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DELTA REPORT

10-Q

AFBI - AFFINITY BANCSHARES, INC.

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

The following comparison report has been automatically generated

TOTAL DELTAS	896
CHANGES	318
DELETIONS	362
ADDITIONS	216

REFINITIV

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

FORM 10-Q

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

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

OR

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

For the transition period

Commission File No. 001-39914

Affinity Bancshares, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**82-1147778**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
3175 Highway 278 Covington, Georgia	**30014**
(Address of Principal Executive Offices)	**(Zip Code)**

(770) 786-7088

(Registrant's Telephone Number, Including Area Code)

(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, par value $0.01 per share	AFBI	The NASDAQ Stock Market LLC

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

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

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

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

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

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

As of November 7, 2023 May 7, 2024, 6,388,309 6,416,628 shares of the Registrant’s common stock, par value $0.01 per share, were outstanding.

Affinity Bancshares, Inc.
Form 10-Q

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PART II. OTHER INFORMATION

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

AFFINITY BANCSHARES, INC.

Consolidated Balance Sheets

	September 30, 2023 (unaudited)	December 31, 2022	March 31, 2024	December 31, 2023
	(Dollars in thousands except per share amounts)		(Dollars in thousands except per share amounts)	
Assets	**Assets**		**Assets**	
Cash and due from banks	$ 5,441	$ 2,928	$ 6,388	$ 6,030
Interest-earning deposits in other depository institutions	56,062	23,396	55,007	43,995
Cash and cash equivalents	61,503	26,324	61,395	50,025
Investment securities available-for-sale	48,012	46,200	48,239	48,561
Investment securities held-to-maturity (estimated fair value of $32,925, net of allowance for credit losses of $42 at September 30, 2023 and estimated fair value of $26,251 at December 31, 2022)	34,183	26,527		
Investment securities held-to-maturity (estimated fair value of $33,873, net of allowance for credit losses of $45 at March 31, 2024 and estimated fair value of $33,835, net of allowance for credit losses of $45 at December 31, 2023)			34,230	34,206

Other investments	4,885	1,082	5,480	5,434
Loans	661,016	646,234	674,498	659,876
Allowance for credit loss on loans	(9,211)	(9,325)	(8,595)	(8,921)
Net loans	651,805	636,909	665,903	650,955
Other real estate owned	2,901	2,901	2,850	2,850
Premises and equipment, net	3,872	4,257	3,691	3,797
Bank owned life insurance	15,991	15,724	16,184	16,086
Intangible assets	18,414	18,558	18,318	18,366
Other assets	13,865	12,801	13,257	12,978
Total assets	$ 855,431	$ 791,283	$ 869,547	$ 843,258
Liabilities and Stockholders' Equity	**Liabilities and Stockholders' Equity**		**Liabilities and Stockholders' Equity**	
Liabilities:				
Non-interest-bearing checking	$ 170,654	$ 190,297	$ 164,568	$ 154,689
Interest-bearing checking	92,177	91,167	86,734	85,362
Money market accounts	144,439	148,097	144,689	138,673
Savings accounts	79,446	101,622	74,282	74,768
Certificates of deposit	222,329	125,989	217,171	220,951
Total deposits	709,045	657,172	687,444	674,443
Federal Home Loan Bank advances and other borrowings	20,000	10,025	51,837	40,000
Accrued interest payable and other liabilities	7,910	6,983	6,966	7,299

Total liabilities	736,955	674,180	746,247	721,742
Stockholders' equity:				
Common stock (par value $0.01 per share, 40,000,000 shares authorized; 6,404,961 issued and outstanding at September 30, 2023 and 6,605,384 issued and outstanding at December 31, 2022)	64	66		
Preferred stock (10,000,000 shares authorized, no shares outstanding)	—	—		
Common stock (par value $0.01 per share, 40,000,000 shares authorized; 6,416,628 issued and outstanding at March 31, 2024 and December 31, 2023)			64	64
Preferred stock (10,000,000 shares authorized, no shares outstanding)			—	—
Additional paid in capital	60,978	63,130	61,409	61,026
Unearned ESOP shares	(4,639)	(4,795)	(4,535)	(4,587)
Retained earnings	69,832	65,357	72,680	71,345
Accumulated other comprehensive loss	(7,759)	(6,655)	(6,318)	(6,332)
Total stockholders' equity	118,476	117,103	123,300	121,516
Total liabilities and stockholders' equity	$ 855,431	$ 791,283	$ 869,547	$ 843,258

See accompanying notes to unaudited consolidated financial statements.

AFFINITY BANCSHARES, INC.

Consolidated Statements of Income

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	(Dollars in thousands except per share amounts)				(Dollars in thousands except per share amounts)	

Interest income:						
Loans, including fees	$ 9,113	$ 7,734	$ 26,131	$ 22,013	$ 9,499	$ 8,291
Investment securities	1,022	301	2,957	857	1,075	949
Interest-earning deposits	889	189	2,527	286	647	488
Total interest income	11,024	8,224	31,615	23,156	11,221	9,728
Interest expense:						
Deposits	3,915	625	10,015	1,612	4,002	2,314
FHLB advances and other borrowings	208	73	1,109	(874)	470	516
Total interest expense	4,123	698	11,124	738	4,472	2,830
Net interest income before provision for credit losses	6,901	7,526	20,491	22,418	6,749	6,898
Provision for credit losses	—	187	7	654	—	7
Net interest income after provision for credit losses	6,901	7,339	20,484	21,764	6,749	6,891
Noninterest income:						
Service charges on deposit accounts	426	420	1,222	1,205	395	391
Other	204	173	638	631	189	161
Total noninterest income	630	593	1,860	1,836	584	552
Noninterest expenses:						
Salaries and employee benefits	3,007	3,187	9,047	9,219	3,179	3,004
Occupancy	637	675	1,919	1,798	618	644
Advertising	59	128	238	326		
Data processing	525	486	1,504	1,476	511	493
FHLB prepayment penalties	—	—	—	647		
Other	1,178	1,014	3,176	3,019	1,262	1,053
Total noninterest expenses	5,406	5,490	15,884	16,485	5,570	5,194
Income before income taxes	2,125	2,442	6,460	7,115	1,763	2,249
Income tax expense	502	581	1,525	1,680	428	527
Net income	$ 1,623	$ 1,861	$ 4,935	$ 5,435	$ 1,335	$ 1,722
Weighted average common shares outstanding						

Basic	6,417,754	6,652,811	6,500,562	6,683,052	6,416,628	6,599,672
Diluted	6,493,114	6,752,152	6,575,923	6,782,393	6,524,332	6,681,680
Basic earnings per share	$ 0.25	$ 0.28	$ 0.76	$ 0.81	$ 0.21	$ 0.26
Diluted earnings per share	$ 0.25	$ 0.27	$ 0.75	$ 0.80	$ 0.20	$ 0.26

See accompanying notes to unaudited consolidated financial statements.

