and which involve elements of credit risk, interest rate risk and liquidity risk. These commitments and contingent liabilities consist of commitments to extend credit and standby letters of credit. A summary of the Bank's commitments and contingent liabilities is as follows:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(in thousands)		(in thousands)	
Commitments to extend credit	$ 435,728	$ 376,167	$468,873	$ 431,085
Standby letters of credit	3,017	3,673	4,173	3,883
Total	$ 438,745	$ 379,840	$473,046	$ 434,968

Commitments to extend credit and standby letters of credit include some exposure to credit loss in the event of nonperformance by the customer. The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extensions of credit that are recorded on the Company's unaudited consolidated balance sheets. Because these instruments have fixed maturity dates, and because they may expire without being drawn upon, they do not necessarily represent cash requirements of the Bank. The Bank did not incur any losses on its commitments and did not record a reserve for its commitments during the first nine three months of 2023 2024 or during 2022. 2023.

Certain lending commitments for construction residential mortgage loans are considered derivative instruments under the guidelines of GAAP. The changes in the fair value of these commitments, due to interest rate risk, are not recorded on the consolidated balance sheets as the fair value of these derivatives is not considered to be material.

11. RECENT ACCOUNTING PRONOUNCEMENTS

The FASB establishes changes to U.S. GAAP in the form of accounting standards updates ("ASUs") to the FASB Accounting Standards Codification. The Company considers the applicability and impact of all ASUs when they are issued by FASB. Effective January 1, 2023 the Company adopted both ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses of Financial Instruments and ASU 2022-02, Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures. Excluding those ASUs, the The Company did not adopt any accounting pronouncements during its current fiscal year that had a material impact on the Company's consolidated financial position, results of operations, cash flows or disclosures. There have been no The following accounting standards that have been recently issued but are not yet required to be adopted as of September 30, 2023 that management expects March 31, 2024. Management is currently evaluating the effect of the updated guidance these accounting standards will have a material impact on the Company's financial condition, results of operations, cash flows or disclosures.

ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* – The Company adopted this ASU (commonly known as the Current Expected Credit Loss Impairment Model, or CECL) effective January 1, 2023. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in CECL replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. See Note 3 – "Loans and the Allowance for Credit Losses" to this Quarterly Report on Form 10-Q for further details regarding the Company's accounting policy for determining the Allowance for Credit Losses under this new accounting standard.

Upon adoption of ASU 2016-13, Measurement of Credit Losses on Financial Instruments, the Company recognized a $2.7 million increase in the allowance for credit losses as of January 1, 2023 with a net of tax cumulative effect adjustment to retained earnings of $2.0 million.

ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures* – The Company adopted this ASU effective January 1, 2023.This ASU eliminates the accounting guidance for troubled debt restructurings ("TDRs") in ASC 310-40, "Receivables - Troubled Debt Restructurings by Creditors" for entities that have adopted the CECL model introduced by ASU 2016-13. ASU 2022-02 also requires that public business entities disclose current-period gross charge-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, "Financial Instruments—

Credit Losses—Measured at Amortized Cost". The adoption of ASU 2022-02 did not have a material impact on the Company's financial condition, results of operations or cash flows, but did affect the financial statement disclosures.

30 In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*. The updated accounting guidance requires expanded reportable segment disclosures, primarily related to significant segment expenses which are regularly provided to the company's Chief Operating Decision Maker. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024. Retrospective application is required.

Table In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*. The updated accounting guidance requires expanded income tax disclosures, including the disaggregation of Contents existing disclosures related to the tax rate reconciliation and income taxes paid. The guidance is effective for annual periods beginning after December 15, 2024. Prospective application is required, with retrospective application permitted.

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

This Quarterly Report on Form 10-Q may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. When used in this report, or in the documents incorporated by reference herein, the words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "seek," and similar expressions identify such forward-looking statements. These forward-looking statements include statements regarding the Company's business plans, prospects,

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growth and operating strategies, statements regarding the asset quality of the Company's loan and investment portfolios, and estimates of the Company's risks and future costs and benefits.

These forward-looking statements are based largely on the expectations of the Company's management and are subject to a number of risks and uncertainties, including but not limited to: adverse changes in general economic conditions, either nationally or in the Company's market areas; increased competition among depository or other financial institutions; inflation and changes in the interest rate environment that reduce the Company's margins or reduce the fair value of financial instruments; the cost and availability of funds; changes in laws or government regulations affecting financial institutions, including changes in regulatory fees, monetary policy, and capital requirements; the Company's ability to enter new markets successfully and capitalize on growth opportunities; the Company's ability to successfully integrate acquired entities; credit losses in excess of the Company's allowance for credit losses; changes in accounting pronouncements and practices, as adopted by financial institution regulatory agencies, the Financial Accounting Standards Board and the Public Company Accounting Oversight Board; the impact of such changes in accounting pronouncements and practices being greater than anticipated; the ability to realize the benefit of deferred tax assets; changes in tax policies, rates and regulations of federal, state and local tax authorities; changes in consumer spending, borrowing and saving habits; changes in the Company's organization, compensation and benefit plans; and other factors discussed elsewhere in this Quarterly Report on Form 10-Q, as well as in the Company's periodic reports filed with the Securities and Exchange Commission (the "SEC"), in particular the "Risk Factors" discussed in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 and this Quarterly Report on Form 10-Q. Many of these factors are beyond the Company's control and are difficult to predict.

Because of these and other uncertainties, the Company's actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new, updated information, future events or otherwise, except to the extent required by law.

The Discussion and Analysis of Financial Condition and Results of Operations that follows includes comparisons of the quarter ended September 30, 2023 March 31, 2024 to the quarter ended September 30, 2022 March 31, 2023 as well as the trailing quarter ended June 30, 2023, and of the nine months ended September 30, 2023 to the nine months ended September 30, 2022 December 31, 2023. Financial information for the quarter ended June 30, 2023 March 31, 2023 can be found in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 March 31, 2023, as filed with the SEC on August 1, 2023 May 2, 2023.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The Company's Unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q are prepared in accordance with U.S. GAAP and follow general practices within the industries in which it operates. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the Company's Unaudited Consolidated Financial Statements and Notes. These estimates, assumptions, and judgments are based on information available as of the date of the Unaudited Consolidated Financial Statements. Accordingly, as this information changes, the Unaudited Consolidated Financial Statements could reflect different estimates, assumptions, and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions, and judgments, and as such, have a greater possibility of producing results that could be materially different than originally reported.

Significant accounting policies followed by the Company are presented in Note 1 – "Organization and Summary of Significant Accounting Policies" to the Audited Consolidated Financial Statements included in Item 8 in its Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. These policies, along with the disclosures presented in the other Notes to the Company's Audited Consolidated Financial Statements contained in its Annual Report on Form 10-K and in this financial review, provide information on how significant assets and liabilities are presented in the Company's Unaudited Consolidated Financial Statements and how those values are determined.