AFFINITY BANCSHARES, INC.

Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
			(In thousands)	
Net income	$ 1,623	$ 1,861	$ 4,935	$ 5,435
Other comprehensive loss:				
Net unrealized loss on available-for-sale securities, net of taxes of $368, $629, $374 and $2,230	(1,090)	(1,855)	(1,104)	(6,586)
Total other comprehensive loss	(1,090)	(1,855)	(1,104)	(6,586)
Total comprehensive income (loss)	$ 533	$ 6	$ 3,831	$ (1,151)

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Net income	$ 1,335	$ 1,722
Other comprehensive income:		
Net unrealized gain on available-for-sale securities, net of taxes of $5 and $161	14	474
Total other comprehensive income	14	474
Total comprehensive income	$ 1,349	$ 2,196

See accompanying notes to unaudited consolidated financial statements.

AFFINITY BANCSHARES, INC.

Consolidated Statements of Changes in Stockholders' Equity

(unaudited)

	Nine Months Ended September 30, 2023 and 2022					
	Common Stock	Additional Paid In Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
			(In thousands)			
Ending balance December 31, 2022	$ 66	$ 63,130	$ (4,795)	$ 65,357	$ (6,655)	$ 117,103
ESOP loan payment and release of ESOP shares	—	63	156	—	—	219
Stock-based compensation expense	—	782	—	—	—	782
Change in unrealized loss on investment securities available-for-sale, net of tax	—	—	—	—	(1,104)	(1,104)
Common stock repurchase	(2)	(2,997)				(2,999)
Adoption of new accounting pronouncement (see Note 1)	—	—	—	(460)	—	(460)
Net income	—	—	—	4,935	—	4,935
Ending balance September 30, 2023	$ 64	60,978	(4,639)	69,832	(7,759)	118,476
Beginning balance December 31, 2021	$ 69	$ 68,038	$ (5,004)	$ 58,223	$ (358)	$ 120,968
ESOP loan payment and release of ESOP shares	—	80	157	—	—	237
Issuance of restricted stock awards	1	77	—	—	—	78
Stock-based compensation expense	—	382	—	—	—	382
Change in unrealized loss on investment securities available-for-sale, net of tax	—	—	—	—	(6,586)	(6,586)

Common stock repurchase	(4)	(5,289)	—	—	—	(5,293)
Net income	—	—	—	5,435	—	5,435
Ending balance September 30, 2022	$ 66	$ 63,288	$ (4,847)	$ 63,658	$ (6,944)	$ 115,221

	Three Months Ended Setpember 30, 2023 and 2022					
	Common Stock	Additional Paid In Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
			(In thousands)			
Beginning balance June 30, 2023	$ 64	$ 61,027	$ (4,692)	$ 68,209	$ (6,669)	$ 117,939

	Three Months Ended March 31, 2024 and 2023					
	Common Stock	Additional Paid In Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
			(In thousands)			
Beginning balance December 31, 2023	64	$ 61,026	$ (4,587)	$ 71,345	$ (6,332)	$ 121,516
ESOP loan payment and release of ESOP shares	—	34	52	—	—	86
Stock-based compensation expense	—	349	—	—	—	349
Change in unrealized loss on investment securities available-for-sale, net of tax	—	—	—	—	14	14
Net income	—	—	—	1,335	—	1,335

Ending balance March 31, 2024							64	61,409	(4,535)	72,680	(6,318)	123,300
Beginning balance December 31, 2022							66	$ 63,130	$ (4,795)	$ 65,357	$ (6,655)	$ 117,103
ESOP loan payment and release of ESOP shares	—	21	53	—	—	74	—	26	52	—	—	78
Stock-based compensation expense	—	258	—	—	—	258	—	260	—	—	—	260
Change in unrealized loss on investment securities available-for-sale, net of tax	—	—	—	—	(1,090)	(1,090)	—	—	—	—	474	474
Common stock repurchase	—	(328)				(328)	—	(867)	—	—	—	(867)
Adoption of new accounting pronouncement (see Note 1)							—	—	—	(460)		(460)
Net income	—	—	—	1,623	—	1,623	—	—	—	1,722	—	1,722
Ending balance September 30, 2023	$ 64	60,978	(4,639)	69,832	(7,759)	118,476						
Beginning balance June 30, 2022	$ 65	$ 63,497	$ (4,899)	$ 61,797	$ (5,089)	$ 115,371						

ESOP loan payment and release of ESOP shares	—	25	52	—	—	77
Issuance of restricted stock awards	1	77	—	—	—	78
Stock-based compensation expense	—	203	—	—	—	203
Change in unrealized loss on investment securities available-for-sale, net of tax	—	—	—	—	(1,855)	(1,855)
Common stock repurchase	—	(514)	—	—	—	(514)
Net income	—	—	—	1,861	—	1,861
Ending balance September 30, 2022	$ 66	$ 63,288	$ (4,847)	$ 63,658	$ (6,944)	$ 115,221
Ending balance March 31, 2023	66	$ 62,549	$ (4,743)	$ 66,619	$ (6,181)	$ 118,310

See accompanying notes to unaudited consolidated financial statements.

AFFINITY BANCSHARES, INC.