Effective January 1, 2023 the Company adopted ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. See Note 3 – "Loans and the Allowance for Credit Losses" to this Quarterly Report on Form 10-Q for the accounting policy for determining the Allowance for Credit Losses ("ACL").

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The more significant areas in which management of the Company applies critical assumptions and estimates includes the allowance for credit losses.

Allowance for Credit Losses

The ACL on loans is management's estimate of expected lifetime credit losses on loans carried at amortized cost. The ACL on loans is established through a provision for credit losses recognized in the Consolidated Statements of Income. Additionally, the ACL on loans is reduced by charge-offs on loans and increased by recoveries of amounts previously charged-off. At September 30, 2023 March 31, 2024 the ACL on loans totaled $21.8 million $22.3 million, compared to $22.2 million recorded upon adoption of ASU 2016-13 $21.5 million at January 1, 2023 March 31, 2023. A significant portion of our ACL is allocated to the commercial portfolio (both commercial real estate and commercial and industrial ("C&I") loans). As of September 30, 2023 March 31, 2024, June 30, 2023 December 31, 2023 and January 1, 2023 March 31, 2023, the ACL allocated to the total commercial portfolio was $17.9 million $17.1 million, $17.6 million $17.8 million and $18.0 million $17.8 million, respectively.

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Management employs a process and methodology to estimate the ACL on loans that evaluates both quantitative and qualitative factors. The methodology for evaluating quantitative factors consists of two basic components: pooling loans into portfolio segments for loans that share similar risk characteristics and identifying individually analyzed loans that do not share similar risk characteristics with loans that are pooled into portfolio segments.

For pooled loan portfolio segments, the Company utilizes a discounted cash flow ("DCF") methodology to estimate credit losses over the expected life of the loan. The methodology incorporates a probability of default and loss given default framework. Loss given default is estimated based on historical credit loss experience. Probability of default is estimated utilizing a regression model that incorporates econometric factors. The model utilizes forecasted econometric factors with a one-year reasonable and supportable forecast period and one-year straight-line reversion period in order to estimate the probability of default for each loan portfolio segment. The DCF methodology combines the probability of default, the loss given default, prepayment speeds and the remaining life of the loan to estimate a reserve for each loan.

The ACL for individually analyzed loans is measured using a DCF method based upon the loan's contractual effective interest rate, or at the loan's observable market price, or, if the loan was collateral dependent, at the fair value of the collateral.

Quantitative loss factors are also supplemented by certain qualitative risk factors reflecting management's view of how losses may vary from those represented by quantitative loss rates. Qualitative loss factors are applied to each portfolio segment with the amounts determined by historical loan charge-offs of a peer group of similar-sized regional banks.

Because the methodology is based upon historical experience and trends, current economic data, reasonable and supportable forecasts, as well as management's judgment, factors may arise that result in different estimations. Deteriorating conditions or assumptions could lead to further increases in the ACL on loans; conversely, improving conditions or assumptions could lead to further reductions in the ACL on loans.

In estimating the ACL on loans, management considers the sensitivity of the model and significant judgments and assumptions that could result in an amount that is materially different from management's estimate. Given the concentration of ACL allocation to the total commercial portfolio and the significant judgments made by management in deriving the qualitative loss factors, management analyzed the impact that changes in judgments could have. The result was an ACL allocated to the total commercial loan portfolio that ranged between $13.5 million $13.0 million and $28.6 million $28.8 million at September 30, 2023 March 31, 2024. The sensitivity and related range of impact is a hypothetical analysis and is not intended to represent management's judgments or assumptions of qualitative loss factors that were utilized at September 30, 2023 March 31, 2024 in estimation of the ACL on loans recognized on the Consolidated Balance Sheet.

If the assumptions underlying the determination of the ACL prove to be incorrect, the ACL may not be sufficient to cover actual loan losses and an increase to the ACL may be necessary to allow for different assumptions or adverse developments. In addition, a problem with one or more loans could require a significant increase to the ACL.

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ANALYSIS OF FINANCIAL CONDITION

Loan Activity

Total gross loans were $1.7 billion at September March 30, 2023 31, 2024, December 31, 2023 and December 31, 2022 compared with $1.6 billion at September March 30, 2022. 31, 2023. Loans secured by real estate were $1.5 billion at September March 30, 2023 31, 2024 and December 31, 2023 compared with $1.4 billion at December 31, 2022 and September March 30, 2022. 31, 2023. Residential real estate loans, including construction loans, were $444 million at each of MSeptember arch 30, 2023 and

December 31, 2022 31, 2024 compared with $447 million, an $8 million a $3 million, or 2% less than 1%, decrease from December 31, 2023, but a $3 million, or 1%, increase from September March 30, 2022. The increase in residential real estate loans from September 30, 2022 reflects management's decision to retain residential mortgages originated within our loan portfolio. 31, 2023. Commercial real estate loans, including construction loans, were $957 million $972 million at September March 30, 2023, $60 million 31, 2024, $3 million or 7% less than 1% higher than the balance at December 31, 2022 December 31, 2023, and $88 million $76 million, or 10% 8% higher than the balance at September March 30, 2022. 31, 2023.

In the third first quarter of 2023, 2024, residential mortgage originations were $16 million $10 million compared with the previous quarter's originations of $10 million $12 million and $22 million in the third quarter of 2022. The Company originated $34 million in residential mortgages $8 million in the first nine months quarter of 2023, compared with $62 million in the first nine months of 2022. The decrease in residential mortgage originations as compared to the prior year was primarily due to the impact of the rising rate environment. 2023. The Company sold $3 million of residential mortgages in each of the third quarter and second first quarter of 2023. During 2024 and $1 million in the first nine months of 2023 the Company sold $7 million of residential mortgages. The Company sold $5 million of residential mortgages during the first nine months of 2022. year earlier period. Management decides whether to keep or sell residential mortgage loans at the time of origination based on interest rate risk management and the risk-adjusted return of alternative investment sources such as mortgage-backed securities.

The C&I portfolio was $223 million $226 million at September March 30, 2023, 31, 2024, representing a $27 million $3 million, or a 11% decrease 1%, increase from December 31, 2022 December 31, 2023. When compared with September 30, 2022, March 31, 2023, C&I loans decreased $15 million or 6%. Funding levels of C&I lines of credit are at low levels compared to what we have experienced historically, and has which impacted the growth in that portfolio.

Credit Quality of Loan Portfolio

Non-performing loans, defined as accruing loans greater than 90 days past due and nonaccrual loans, totaled $27 million $28 million, or 1.60% 1.62% of total loans outstanding at September 30, 2023 March 31, 2024, compared with $25 million $27 million, or 1.48% 1.59% of total loans outstanding, as of December 31, 2022 December 31, 2023 and $26 million $24 million, or 1.60% 1.45% of total loans outstanding, as of September 30, 2022 March 31, 2023.