Consolidated Statements of Cash Flows

(unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(In thousands)		(In thousands)	
Cash flows from operating activities:				
Net income	$ 4,935	$ 5,435	$ 1,335	$ 1,722
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and (accretion) amortization	576	(329)		
Depreciation, (accretion) and amortization			162	183
Stock-based compensation expense	782	460	349	260
Deferred income tax expense			241	—
Provision for credit losses	7	654	—	7
ESOP expense	219	237	86	78
Increase in cash surrender value of bank owned life insurance	(267)	(260)	(98)	(87)
Change in:				
Accrued interest receivable and other assets	(531)	168	(525)	(779)
Accrued interest payable and other liabilities	341	1,850	(333)	615
Net cash provided by operating activities	6,062	8,215	1,217	1,999
Cash flows from investing activities:				
Purchases of investment securities held-to-maturity	(7,609)	—	—	(7,609)
Purchases of investment securities available-for-sale	(5,710)	(5,701)	—	(5,710)
Purchases of premises and equipment	(352)	(930)	(132)	(148)
Proceeds from paydowns of investment securities available-for-sale	2,424	3,428	375	1,379
Proceeds from maturity of investment securities held-to-maturity	37	—		
Proceeds from paydowns of investment securities held-to-maturity			24	15
Purchases of other investments	(5,716)	(1,130)	(46)	(2,339)
Proceeds from sales of other investments	1,913	2,581	—	425
Net change in loans	(14,720)	(65,665)	(14,906)	(15,226)
Net cash used in investing activities	(29,733)	(67,417)	(14,685)	(29,213)
Cash flows from financing activities:				
Net change in deposits	51,875	31,225	13,001	93,668
Stock repurchase	(2,999)	(5,293)	—	(867)
Proceeds from FHLB advances	65,000	105,000	—	65,000
Repayment of FHLB advances	(55,000)	(143,000)	—	(20,000)
Proceeds from federal funds purchased	26	—		
Repayment of federal funds purchased	(51)	—	—	(25)
Net cash provided by (used in) financing activities	58,851	(12,068)		
Proceeds from other borrowings			11,837	—

Net cash provided by financing activities			24,838	137,776
Net change in cash and cash equivalents	35,180	(71,270)	11,370	110,562
Cash and cash equivalents at beginning of period	26,324	111,776	50,025	26,324
Cash and cash equivalents at end of period	$ 61,503	$ 40,506	$ 61,395	$ 136,886
Supplemental disclosures of cash flow information:				
Cash paid for income taxes	$ 1,543	$ 1,019		
Cash paid for interest	10,306	1,788	4,791	2,372
Change in unrealized loss on investment securities available-for-sale, net of tax	(1,104)	(6,586)	14	474

See accompanying notes to unaudited consolidated financial statements.

AFFINITY BANCSHARES, INC.

Notes to Unaudited Consolidated Financial Statements

(1) Nature of Operations

Affinity Bancshares, Inc. (the “Company”) is a bank holding company, headquartered in Covington, Georgia. The Company has one operating subsidiary, Affinity Bank, National Association (the “Bank”, and formerly named “Newton Federal “Affinity Bank”), a national bank, conducting banking activities primarily in Newton County, Georgia and surrounding counties and in Cobb and Fulton Counties, Georgia and surrounding counties, and originating dental practice loans and indirect automobile loans throughout the Southeastern United States. Effective September 15, 2023, the Bank converted from a federal savings association to a national bank, and as a result, the Company became a bank holding company instead of a savings and loan holding company. The Bank offers such customary banking services as consumer and commercial checking accounts, savings accounts, certificates of deposit, mortgage, commercial and consumer loans, including indirect automobile loans, money transfers and a variety of other banking services. The Company was incorporated in 2020 to be the successor corporation to Community First Bancshares, Inc., a federal corporation, upon completion of the second-step mutual-to-stock conversion (the “Conversion”) of Community First Bancshares, MHC, the top tier mutual holding company of Community First Bancshares, Inc. Community First Bancshares, Inc. was Inc., the former mid-tier holding company for the Bank (formerly named Newton Federal Bank). Prior to completion of the Conversion, approximately 54% of the shares of common stock of Community First Bancshares, Inc. were owned by Community First Bancshares, MHC. In conjunction with the Conversion, Community First Bancshares, Inc. was merged into Affinity Bancshares, Inc. (and ceased to exist) and Affinity Bancshares, Inc. became its successor holding company for Newton Federal Bank.

Basis of Presentation

The accompanying unaudited consolidated financial statements and notes thereto contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly, in accordance with accounting principles generally accepted in the United States of America (“GAAP”), the financial position of the Company as of September 30, 2023 March 31, 2024 and the results of its operations and its cash flows for the periods presented. The interim consolidated financial information should be read in conjunction with the audited financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended

December 31, 2022 December 31, 2023. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results to be expected for a full year or for any other period.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term include, but are not limited to, the determination of the allowance for credit losses, the valuation of other real estate acquired in connection with foreclosure or in satisfaction of loans and valuation allowances associated with the realization of deferred tax assets, which are based on future taxable income.

*Summary of Significant Accounting Policie*s – The accounting and reporting policies of the Company conform to GAAP and general practices within the banking industry. There have been no material changes or developments in the application of principles or in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Policies as disclosed in the Company's financial statements for the year ended December 31, 2022 December 31, 2023 included in the Company's Annual Report on Form 10-K.

Earnings per Share

Basic earnings per common share are calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share are calculated by dividing net income available to common shareholders by the weighted average number of shares adjusted for the dilutive effect of common stock awards (outstanding stock options), if any. Presented below are the calculations for basic and diluted earnings per common share.