Commercial credits graded as "special mention" and "substandard," or the criticized loan portfolio, were $76 million $70 million at September 30, 2023 March 31, 2024, a $17 million $1 million decrease from $93 million $71 million at December 31, 2022 December 31, 2023, and a $13 million $20 million decrease from $89 million $90 million at September 30, 2022 March 31, 2023. The level of criticized loans can fluctuate as new information is constantly received on the Company's borrowers and their financial circumstances change over time. Internal risk rating are the credit quality indicators used by management to monitor credit risk in its commercial loan portfolio. "Special mention" and "substandard" loans are weaker credits with a higher risk of loss and are categorized as "criticized" credits rather than "pass" or "watch" credits.

Prior to January 1, 2023, the allowance for credit losses represented the amount that in management's judgement reflected incurred credit losses inherent in the loan and lease portfolio as of the balance sheet date. Based on portfolio composition, then current economic conditions, and reasonable and supportable forecasts of future conditions, the Company recognized an increase to the allowance for credit losses of $2.7 million upon adoption of the new credit loss accounting standard, ASU 2016-13, Financial instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments, as of January 1, 2023 as compared with the allowance for credit losses recognized on its consolidated balance sheet at December 31, 2022. The $2.7 million increase was recognized as a net of tax cumulative effect adjustment to retained earnings of $2.0 million.

The Company recorded a $0.5 $0.3 million provision for credit losses during the three months ended September 30, 2023 March 31, 2024, primarily due to slower prepayment rates and higher net loan growth. charge-offs, partially offset by improving economic factors.

Prior to the adoption of ASU 2016-13, loans acquired in a business combination were recorded at fair value with no carry-over of an acquired entity's previously established allowance for credit losses. Acquired loans that previously did not have an allowance valuation totaled $129 million at January 1, 2023. Upon adoption of the new ACL accounting standard these loans contributed $1 million to the allowance for credit losses. The allowance for credit losses totaled $21.8 million $22.3 million or 1.28% of total loans outstanding at September 30, 2023 March 31, 2024, compared with $19.4 million $22.1 million, or 1.16% 1.29% of total loans outstanding as of December 31, 2022 December 31, 2023, and $18.6 million $21.5 million, or 1.15% 1.30% of total loans outstanding at September 30, 2022 March 31, 2023. The increase in the percentage of allowance for credit losses to total loans outstanding from both comparative periods was the result of the adoption of the new accounting standard.

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Investing Activities

Total investment securities were $337 million $272 million at September 30, 2023 March 31, 2024, compared with $371 million $278 million at December 31, 2022 December 31, 2023 and $377 million $370 million at September 30, 2022 March 31, 2023. The decreases reflect changes in unrealized losses on investment decrease from the first quarter of 2023 was mainly due to the sale of $73 million of securities and maturities within during the available-for-sale investment portfolio. fourth quarter of 2023 as the company strategically repositioned the balance sheet. Interest-bearing deposits at other banks, which consist of overnight funds kept at correspondent banks and the Federal Reserve, were $7 million $164 million at September 30, 2023 March 31, 2024 compared to $6 million $4 million at December 31, 2022 each of December 31, 2023, and $7 million at September 30, 2022 March 31, 2023. The primary objectives of the Company's investment portfolio are to provide liquidity, provide collateral to secure municipal deposits, and maximize income while preserving safety of principal. Average investment securities and interest-bearing cash were 18 15% of average interest-earning assets in third first quarter of 2024, 17% in the fourth quarter of 2023, and 19% in the sequential second quarter, and 22% in the third first quarter of 2022. 2023.

The Company's highest concentration in its securities portfolio was in available for sale U.S. government sponsored mortgage-backed securities which comprised 54% 62% of total investment securities at September 30, 2023 March 31, 2024 and December 31, 2023 and 55% September 30, 2022 54% March 31, 2023. Tax-advantaged debt securities issued by state and political subdivisions as a percent of the total investment securities portfolio were 2% 4% in each the first quarter of 2024, 3% in the third and second quarters fourth quarter of 2023 and 3% 2% in the third first quarter of 2022. 2023.

The total net unrealized loss position of the available-for-sale available for sale investment portfolio was $77 million $58 million at September 30, 2023 March 31, 2024, compared with $64 million $55 million at December 31, 2022 December 31, 2023 and September 30, 2022 $59 million March 31, 2023. The securities in an unrealized loss position at the end of the third first quarter of 2023 2024 generally reflect an increase in market interest rates. Management believes that the credit quality of the securities portfolio as a whole is strong. In addition, the Company has the ability and intent to hold these securities until their fair value recovers to their amortized cost.

The Company monitors extension and prepayment risk in the securities portfolio to limit potential exposures. The Company has no direct exposure to subprime mortgages, nor does the Company hold private mortgage-backed securities, credit default swaps, or FNMA or FHLMC preferred stock investments in its investment portfolio.

Funding Activities

Total deposits at September 30, 2023 March 31, 2024 were $1.8 billion $1.9 billion, a $34 million $173 million, or 2% 10%, increase from December 31, 2022 December 31, 2023, but and an increase of $41 million, or 2%, from March 31, 2023. The change from December 31, 2023 largely reflected an increase in brokered time deposits and deposits from municipal relationships. From a product perspective, deposit increases were in municipal saving deposits of $69 million, brokered time deposits of $55 million, NOW deposits of $37 million, demand deposits of $9 million, and consumer time deposits of $6 million. Offsetting those increases was a decrease in commercial savings deposits of $68 million or 4% from September 30, 2022 $3 million. When compared to last year's third first quarter, there were increases in NOW deposits of $114 million, consumer time deposits of $56 million, brokered time deposits of $48 million and municipal savings deposits of $14 million. Offsetting those increases were decreases in consumer savings of $158 million, demand deposits of $112 million $84 million, commercial savings of $60 million, $58 million and brokered deposits of $6 million. Those decreases were offset by higher consumer time deposits of $204 million, NOW deposits of $61 million, and municipal savings of $3 million $49 million. These changes included $4 million that transferred to our securities under agreement to repurchase account during the third quarter of 2023, which provides commercial clients collateralization for their deposits. In addition, consumer clients continue migrating from saving accounts to higher-yielding accounts such as time deposits.

Total borrowings decreased from $193 million $145 million at December 31, 2022 December 31, 2023 to $151 million $131 million at September 30, 2023 March 31, 2024. The decrease is primarily due to investment securities maturities, growth in deposits and securities sold under agreement to repurchase. The Company At March 31, 2024 the Bank had $6 million $43 million in long-term Federal Home Loan Bank of New York ("FHLBNY") advances at September 30, 2023, compared with $20 million $6 million at December 31, 2022 December 31, 2023 and September 30, 2022 $11 million at March 31, 2023. This represents long-term advances from FHLBNY that were acquired in our 2020 acquisition of Fairport Savings Bank. As of September 30, 2023 March 31, 2024 the Bank had $19 million in did not have overnight borrowings at the FHLB compared with $23 million $53 million at September 30, 2022 December 31, 2023 and $69 million at March 31, 2023. The Company's use During the first quarter of its 2024 the Bank lengthened the maturities of overnight line of credit with FHLBNY varies depending on its ability to fund investment and loan growth with deposits along borrowings with the line usage's impact on interest rate risk. FHLB. Additionally, the Bank has the ability to borrow from the Federal Reserve and participates in the Bank Term Funding Program. At September 30, 2023 the Reserve. The Bank had $126 million $88 million and $86 million in short-term borrowings with the Federal Reserve. Reserve at March 31, 2024 and December 31, 2023, respectively. There were no short-term borrowings at the Federal Reserve at September 30, 2022 March 31, 2023.

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ANALYSIS OF RESULTS OF OPERATIONS

Average Balance Sheets

The following tables present the significant categories of the assets and liabilities of the Company, interest income and interest expense, and the corresponding yields earned and rates paid for the periods indicated. The assets and liabilities are presented as daily averages. The average loan balances include both performing and non-performing loans. Interest income on loans does not include interest on loans for which the Bank has ceased to accrue interest. Investments are included at book value. Yields are presented on a non-tax-equivalent basis.

	Three months ended September 30, 2023 March 31, 2024			Three months ended September 30, 2022 March 31, 2023		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
	(dollars in thousands)			(dollars in thousands)		
ASSETS						

Interest-earning assets:						
Loans, net	$ 1,658,132 1,703,320	$ 21,936 23,529	5.25 5.56%	$ 1,597,382 1,641,162	$ 17,988 20,886	4.47 5.16%
Taxable securities	349,593 275,317	2,173 1,719	2.47 2.51%	394,148 370,798	2,190 2,294	2.20 2.51%
Tax-exempt securities	6,277 5,658	51 47	3.22 3.37%	12,555 11,531	92 89	2.91 3.13%
Interest bearing deposits at banks	9,883 18,889	132 79	5.29 1.68%	42,788 9,824	217 96	2.01 3.97%
Total interest-earning assets	2,023,885 2,003,184	$ 24,292 25,374	4.76 5.09%	2,046,873 2,033,315	$ 20,487 23,365	3.97 4.66%
Non interest-earning assets:						
Cash and due from banks	17,563 18,189			16,599 16,796		
Premises and equipment, net	16,075 15,329			17,225 16,900		
Other assets	102,258 84,128			88,497 100,240		
Total Assets	$ 2,159,781 2,120,830			$ 2,169,194 2,167,251		
LIABILITIES & STOCKHOLDERS' EQUITY						
Interest-bearing liabilities:						
NOW	$ 311,624 347,908	$ 1,408 1,989	1.79 2.30%	$ 269,359 260,242	$ 71 482	0.10 0.75%
Savings	708,724 658,656	3,301 3,692	1.85 2.25%	964,051 796,793	471 1,860	0.19 0.95%
Time deposits	325,667 342,358	2,835 3,607	3.45 4.24%	132,319 257,733	213 1,673	0.64 2.63%
Other borrowed funds	143,546 127,130	1,855 1,587	5.13 5.02%	27,719 134,719	80 1,496	1.15 4.50%
Subordinated debt	31,137 31,187	560 552	7.14 7.12%	31,035 31,086	461 526	5.89 6.86%
Securities sold U/A to repurchase	17,594 8,631	77 40	1.74 1.86%	7,236 7,248	3	0.16 0.17%
Total interest-bearing liabilities	1,538,292 1,515,870	$ 10,036 11,467	2.59 3.04%	1,431,719 1,487,821	$ 1,299 6,040	0.36 1.65%
Noninterest-bearing liabilities:						
Demand deposits	441,149 404,053			549,625 503,945		
Other	20,529 23,943			22,073 20,487		
Total liabilities	$ 1,999,970 1,943,866			$ 2,003,417 2,012,253		
Stockholders' equity	159,811 176,964			165,777 154,998		
Total Liabilities and Equity	$ 2,159,781 2,120,830			$ 2,169,194 2,167,251		
Net interest income		$ 14,256 13,907			$ 19,188 17,325	
Net interest margin			2.79%			3.72 3.46%
Interest rate spread			2.17 2.05%			3.61 3.01%

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	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
	(dollars in thousands)			(dollars in thousands)		
ASSETS						
Interest-earning assets:						
Loans, net	$ 1,648,660	$ 64,424	5.22 %	$ 1,585,469	$ 50,540	4.26 %
Taxable securities	362,241	6,719	2.48 %	374,767	5,851	2.09 %
Tax-exempt securities	8,368	194	3.10 %	11,080	197	2.38 %
Interest bearing deposits at banks	8,356	308	4.93 %	110,494	513	0.62 %

Total interest-earning assets	2,027,625	$ 71,645	4.72 %	2,081,810	$ 57,101	3.67 %
Non interest-earning assets:						
Cash and due from banks	16,597			14,718		
Premises and equipment, net	16,465			17,476		
Other assets	99,805			84,129		
Total Assets	$ 2,160,492			$ 2,198,133		
LIABILITIES & STOCKHOLDERS' EQUITY						
Interest-bearing liabilities:						
NOW	$ 284,780	$ 2,761	1.30 %	$ 260,234	$ 183	0.09 %
Regular savings	760,190	8,219	1.45 %	1,002,613	1,163	0.16 %
Time deposits	296,240	6,860	3.10 %	144,088	557	0.52 %
Other borrowed funds	131,629	4,780	4.86 %	27,434	165	0.80 %
Subordinated debt	31,111	1,626	6.99 %	31,010	1,285	5.54 %
Securities sold U/A to repurchase	13,553	137	1.35 %	6,341	7	0.15 %
Total interest-bearing liabilities	1,517,503	$ 24,383	2.15 %	1,471,720	$ 3,360	0.31 %
Noninterest-bearing liabilities:						
Demand deposits	465,464			534,994		
Other	18,875			20,182		
Total liabilities	$ 2,001,842			$ 2,026,896		
Stockholders' equity	158,650			171,237		
Total Liabilities and Equity	$ 2,160,492			$ 2,198,133		
Net interest income		$ 47,262			$ 53,741	
Net interest margin			3.12 %			3.45 %
Interest rate spread			2.57 %			3.36 %

Net Income

Net income was $3.6 million $2.3 million, or $0.66 $0.42 per diluted share, in the third first quarter of 2023, 2024, compared with $4.9 million $10.2 million, or $0.90 $1.85 per diluted share in the second fourth quarter of 2023 and $5.9 million $5.8 million, or $1.06 per diluted share, in last year's third first quarter. The change sequential quarter's net income included a gain of $14 million, net of taxes, from the second quarter sale of 2023 TEA, $1.5 million of insurance revenue recognized prior to the sale, and a pretax loss on the sale of investment securities of $5 million. The change in net income from the prior-year period was due to lower net interest income of $3.4 million, an increase in loan provision of $0.9 million, and a decrease in net interest non-interest income increased provision for credit losses and higher non-interest expense, of $1.8 million, partially offset by higher a decrease in non-interest income. expense of $1.6 million.