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands except per share data)	
Net income	$ 1,335	$ 1,722
Weighted average common shares outstanding	6,416,628	6,599,672
Effect of dilutive common stock awards	107,704	82,008
Diluted weighted average common shares outstanding	6,524,332	6,681,680
Basic earnings per common share	$ 0.21	$ 0.26
Diluted earnings per common share	0.20	0.26

There were 379,500anti-dilutive options for the three months ended March 31, 2024 and 292,454 anti-dilutive options for the three months ended March 31, 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars in thousands except per share data)			
Net income	$ 1,623	$ 1,861	$ 4,935	$ 5,435
Weighted average common shares outstanding	6,417,754	6,652,811	6,500,562	6,683,052
Effect of dilutive common stock awards	75,360	99,341	75,361	99,341
Diluted weighted average common shares outstanding	6,493,114	6,752,152	6,575,923	6,782,393
Basic earnings per common share	$ 0.25	$ 0.28	$ 0.76	$ 0.81
Diluted earnings per common share*	0.25	$ 0.27	0.75	0.80

(2) Investment Securities

Investment securities available-for-sale at March 31, 2024 and December 31, 2023 are as follows: (in thousands)

* Cumulative quarterly per share performance may not equal annual per share totals due to the effects of the amount and timing of capital increases. When computing earnings per share for an interim period, the denominator is based on the weighted average shares outstanding during the interim period, and not on an annualized weighted average basis. Accordingly, the sum of the earnings per share data for the quarters will not necessarily equal the year-to-date earnings per share data.

There were 284,454anti-dilutive options for the three and nine months ended September 30, 2023 and 234,954 anti-dilutive options for the three and nine months ended September 30, 2022.

March 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	$ 5,157	$ —	$ (698)	$ 4,459
Municipal securities - tax exempt	525	—	(89)	436
Municipal securities - taxable	2,530	—	(401)	2,129
U. S. Government sponsored enterprises	11,837	—	(3,192)	8,645
Government agency mortgage-backed securities	18,248	—	(2,906)	15,342
Corporate securities	18,401	40	(1,213)	17,228
Total	$ 56,698	$ 40	$ (8,499)	$ 48,239
December 31, 2023				
U.S. Treasury securities	$ 5,147	$ —	$ (649)	$ 4,498
Municipal securities - tax exempt	527	—	(85)	442
Municipal securities - taxable	2,530	—	(395)	2,135
U. S. Government sponsored enterprises	11,837	—	(3,207)	8,630
Government agency mortgage-backed securities	18,643	—	(2,695)	15,948
Corporate securities	18,355	30	(1,477)	16,908
Total	$ 57,039	$ 30	$ (8,508)	$ 48,561

Adoption of New Accounting Standards

On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, Investment securities held-to-maturity at March 31, 2024 and December 31, 2023 are as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including held-to-maturity securities. It also applies to off-balance sheet credit exposures. In addition, Accounting Standard Codification ("ASC") 326 made changes to the accounting for available-for-sale securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale securities management does not intend to sell or believes that it is more likely than not they will be required to sell. follows: (in thousands)

March 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Estimated Allowance for Credit Losses
U.S. Treasury securities	$ 999	$ —	$ (4)	$ 995	$ —
Government agency mortgage-backed securities	776	—	(55)	721	—
Corporate securities	32,500	55	(398)	32,157	(45)
Total	$ 34,275	$ 55	$ (457)	$ 33,873	$ (45)
December 31, 2023					
U.S. Treasury securities	$ 999	$ —	$ (4)	$ 995	$ —
Government agency mortgage-backed securities	795	—	(76)	719	—
Corporate securities	32,457	58	(394)	32,121	(45)
Total	$ 34,251	$ 58	$ (474)	$ 33,835	$ (45)

The Company adopted ASC 326 using

Corporate securities account for the modified retrospective method majority of the held-to-maturity portfolio as of March 31, 2024. As stated above, these corporate securities are accounted for as securities, but are underwritten as loans with features that are typically found in commercial loans. Accordingly, the Bank monitors the credit quality of these corporate bonds through quarterly credit reviews to determine impairment, if any. At March 31, 2024, these securities are all financial assets measured at amortized cost rated as investment grade and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company adopted this ASU on January 1, 2023, and recorded a one-time entry to retained earnings of the $460,000, net of tax ($437,000 45,000 related to of allowance for credit losses for unfunded commitments and $23,000 related to credit losses for associated with these securities held-to-maturity).

In January 2023, the Company adopted ASU 2022-02, “Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures” (“ASU 2022-02”), which eliminated the accounting guidance for troubled debt restructurings (“TDRs”) while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when was calculated using a borrower is experiencing financial difficulty. This guidance was applied on a prospective basis. Upon adoption of this guidance, the Bank no longer establishes a specific reserve for modifications to borrowers experiencing financial difficulty. Instead, these modifications are included in their respective cohort and a historical loss rate is applied to the current loan balance to arrive at the

quantitative baseline portion of the Allowance. Adoption of this ASU did not have a material impact Moody's report on the Company's consolidated financial statements; however, it resulted cumulative default rates of corporate issuers.
Investment securities available-for-sale in new disclosures. See Note 3 for the new disclosures. an unrealized loss position at March 31, 2024 and December 31, 2023 are as follows: (in thousands)

Allowance for Credit Losses ("ACL") - Loans

The CECL framework requires an estimate of expected credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. The following discussion provides a description of the methodology applied to calculate the ACL under CECL.

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the ACL when management believes the uncollectibility of a loan balance is confirmed. Accrued interest receivable is excluded from the estimate of credit losses.

Management determines the ACL balance using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit behaviors along with model judgments provide the basis for the estimation of expected credit losses. Adjustments to modeled loss estimates may be made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in economic conditions, property values, or other relevant factors. For the majority of loans and leases, the ACL is calculated using a discounted cash flow methodology applied at a loan level with a one-year reasonable and supportable forecast period and a two-year straight-line reversion period.

The ACL-loans is measured on a collective basis when similar risk characteristics exist. The Bank has identified the following portfolio segments and calculates the ACL for each using a discounted cash flow methodology at the loan level, with loss rates, prepayment assumptions and curtailment assumptions driven by each loan's collateral type:
Commercial (secured by real estate - owner occupied)- Loans in this category are susceptible to business failure and general economic conditions.
Commercial (secured by real estate - non-owner occupied) - Common risks for this loan category are declines in general economic conditions, declines in real estate value, declines in occupancy rates, and lack of suitable alternative use for the property.
Commercial & industrial - Risks to this loan category include the inability to monitor the condition of the collateral, which often consists of inventory, accounts receivable and other non-real estate assets. Equipment and inventory obsolescence can also pose a risk. Declines in general economic conditions and other events can cause cash flows to fall to levels insufficient to service debt.