Return on average equity was 9.06 % 5.28% for the third first quarter of 2023, 2024, compared with 12.25% 25.73% in the second fourth quarter of 2023 and 14.15% in the third quarter of 2022.

Net income was $14.4 million, or $2.62 per diluted share, 14.97% in the first nine months quarter of 2023, compared with $16.3 million, or $2.95 per diluted share, in the first nine months of 2022. The decrease from last year's comparative period was due to decreases in net interest income of $6.5 million, and non-interest income of $0.4 million. Partially offsetting those decreases were decreases in non-interest expense of $2.0 million, provision for credit losses of $2.1 million and income tax provision of $0.9 million. 2023.

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Other Results of Operations – Quarterly Comparison

Net interest income of $14.3 million $13.9 million was down $1.4 million flat compared with the fourth quarter of 2023, but decreased $3.4 million, or 9% 20%, from the sequential second quarter, and $4.9 million, or 26% when compared with the prior year's third first quarter. The decrease lower net interest income from the comparative quarters reflected prior year's first quarter was due to higher interest expense given related to the increased cost increase of interest-bearing liabilities as a result of produced by competitive pricing on deposits.

Third First quarter net interest margin of 2.79% declined 31 increased 4 basis points from the second fourth quarter of 2023 and 93 but decreased 67 basis points from the third first quarter of 2022. Impacting net interest margin by 8 basis points was the reversal of approximately $0.4 million of interest income primarily resulting from one large commercial loan that was put on non-accrual status during the quarter. 2023. The yield on loans remained flat increased 13 basis points compared with the second fourth quarter of 2023 but improved 78 and 40 basis points when compared with the third quarter of 2022. year-over-year. The cost of interest-bearing liabilities was 2.59% 3.04% compared with 2.87% in the third quarter of 2023 compared with 2.18% in the second fourth quarter of 2023 and 0.36% 1.65% in the third first quarter of 2022. 2023.

The $0.5 million $0.3 million provision for credit losses in the current quarter was largely due to slower prepayment speeds and higher net loan growth. charge-offs, partially offset by improving economic factors.

Non-interest income was $5.6 million $2.3 million in the third first quarter of 2023 2024 compared with $4.7 million $18.6 million in the second fourth quarter of 2023, and $5.8 million $4.1 million in the prior year's third first quarter. The increase reduction from the sequential second fourth quarter reflects higher insurance service and fee revenue of $0.8 million 2023 was due to seasonally higher commercial lines the gain on sale of TEA of $20.2 million, $1.5 million in TEA insurance commissions and profit-sharing revenue. revenue, offset by the $5.0 million investment loss which were all recognized in the sequential quarter. The reduction remaining increase in non-interest income from the prior year's third fourth quarter was primarily due to a decrease in other income relating to a $0.2 million historic tax credit payment received in last year's third quarter and lower deposit service charges. Offsetting those decreases was a $0.1 million an increase in the value of mortgage servicing rights.

Total non-interest income was down $1.8 million when compared with the first quarter of 2023. The majority of the reduction was related to $2.3 million in TEA insurance service and fee revenue due to higher personal lines commissions. recognized in the first quarter of 2023. This was offset by an increase in the value of mortgage servicing rights during the first quarter of 2024.

Non-interest expenses of $14.4 million expense was $12.9 million in the third first quarter of 2024 compared with $16.3 million in the fourth quarter and $14.5 million in the first quarter of 2023. The $3.4 million decrease in non-interest expenses from the fourth quarter of 2023 increased $0.2 million, or 2%, when compared with the second quarter of 2023, but were down $1.4 million, or 9%, from last year's third quarter. Salaries and employee benefits were down $1.7 million, or 16%, from last year's comparative period largely was due to lower incentive accruals of $1.3 million and reduced staff $2.1 million, $1.0 million of non-interest expenses through consolidation of branches and back-office operations. These decreases were partially offset by merit increases and strategic hires. When compared related to the sequential second quarter, TEA, primarily salaries and employee benefits, that were relatively flat due recognized during the fourth quarter of 2023 prior to cost management efforts. the sale. In addition, $0.3 million of charitable contributions, and $0.1 million of pension settlement expenses of which both were included in other expenses during the sequential quarter.

Included The $1.6 million decrease in non-interest expenses are technology from the first quarter of 2023 was due to $1.8 million of non-interest expenses relating to TEA, of which salaries and communication expenses. Technology employee benefits was $1.5 million. During the first quarter of 2023 salaries and communications increased employee benefits, excluding the $1.5 million related to TEA, was $7.9 million, flat with the first quarter of 2024. The remaining increase in total non-interest expense of $0.2 million from last year's third quarter primarily is due to higher software costs. technology and communications expenses recognized by the Bank during the first quarter of 2024.

The Company's GAAP efficiency ratio, or noninterest expenses divided by the sum of net interest income and noninterest income, was 72.7% 79.9% in the third first quarter of 2023, 69.5% 2024, 50.16% in the second fourth quarter of 2023, and 63.3% 67.65% in the third first quarter of 2022.
2023.

Income tax expense was $1.3 million $0.6 million, for an effective tax rate of 26.2%, 21.7 % in the third first quarter of 2023 2024 compared with 22.0% 36.1% in the second fourth quarter of 2023 and 25.2% 23.6% in last year's third first quarter. The elevated tax rate in the fourth quarter of 2023 reflected the sale of TEA which included significant non-deductible goodwill expense.

Other Results of Operations – Year-to-Date Comparison

Net interest income was $47.3 million for the first nine months of 2023, a $6.5 million or 12% decrease from the first nine months of 2022. The decrease from last year's comparative period was due to higher cost of interest-bearing liabilities, partially offset by higher interest earned on loans and investment securities. Average loans increased $63 million during the first nine months of 2023 when compared to the prior year period.

The Company's net interest margin of 3.12% in the first nine months of 2023 was 33 basis points lower than the 3.45% net interest margin in the first nine months of 2022. The yield on loans during the first nine months of 2023 increased 96 basis points, from 4.26% to 5.22% when compared with the first nine months of 2022. In the first nine months of 2023 the cost of interest-bearing liabilities increased 184 basis points to 2.15% when compared with the first nine months of 2022, as a result of the rising interest rate environment and price competition for deposits. The rate paid on average time deposits increased from 0.52% in the first nine months of 2022 to 3.10 % during the first nine months of 2023.

The Company had a $0.3 million release of allowance in the nine-month period ended September 30, 2023, largely due to lower criticized loan balances, lower reserves on individually analyzed loans, and a reduction in the rate of increases in home prices in the Company's market, partially offset by loan growth. For the nine-month period ended September 30, 2022, the Company had a provision for credit losses of $1.8 million.

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Non-interest income for the first nine months of 2023 was $14.4 million compared to $14.8 million for the first nine months of 2022. During the first nine months of 2023 other income decreased primarily due to lower loan fees of $0.3 million, changes in the fair value of mortgage servicing rights of $0.2 million and a $0.2 million payment received during 2022 in connection with a historic tax credit investment. In addition, deposit service charges decreased $0.3 million, when compared to last year's comparative period. Partially offsetting those decreases were increases in insurance service and fees revenue, the largest component of non-interest income, which increased $0.4 million, and in bank-owned life insurance revenue of $0.2 million.

Total non-interest expense decreased to $2.0 million in the first nine months of 2023, 4% lower than the nine-month period ended September 30, 2022. The decrease from the prior year period was mostly attributable to a decrease in salaries and employee benefits costs of $2.6 million. Salaries and employee benefits costs were $26.8 million for the first nine months of 2023 compared to $29.4 million in the prior year period. This decrease was due to lower incentive accruals, partially offset by merit increases and strategic hires. Technology and communications costs increased year-over-year by $0.6 million as a result of higher software costs and ATM card fees.

The Company's GAAP efficiency ratio, or noninterest expenses divided by the sum of net interest income and noninterest income, was 69.6% in the first nine months of 2023, compared with 65.7% during the prior-year period.

The Company recorded income tax expense of $4.5 million for the nine-month period ended September 30, 2023, compared with $5.4 million in the first nine months of 2022. The effective tax rate for the first nine months of 2023 was 23.7%, compared with 24.7% in the comparable 2022 period.

CAPITAL

The Company consistently maintains regulatory capital ratios significantly above the federal "well capitalized" standard, including a Tier 1 leverage ratio of 9.40% 10.52% at September 30, 2023 March 31, 2024, compared with 9.43% 10.37% at June 30, 2023 December 31, 2023 and 9.00% 9.13% at September 30, 2022 March 31, 2023.

Book value per share was $27.52 $31.62 at September 30, 2023 March 31, 2024 compared with $29.12 $32.40 at June 30, 2023 December 31, 2023 and $27.20 $28.97 at September 30, 2022 March 31, 2023. Reflected in the book value changes are the Federal Reserve's aggressive interest rate hikes, that have resulted in significant changes in unrealized gains and losses on investment securities, which reduced book value securities. As of March 31, 2024, this amounted to $7.83 per share at September 30, 2023 by $1.61 when compared with the trailing quarter. impact to book value. Such unrealized gains and losses are generally due to changes in interest rates and represent the difference, net of applicable income tax effect, between the estimated fair value and amortized cost of investment securities classified as available-for-sale.

The Company has also issued subordinated capital notes and junior subordinated debentures associated with trust preferred securities to provide liquidity and enhance regulatory capital ratios. The Company had $11.3 million of junior subordinated debentures associated with trust preferred securities outstanding at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 which are considered Tier 1 capital and are includable in total regulatory capital. On July 9, 2020, the Company executed a private offering of $20 million of its 6.00% Fixed-to-Floating Rate Subordinated Notes due 2030. During 2020, $15 million of the proceeds from the sale of the Notes were contributed to Evans Bank as Tier 1 capital.

While we are currently classified as well capitalized, an extended economic recession could adversely impact our reported and regulatory capital ratios. The Company relies on cash on hand as well as dividends from its subsidiary bank to service its debt. If the Company's subsidiary bank's capital deteriorates such that it is unable to pay dividends to the Company for an extended period of time, the Company may not be able to service its debt that was issued.

LIQUIDITY

The Bank utilizes cash flows from the investment portfolio and federal funds sold balances to manage the liquidity requirements related to loan demand and deposit fluctuations. The Bank also has many borrowing options. The Company uses the FHLBNY as its primary source of overnight funds and has long-term advance with FHLBNY. The Company's use of its overnight line of credit with FHLBNY varies depending on its ability to fund investment and loan growth with core deposits along with the line usage's impact on interest rate risk. The Company has pledged sufficient collateral in the form of residential and commercial real estate loans at FHLBNY that meets FHLB collateral requirements. As a member of the FHLB, the Bank is able to borrow funds at competitive rates. As of September 30, 2023 March 31, 2024, advances of up to $312 million $382 million could be drawn on the FHLB via an Overnight Line of Credit Agreement between the Bank and the FHLB. The Bank also has the ability to borrow from the Federal Reserve and participates in the Bank Term Funding Program. Reserve. At September 30, 2023 March 31, 2024 the Bank had $35.1 million $5 million in additional availability to borrow against collateral at the Federal Reserve. By placing sufficient collateral in safekeeping at the Federal Reserve Bank, the Bank could borrow at the discount window. As of September 30, 2023, the Bank had the ability to purchase up to $18 million in federal funds from its correspondent banks. The Bank's liquidity needs also can be met by more aggressively pursuing time deposits, or accessing the brokered time deposit market, including the Certificate of Deposit Account Registry Service ("CDARS") network.

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Cash flows from the Bank's investment portfolio are laddered, so that securities mature at regular intervals, to provide funds from principal and interest payments at various times as liquidity needs may arise. Contractual maturities are also laddered, with consideration as to the volatility of market prices. At September 30, 2023 March 31, 2024, approximately 3% of the Bank's securities had contractual maturity dates of one year or less and approximately 28% 17% had maturity dates of five years or less. Additionally, mortgage-backed securities, which comprised 53% 62% of the investment portfolio at September 30, 2023 March 31, 2024, provide consistent cash flows for the Bank.

The Company's primary source of liquidity is dividends from the Bank. Additionally, the Company has access to capital markets as a funding source.

Management, on an ongoing basis, closely monitors the Company's liquidity position for compliance with internal policies and believes that available sources of liquidity are adequate to meet funding needs in the normal course of business. As part of that monitoring process, management calculates the 90-day liquidity each month by analyzing the cash needs of the Bank. Included in the calculation are liquid assets and potential liabilities. Management stresses the potential liabilities calculation to ensure a strong liquidity position. Included in the calculation are assumptions of some significant deposit run-off as well as funds needed for loan closings and investment purchases. In the

Company's internal stress test at September 30, 2023 March 31, 2024, the Company had net short-term liquidity of $332 million $336 million as compared with $209 million $333 million at December 31, 2022. Available assets of $348 million, divided by public and purchased funds of $551 million, resulted in a long-term liquidity ratio of 63% at September 30, 2023, compared with 75% at December 31, 2022 December 31, 2023.