Construction, land, and acquisition and development - Risks common to construction loans are cost overruns, changes in market demand for property, inadequate long-term financing arrangements and declines in real estate values.

Residential mortgage - Residential mortgage loans are susceptible to weakening general economic conditions, increases in unemployment rates and declining real estate values.

Consumer installment - Risks common to consumer direct loans include unemployment and changes in local economic conditions as well as the inability to monitor collateral consisting of personal property.

When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

When the discounted cash flow method is used to determine the ACL, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments. The ACL on a TDR is measured using the same method as all other loans held for investment, except that the original interest rate is used to discount the expected cash flows, not the rate specified within the restructuring.

Determining the Contractual Term: Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a TDR will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Bank.

Allowance for Credit Losses - Off-Balance Sheet Credit Exposures

The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Bank. The allowance for credit losses on off-balance sheet credit exposures is adjusted through provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be

funded over its estimated life. The estimate is influenced by historical loss experience, adjusted for current risk characteristics, and economic forecasts.

Allowance for Credit Losses - Investment Securities Available-for-Sale

For available-for-sale securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the securities by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected form the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in the comprehensive income. Accrued interest receivable on available-for-sale securities is excluded from the estimate of credit losses. The guidance under ASC Topic 326 had no impact on the Bank's available-for-sale debt securities at January 1, or September 30, 2023.

Changes in the allowance for credit losses are recorded as provision of (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Allowance for Credit Losses - Investment Securities Held-to-Maturity

Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses. Management classifies the held-to-maturity portfolio into the following major security types: U.S. Treasuries, government agency mortgage-backed, and corporate securities. The U.S. Treasuries and the Government agency mortgage-backed securities held by the Bank are issues by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. The corporate securities are comprised of investments in corporate bonds whose issuers are primarily banks. At September 30, 2023, these securities are all rated as investment grade.

(2) Investment Securities

Investment securities available-for-sale at September 30, 2023 and December 31, 2022 are as follows: (in thousands)

September 30, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	$ 6,132	$ —	$ (841)	$ 5,291
Municipal securities - tax exempt	528	—	(136)	392
Municipal securities - taxable	2,530	—	(524)	2,006
U. S. Government sponsored enterprises	11,837	—	(3,772)	8,065
Government agency mortgage-backed securities	19,063	—	(3,585)	15,478
Corporate securities	18,309	26	(1,555)	16,780
Total	$ 58,399	$ 26	$ (10,413)	$ 48,012
December 31, 2022				
U.S. Treasury securities	$ 6,084	$ —	$ (776)	$ 5,308
Municipal securities - tax exempt	533	—	(96)	437
Municipal securities - taxable	2,529	—	(485)	2,044
U. S. Government sponsored enterprises	11,837	—	(3,499)	8,338

Government agency mortgage-backed securities	20,555	—	(3,053)	17,502
Corporate securities	13,571	5	(1,005)	12,571
Total	$ 55,109	$ 5	$ (8,914)	$ 46,200

Investment securities held-to-maturity at September 30, 2023 and December 31, 2022 are as follows: (in thousands)

September 30, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Estimated Allowance for Credit Losses
U.S. Treasury securities	$ 999	$ —	$ (10)	$ 989	$ —
Government agency mortgage-backed securities	812	—	(109)	703	—
Corporate securities	32,414	4	(1,185)	31,233	(42)
Total	$ 34,225	$ 4	$ (1,304)	$ 32,925	$ (42)
December 31, 2022					
U.S. Treasury securities	$ 998	$ —	$ —	$ 998	$ —
Government agency mortgage-backed securities	837	—	(13)	824	—
Corporate securities	24,692	4	(267)	24,429	—
Total	$ 26,527	$ 4	$ (280)	$ 26,251	$ —

The Bank recorded $32,000 of provision for credit losses on held-to-maturity securities on January 1, 2023 upon adoption of ASC 326, and recorded an additional provision for credit losses for the three and nine months ended September 30, 2023 of $0 and $10,000 for held-to-maturity securities, respectively.

Investment securities available-for-sale in an unrealized loss position at September 30, 2023 and December 31, 2022 are as follows: (in thousands)

	Less Than 12 Months		12 Months or More		Total	
September 30, 2023	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. Treasury securities	$ 994	$ (2)	$ 4,297	$ (839)	$ 5,291	$ (841)

	Less Than 12 Months		12 Months or More		Total	
March 31, 2024	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. Treasury securities	$ —	$ —	$ 4,459	$ (698)	$ 4,459	$ (698)

Municipal securities - tax exempt	—	—	392	(136)	392	(136)	—	—	436	(89)	436	(89)
Municipal securities - taxable	—	—	2,006	(524)	2,006	(524)	—	—	2,129	(401)	2,129	(401)
U. S. Government sponsored enterprises	—	—	8,065	(3,772)	8,065	(3,772)	—	—	8,645	(3,192)	8,645	(3,192)
Government agency mortgage-backed securities	—	—	15,478	(3,585)	15,478	(3,585)	—	—	15,342	(2,906)	15,342	(2,906)
Corporate securities	6,953	(237)	8,233	(1,318)	15,186	(1,555)	961	(19)	13,724	(1,194)	14,685	(1,213)
Total	$ 7,947	$ (239)	$ 38,471	$ (10,174)	$ 46,418	$ (10,413)	$ 961	$ (19)	$ 44,735	$ (8,480)	$ 45,696	$ (8,499)
December 31, 2022												
December 31, 2023												
U.S. Treasury securities	$ —	$ —	$ 4,331	$ (776)	$ 4,331	$ (776)	$ —	$ —	$ 4,498	$ (649)	$ 4,498	$ (649)
Municipal securities - tax exempt	—	—	437	(96)	437	(96)	—	—	442	(85)	442	(85)
Municipal securities - taxable	452	(32)	1,592	(453)	2,044	(485)	—	—	2,135	(395)	2,135	(395)

U. S. Government sponsored enterprises	—	—	8,338	(3,499)	8,338	(3,499)	—	—	8,630	(3,207)	8,630	(3,207)
Government agency mortgage-backed securities	5,598	(452)	11,904	(2,601)	17,502	(3,053)	—	—	15,948	(2,695)	15,948	(2,695)
Corporate securities	4,541	(324)	5,466	(681)	10,007	(1,005)	5,557	(214)	8,774	(1,263)	14,331	(1,477)
Total	$ 10,591	$ (808)	$ 32,068	$ (8,106)	$ 42,659	$ (8,914)	$ 5,557	$ (214)	$ 40,427	$ (8,294)	$ 45,984	$ (8,508)

There were was six one available-for-sale securities security in an unrealized loss position totaling $239,000 19,000 as of September 30, 2023 March 31, 2024 for less than 12 months. There were 65 68 available-for-sale securities in an unrealized loss position for 12 months or greater totaling $10.2 8.5 million as of September 30, 2023 March 31, 2024. The unrealized losses on the debt securities arose due to changing interest rates and market conditions and are considered to be temporary because of acceptable investment grades and are reviewed regularly. Four of the securities are agency bonds and six five are U.S. Treasury bonds, so all of these are direct obligations of the U.S. Government. Thirty-nine of the securities are mortgage backed mortgage-backed bonds that have the direct or implied backing of the U.S. Government. Four of the bonds are municipal securities and the remaining 18 17 securities are corporate securities that are either trust preferred securities or subordinated debentures where the Bank performs a credit review regularly and such review has raised no concerns.

Debt securities issued by U.S. government agencies, U.S. government-sponsored enterprises ("GSEs"), and the U.S. Treasury, including notes and mortgage backed mortgage-backed securities, accounted for the majority of the available-for-sale portfolio as of September 30, 2023 March 31, 2024, and the Bank expects no credit losses on these securities, given the explicit and implicit guarantees provided by the U.S. federal government. The available-for-sale portfolio also includes corporate securities, but are underwritten as loans with features that are typically found in commercial loans. Accordingly, the Bank monitors the credit quality of these corporate bonds through quarterly credit reviews to determine impairment, if any. The decline in fair value is attributable to changes in interest rates, and not credit quality, and the Bank does not have the intent to sell the U.S. government and agencies debt securities and the corporate securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Bank does not consider impairments on these securities to be credit related as of September 30, 2023 March 31, 2024. There were 17 held-to-maturity securities in an unrealized loss position totaling $1.3 million as of September 30, 2023 for less than 12 months. There were no held-to-maturity securities in an unrealized loss position greater than 12 months as of September 30, 2023. The unrealized losses on the debt securities arose due to changing interest rates and market conditions and are considered to be temporary because of acceptable investment grades and are reviewed regularly. One security is a U.S. Treasury bonds, so it is a direct obligations of the U.S. Government. One security is a mortgage-backed security of a U.S. Government sponsored agency that has the implied backing of the U.S. Government. Fifteen are subordinated debentures of banks where the Bank performs a credit review quarterly and such reviews have raised no concerns.

Corporate securities account for the majority of the held-to-maturity portfolio as of September 30, 2023. As stated above, these corporate securities are accounted for as securities, but are underwritten as loans with features that are typically found in commercial loans. Accordingly, the Bank monitors the credit quality of these corporate bonds through quarterly credit reviews to determine impairment, if any. At September 30, 2023, these securities are all rated as investment grade and the $42,000 of

allowance for credit losses associated with these securities was calculated using a Moody's report on the cumulative default rates of corporate issuers.

The amortized cost and estimated fair value of investment securities available-for-sale and held-to-maturity at September 30, 2023 March 31, 2024, by contractual maturity, are shown below. Maturities of mortgage-backed securities will may differ from contractual maturities

because borrowers may have the right to call or prepay certain obligations with or without call or prepayment penalties. Therefore, these securities are not included in the maturity categories. (in thousands)

	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within 1 year	99 $ 6	99 $ 4	$ —	$ —	$ —	$ —	$ 999	$ 995

Greater than 1 to 5 years	6,931	6,452	17,756	17,359	6,950	6,592	16,782	16,716
Greater than 5 to 10 years	19,315	16,778	15,657	14,863	21,160	18,810	15,718	15,441
Greater than 10 years	12,094	8,310	—	—	10,340	7,495	—	—
	39,336	32,534	33,413	32,222	38,450	32,897	33,499	33,152
Government agency mortgage-backed securities	19,063	15,478	812	703	18,248	15,342	776	721
Total	$ 58,399	$ 48,012	$ 34,225	$ 32,925	$ 56,698	$ 48,239	$ 34,275	$ 33,873

There were no sales of investment securities available-for-sale during the three and nine months ended September 30, 2023 March 31, 2024 or 2022. 2023.

Available-for-sale securities with a carrying value of approximately $4.1 4.0 million and $4.7 4.2 million were pledged to secure public deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

(3) Loans and Allowance for Credit Losses

Major classifications of loans, by collateral code, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are summarized as follows: (in thousands)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Commercial (secured by real estate - owner occupied)	$ 159,958	$ 162,989	$ 162,638	$ 157,691
Commercial (secured by real estate - non-owner occupied)	140,287	135,720	145,610	145,100
Commercial and industrial	143,371	147,775	142,509	140,407
Construction, land and acquisition & development	46,626	37,158	55,292	47,685
Residential mortgage 1-4 family	55,558	51,324	53,133	53,650
Consumer installment	115,216	111,268	115,316	115,343
Total	661,016	646,234	674,498	659,876
Less allowance for credit losses	(9,211)	(9,325)	(8,595)	(8,921)
Total loans, net	$ 651,805	$ 636,909	$ 665,903	$ 650,955

The Bank grants loans and extensions of credit to individuals and a variety of firms and corporations located primarily in the Atlanta, Georgia MSA. Metropolitan Statistical Area. A substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent upon the real estate market. The Bank also conducts lending within professional markets, with a primary focus on the dental industry in Georgia and adjoining states. The majority of these loans are commercial and industrial credits for practice acquisitions and equipment financing with the remainder being owner-occupied real estate. Accrued interest on loans totaled $1.9 2.2 million on September 30, 2023 March 31, 2024 and $1.6 2.1 million on December 31, 2022 December 31, 2023 and is included in other assets on the consolidated balance sheet.