Management does not anticipate engaging in any activities, either currently or in the long term, for which adequate funding would not be available and which would therefore result in significant pressure on liquidity.

However, an economic recession could negatively impact the Company's liquidity. The Company believes Bank relies heavily on FHLBNY as a source of funds, particularly with its overnight line of credit. In past economic recessions, some FHLB branches have suspended dividends,

cut dividend payments, and not bought back excess FHLB stock that members hold in an effort to conserve capital. FHLBNY has stated that it expects to be able to continue to pay dividends, redeem excess capital stock, and provide competitively priced advances in the Bank maintains a sufficient level future. The 11 FHLB branches are jointly liable for the consolidated obligations of U.S. government and government agency securities and New York State municipal bonds the FHLB system. To the extent that one FHLB branch cannot meet its obligations to pay its share of the system's debt, other FHLB branches can be pledged called upon to make the payment. Systemic weakness in the FHLB could result in higher costs of FHLB borrowings and increased demand for alternative sources of liquidity that are more expensive, such as collateral for municipal deposits. brokered time deposits, the discount window at the Federal Reserve, or lines of credit with correspondent banks.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Additional information responsive to this Item is contained in the Liquidity section of Management's Discussion and Analysis of Financial Condition and Results of Operations, which information is incorporated herein by reference.

Market risk is the risk of loss from adverse changes in market prices and/or interest rates of the Bank's financial instruments. The primary market risk that the Company is exposed to is interest rate risk. The core banking activities of lending and deposit-taking expose the Bank to interest rate risk, which occurs when assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income earned by the Bank is subject to the effects of changing interest rates. The Bank measures interest rate risk by calculating the variability of net interest income in future periods under various interest rate scenarios using projected balances for interest-earning assets and interest-bearing liabilities. Management's philosophy toward interest rate risk management is to limit the variability of net interest income to changes in net interest rates. The balances of financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of loans, and expected maturities of investment securities, loans, and deposits. Management supplements the modeling technique described above with analysis of market values of the Bank's financial instruments and changes to such market values given changes in the interest rates.

The Bank's Asset-Liability Committee, which includes members of senior management, monitors the Bank's interest rate sensitivity with the aid of a model that considers the impact of ongoing lending and deposit taking activities, as well as interrelationships in the magnitude and timing of the repricing of financial instruments, including the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions, and intends to do so in the future, to mitigate exposure to interest rate risk through the use of on- or off-balance sheet financial instruments. Possible actions include, but are not limited to, changing the pricing of loan and deposit products, and modifying the composition of interest-earning assets and interest-bearing liabilities, and reliance on other financial instruments used for interest rate risk management purposes.

The following table demonstrates the possible impact of changes in interest rates on the Bank's net interest income over a 12-month period of time:

SENSITIVITY OF NET INTEREST INCOME TO CHANGES IN INTEREST RATES

	Calculated increase (decrease) in projected annual net interest income (in thousands)		Calculated increase (decrease) in projected annual net interest income (in thousands)	
	September 30, 2023	**December 31, 2022**	**March 31, 2024**	**December 31, 2023**
Changes in interest rates				
+200 basis points	$ (3,517)	$ (2,867)	$ (2,173)	$ (4,618)

+100 basis points	369	770	1,513	219
-100 basis points	(384)	(962)	(1,492)	(168)
-200 basis points	(674)	(2,661)	(3,049)	(310)

Many assumptions were utilized by management to calculate the impact that changes in interest rates may have on the Bank's net interest income. The more significant assumptions related to the rate of prepayments of mortgage-related assets, loan and deposit volumes and pricing, and deposit maturities. The Bank assumed immediate changes in rates including 200 basis point rate changes. In the 200 basis point rate reduction scenario, the applicable rate changes may be limited to lesser amounts such that interest rates are not less than zero. The assumptions in the Company's projections are inherently uncertain and, as a result, the Bank cannot precisely predict the impact of changes in interest rates on net interest income. Actual results may differ significantly due to the timing, magnitude, and frequency of interest rate changes in market conditions and interest rate differentials (spreads) between maturity/repricing categories, as well as any actions such as those previously described, which management may take to counter such changes. In light of the uncertainties and assumptions associated with the process, the amounts presented in the table and changes in such amounts are not considered significant to the Bank's projected net interest income.

ITEM 4 - CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023 March 31, 2024 (the end of the period covered by this Report). Based on that evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of September 30, 2023 March 31, 2024.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No other changes in the Company's internal control over financial reporting were identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that occurred during the fiscal quarter ended September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

The nature of the Company's business generates a certain amount of litigation involving matters arising in the ordinary course of business.

In the opinion of management, there are no proceedings pending to which the Company is a party or to which its property is subject, which, if determined adversely, would have a material effect on the Company's results of operations or financial condition.

ITEM 1A – RISK FACTORS

Other than the risk factors set forth below, which were included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, there There have been no material changes to the risk factors previously disclosed in Item 1A. Part I of the Company's Annual Report on Form 10- K for the fiscal year ended December 31, 2022 December 31, 2023.

Recent Negative Developments Affecting the Banking Industry, and Resulting Media Coverage, May Erode Customer Confidence in the Banking System

The March 2023 high-profile bank failures involving Silicon Valley Bank and Signature Bank have generated significant market volatility among publicly traded bank holding companies and, in particular, community banks like the Company. These market developments have negatively impacted customer confidence in the safety and soundness of community banks. As a result, customers may choose to maintain deposits with larger financial institutions or invest in higher yielding short-term fixed income securities, all of which could materially adversely impact the Company's liquidity, loan funding capacity, net interest margin, capital and results of operations. While the Department of the Treasury, the Federal Reserve, and the FDIC have made statements ensuring that depositors of these recently failed banks would have access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will be successful in restoring customer confidence in community banks and the banking system more broadly.

A Lack of Liquidity Could Adversely Affect the Company's Financial Condition and Results of Operations and Result in Regulatory Restrictions

The Company must maintain sufficient funds to respond to the needs of depositors and borrowers. Deposits have traditionally been the Company's primary source of funds for use in lending and investment activities and are emphasized due to the relatively lower cost of these funds. The Company also receives funds from loan repayments, investment maturities and income on other interest-earning assets, as well as borrowings. If the Company is required to rely more heavily on more expensive funding sources to support liquidity and future growth, its revenues may not increase proportionately to cover its increased costs, which would adversely affect its operating margins, profitability and growth prospects. Alternatively, the Company may need to sell a portion of its investment securities portfolio to raise funds, which, as discussed below, could result in a loss. Any decline in funding could adversely impact the Company's ability to originate loans, invest in securities, pay expenses, or fulfill obligations such as repaying its borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on its liquidity, business, financial condition and results of operations. A lack of liquidity could also attract increased regulatory scrutiny and potential restraints imposed by regulators. Depending on the capitalization status and regulatory treatment of depository institutions, including whether an institution is subject to a supervisory prompt corrective action directive, regulatory restrictions and prohibitions may include restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits.