The adoption of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326) did not result in an increase to allowance for credit losses for loans for the Bank.

The following table presents the balance in the allowance for credit losses and the recorded investment in loans by portfolio segment and based on impairment method as of and for the three and nine months ended September 30, 2023 March 31, 2024 and as of December 31, 2022: 2023 (in thousands)

September 30, 2023	**Commercial (Secured by Real Estate - Owner Occupied)**	**Commercial (Secured by Real Estate - Non-Owner Occupied)**	**Commercial and Industrial**	**Construction, Land and Acquisition & Development**	**Residential Mortgage**	**Consumer Installment**	**Unallocated**	**Total**
Allowance for credit losses:								
Beginning balance December 31, 2022	$ 2,403	$ 2,079	$ 2,292	$ 487	$ 345	$ 1,675	$ 44	$ 9,325
Provision	(996)	(819)	(1,369)	547	1,183	780	674	-
Charge-offs	(4)	—	(3)	—	—	(212)	—	(219)
Recoveries	8	—	1	—	49	47	—	105
Ending balance	$ 1,411	$ 1,260	$ 921	$ 1,034	$ 1,577	$ 2,290	$ 718	$ 9,211
Allowance for credit losses:								

Beginning balance June 30, 2023	$ 1,492	$ 1,331	$ 1,116	$ 1,010	$ 1,475	$ 2,321	$ 507	$ 9,252
Provision	(81)	(71)	(196)	24	89	24	211	-
Charge-offs	—	—	—	—	—	(64)	—	(64)
Recoveries	—	—	1	—	13	9	—	23
Ending balance	$ 1,411	$ 1,260	$ 921	$ 1,034	$ 1,577	$ 2,290	$ 718	$ 9,211
December 31, 2022								
Allowance for credit losses:								
Beginning balance	$ 2,701	$ 1,980	$ 2,242	$ 162	$ 502	$ 969	$ 3	$ 8,559
Provision	(421)	99	55	325	(196)	801	41	704
Charge-offs	—	—	(26)	—	—	(123)	—	(149)
Recoveries	123	—	21	—	39	28	—	211
Ending balance	$ 2,403	$ 2,079	$ 2,292	$ 487	$ 345	$ 1,675	$ 44	$ 9,325
Ending allowance attributable to loans:								
Individually evaluated for impairment	$ 85	$ 1	$ —	$ —	$ 4	$ —	$ —	$ 90
Collectively evaluated for impairment	2,318	2,078	2,292	487	341	1,675	44	9,235
Total ending allowance	$ 2,403	$ 2,079	$ 2,292	$ 487	$ 345	$ 1,675	$ 44	$ 9,325
Loans:								
Individually evaluated for impairment	$ 85	$ 3,265	$ —	$ —	$ 2,399	$ —	$ —	$ 5,749
Collectively evaluated for impairment	162,904	132,455	147,775	37,158	48,925	111,268	—	640,485
Total loans	$ 162,989	$ 135,720	$ 147,775	$ 37,158	$ 51,324	$ 111,268	$	$ 646,234

	Commercial (Secured by Real Estate - Owner Occupied)	Commercial (Secured by Real Estate - Non-Owner Occupied)	Commercial and Industrial	Construction, Land and Acquisition & Development	Residential Mortgage	Consumer Installment	Unallocated	Total
Beginning balance December 31, 2023	$ 1,397	$ 1,298	$ 1,806	$ 927	$ 1,038	$ 1,534	$ 921	$ 8,921
Provision	167	(6)	(70)	152	(31)	139	(351)	—

Charge-offs	(160)	—	—	—	(5)	(193)	—	(358)
Recoveries	—	—	—	—	—	32	—	32
Ending balance, March 31, 2024	$ 1,404	$ 1,292	$ 1,736	$ 1,079	$ 1,002	$ 1,512	$ 570	$ 8,595
Beginning balance, December 31, 2022	$ 2,403	$ 2,079	$ 2,292	$ 487	$ 345	$ 1,675	$ 44	$ 9,325
Provision	(898)	(683)	(1,084)	443	1,169	740	313	—
Charge-offs	(4)	—	(3)	—	—	(99)	—	(106)
Recoveries	8	—	—	—	—	7	—	15
Ending balance, March 31, 2023	$ 1,509	$ 1,396	$ 1,205	$ 930	$ 1,514	$ 2,323	$ 357	$ 9,234

The Bank recorded aNo provision for credit losses on loans was recorded for unfunded commitments of $the three months ended March 31, 2024 and 2023. 586,000 on January 1, 2023 upon adoption of ASC 326. A release on unfunded commitments for the nine three months ended September 30, 2023 March 31, 2024 and 2023 of $0 and $3,000 was recorded, and is included in other liabilities on the consolidated balance sheet. The allowance for unfunded commitments as of March 31, 2024 and December 31, 2023 was $531,000. The Bank also recorded a provision of $0 and $10,000 for credit losses for held-to-maturity securities for a net $0 and $7,000 recorded of provision for credit losses for the nine months ended September 30, 2023. No provision for credit losses was recorded for the three months ended September 30, 2023. March 31, 2024 and 2023.

The Bank individually evaluates all loans meeting a certain threshold for impairment that are on nonaccrual status or are rated substandard (as described below). Additionally, all loan modifications to a borrower with financial difficulty are evaluated for impairment. A loan is considered impaired when, based on current events and circumstances, it is probable that all amounts due according to the contractual terms of the loan will not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral

if the loan is collateral dependent. Interest payments received on impaired loans are applied as a reduction of the outstanding principal balance.