Rising Interest Rates Have Decreased the Value of the Company's Securities Portfolio, and the Company Would Realize Losses if it Were Required to Sell Such Securities to Meet Liquidity Needs

As a result of inflationary pressures and the resulting rapid increases in interest rates over the last year, the trading value of previously issued government and other fixed income securities has declined significantly. These securities make up a majority of the securities portfolio of most banks in the U.S., including the Company's, resulting in unrealized losses embedded in the securities portfolios. While the Company does not currently intend to sell these securities, if the Company were required to sell such securities to meet liquidity needs, it may incur losses, which could impair the Company's capital, financial condition, and results of operations and require the Company to raise additional capital on unfavorable terms, thereby negatively impacting its profitability. While the Company has taken actions to maximize its funding sources, there is no guarantee that such actions will be successful or sufficient in the event of sudden liquidity needs. Furthermore, while the Federal Reserve Board has announced a Bank Term Funding Program available to eligible depository institutions secured by U.S. treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral at par, to mitigate the risk of potential losses on the sale of such instruments, there is no guarantee that such programs will be effective in addressing liquidity needs as they arise.

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs
July 1, 2023 - July 30, 2023				
Repurchase program(1)	-	$ -	-	187,932
Employee transactions	-	$ -	N/A	N/A
August 1, 2023 - August 31, 2023				
Repurchase program(1)	-	$ -	-	187,932
Employee transactions	-	$ -	N/A	N/A
September 1, 2023 - September 30, 2023				
Repurchase program(1)	-	$ -	-	187,932
Employee transactions	-	$ -	N/A	N/A
Total:				
Repurchase program(1)	-	$ -	-	187,932
Employee transactions	-	$ -	N/A	N/A

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs
January 1, 2024 - January 31, 2024				
Repurchase program(1)	-	$ -	-	187,932
Employee transactions	-	$ -	N/A	N/A
February 1, 2024 - February 29, 2024				
Repurchase program(1)	-	$ -	-	187,932
Employee transactions	-	$ -	N/A	N/A
March 1, 2024 - March 31, 2024				
Repurchase program(1)	-	$ -	7,000	180,932
Employee transactions	4,507	$ 29.39	N/A	N/A
Total:				
Repurchase program(1)	-	$ -	7,000	180,932
Employee transactions	4,507	$ 29.39	N/A	N/A

(1) On February 25, 2021, the Board of Directors authorized the Company to repurchase up to 300,000 shares of the Company's common stock (the "2021 Repurchase Program"). The 2021 Repurchase program does not expire and may be suspended or discontinued by the Board of Directors at any time. The remaining number of shares that may be purchased under the 2021 Repurchase Program as of September 30, 2023 March 31, 2024 was 187,932. 180,932.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

(Not Applicable.)

ITEM 4 – MINE SAFETY DISCLOSURE

(Not Applicable.)

ITEM 5 – OTHER INFORMATION

(Not Applicable.)

During the three months ended March 31, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as that term is used in SEC regulations.

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ITEM 6 – EXHIBITS

The following exhibits are filed as a part of this report:

EXHIBIT INDEX

Exhibit No.	Name
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3a to the Company's Registration Statement on Form S-4 (Registration No. 33-25321), as filed on November 7, 1988). (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T)
3.1.1	Certificate of Amendment to the Company's Certificate of Incorporation (incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1997, as filed on May 14, 1997). (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T)
3.2	Amended and Restated Bylaws of the Company, effective as of January 24, 2023 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on January 30, 2023)
10.1	Evans Bank Short Term Incentive Compensation Program for Named Executive Officers & Senior Leadership Team Members (incorporation by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 14, 2024)
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to 18 USC Section 1350 Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 USC Section 1350 Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Evans Bancorp, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in XBRL (eXtensible Business Reporting Language): (i) Unaudited Consolidated Balance Sheets – September 30, 2023 –March 31, 2024 and December 31, 2022 December 31, 2023; (ii) Unaudited Consolidated Statements of Income – Three months ended September 30, 2023 March 31, 2024 and 2022; 2023; (iii) Unaudited Consolidated Statements of Income – Nine months ended September 30, 2023 and 2022; (iv) Unaudited Statements of Consolidated Comprehensive Income (Loss) – Three months ended September 30, 2023 March 31, 2024 and 2022; (v) Unaudited Statements of Consolidated Comprehensive Income (Loss) – Nine months ended September 30, 2023 and 2022; (vi) 2023; (iv) Unaudited Consolidated Statements of Stockholders' Equity – Three months ended September 30, 2023 March 31, 2024 and 2022; (vii) Unaudited Consolidated Statements of Stockholders' Equity – Nine months ended September 30, 2023 and 2022; (viii) 2023; (v) Unaudited Consolidated Statements of Cash Flows – Nine Three months ended September 30, 2023 March 31, 2024 and 2022; 2023; and (ix) (vi) Notes to Unaudited Consolidated Financial Statements.
104	The cover page from the Evans Bancorp, Inc's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline XBRL.

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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.

Evans Bancorp, Inc.

DATE

October 30, 2023 May 2, 2024

/s/ David J. Nasca

David J. Nasca

President and CEO

(Principal Executive Officer)

DATE

October 30, 2023 May 2, 2024

/s/ John B. Connerton

John B. Connerton

Treasurer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1**Certification**I, David J. Nasca, certify that:

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

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

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

4.The registrant's other certifying officer(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: October 30, 2023May 2, 2024*/s/ David J. Nasca*David J. NascaPresident and Chief Executive Officer(Principal Executive Officer)

Exhibit 31.2**Certification**I, John B. Connerton, certify that:

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

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

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

4. The registrant's other certifying officer(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: October 30, 2023May 2, 2024*/s/ John B. Connerton*John B. ConnertonTreasurer(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1**CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICERSPURSUANT TO18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**I, David J. Nasca, the President and Chief Executive Officer of Evans Bancorp, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (1) the Quarterly Report of Evans Bancorp, Inc. on Form 10-Q for the fiscal quarter ended September 30, 2023 March 31, 2024 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and (2) the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Evans Bancorp, Inc.Date: October 30, 2023 May 2, 2024

By:	*/s/ David J. Nasca*
Name:	David J. Nasca
Title:	President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 32.2**CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICERSPURSUANT TO18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**I, John B. Connerton, the Treasurer of Evans Bancorp, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (1) the Quarterly Report of Evans Bancorp, Inc. on Form 10-Q for the fiscal quarter ended September 30, 2023 March 31, 2024 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and (2) the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Evans Bancorp, Inc.Date: October 30, 2023 May 2, 2024

By:	*/s/ John B. Connerton*
Name:	John B. Connerton
Title:	Treasurer
	(Principal Financial Officer and Principal Accounting Officer)

DISCLAIMER