Collateral-Dependent Loans

We classify a loan as collateral-dependent when our borrower is experiencing financial difficulty, and we expect repayment to be provided substantially through the operation or sale of collateral. Our commercial loans have collateral that is comprised of real estate and business assets. Our consumer loans have collateral that is substantially comprised of residential real estate. There were no significant changes in the extent to which collateral secures our collateral-dependent loans during the nine three months ended September 30, 2023 March 31, 2024, and 2023, and we had $4.6 4.1 million and $4.3 million of collateral-dependent loans without an allowance and no collateral-dependent loans with an allowance at September 30, 2023.

Impaired loans at December 31, 2022 were as follows: (in thousands) March 31, 2024 and December 31, 2023, respectively.

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Allocated Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial (secured by real estate - owner occupied)	$ —	$ —	$ —	$ —	$ —
Commercial (secured by real estate - non-owner occupied)	3,089	3,089	—	3,145	—
Commercial and industrial	—	—	—	—	—
Construction, land and acquisition & development	—	—	—	—	—
Residential mortgage	1,526	1,526	—	1,596	5
Consumer installment	—	—	—	—	—
	4,615	4,615	—	4,741	5
With an allowance recorded:					
Commercial (secured by real estate - owner occupied)	85	85	85	90	4
Commercial (secured by real estate - non-owner occupied)	176	176	1	182	8
Commercial and industrial	—	—	—	—	—
Construction, land and acquisition & development	—	—	—	—	—
Residential mortgage	873	873	4	907	22
Consumer installment	—	—	—	—	—
	1,134	1,134	90	1,179	34
Total impaired loans	$ 5,749	$ 5,749	$ 90	$ 5,920	$ 39

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AFFINITY BANCSHARES, INC.

Notes to Unaudited Consolidated Financial Statements

The following table presents the aging of the recorded investment in past due loans, as well as the recorded investment in nonaccrual loans, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 by class of loans: (in thousands)

September 30, 2023	30 -59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Accruing Loans Past Due	Nonaccrual with Allowance	Nonaccrual without Allowance	Current	Total

March 31, 2024	30 -59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Accruing Loans Past Due	Nonaccrual with Allowance	Nonaccrual without Allowance	Current	Total
Commercial (secured by real estate - owner occupied)	$ —	$ —	$ —	$ —	$ —	$ —	$ 162,638	$ 162,638
Commercial (secured by real estate - non-owner occupied)	—	—	—	—	—	4,280	141,330	145,610
Commercial and industrial	—	—	—	—	—	—	142,509	142,509
Construction, land and acquisition & development	13	—	—	13	—	19	55,260	55,292
Residential mortgage	1,507	—	—	1,507	—	2,528	49,098	53,133
Consumer installment	332	—	—	332	—	337	114,647	115,316
Total	$ 1,852	$ —	$ —	$ 1,852	$ —	$ 7,164	$ 665,482	$ 674,498

December 31, 2023									30 -59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Accruing Loans Past Due	Nonaccrual with Allowance	Nonaccrual without Allowance	Current	Total
Commercial (secured by real estate - owner occupied)	$—	$—	$—	$—	$—	$ —	$ 159,958	$ 159,958	$ —	$ —	$ —	$ —	$ —	$ —	$ 157,691	$ 157,691
Commercial (secured by real estate - non-owner occupied)	—	—	—	—	—	4,777	135,510	140,287	—	—	—	—	—	4,505	140,595	145,100
Commercial and industrial	—	—	—	—	—	—	143,371	143,371	—	—	—	—	—	—	140,407	140,407
Construction, land and acquisition & development	—	—	—	—	—	—	46,626	46,626	—	—	—	—	—	—	47,685	47,685
Residential mortgage	984	-	-	984	-	2,570	52,004	55,558	2,534	—	—	2,534	—	2,504	48,612	53,650

Consumer installment	83	—	—	83	—	290	114,843	115,216	246	—	—	246	—	417	114,680	115,343
Total	$ 1,067	$ —	$ —	$ 1,067	$ —	$ 7,637	$ 652,312	$ 661,016	$ 2,780	$ —	$ —	$ 2,780	$ —	$ 7,426	$ 649,670	$ 659,876

December 31, 2022	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Accruing Loans Past Due	Nonaccrual	Current	Total
Commercial (secured by real estate - owner occupied)	$ —	$ —	$ —	$ —	$ 85	$ 162,904	$ 162,989
Commercial (secured by real estate - non-owner occupied)	—	—	—	—	3,312	132,408	135,720

Commercial and industrial	—	—	—	—	3	147,772	147,775
Construction, land and acquisition & development	85	—	—	85	—	37,073	37,158
Residential mortgage	2,341	533	249	3,123	3,185	45,016	51,324
Consumer installment	571	59	—	630	135	110,503	111,268
Total	$ 2,997	$ 592	$ 249	$ 3,838	$ 6,720	$ 635,676	$ 646,234

On January 1, 2023, the Bank adopted ASU 2022-02, which eliminated the accounting guidance for TDRs by creditors and enhanced the disclosure requirements for certain loan modifications to borrowers experiencing financial difficulty. There was were one no loan that was both experiencing financial difficulty and was modified during the nine months ended September 30, 2023.

There was one new residential mortgage loan modification modifications to a borrower with financial difficulty for $26,000during the nine three months ended September 30, 2023. The maturity date was extended. March 31, 2024 or 2023. No loan modifications made to a borrower with financial difficulty subsequently defaulted during the nine three months ended September 30, 2023. March 31, 2024 and 2023.

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continuous basis. The Bank uses the following definitions for its risk ratings:

Special Mention. Loans have potential weaknesses that may, if not corrected, weaken or inadequately protect the Bank's credit position at some future date. Weaknesses are generally the result of deviation from prudent lending practices, such as over advances on collateral. Credits in this category should, within a 12-month period, move to Pass if improved or drop to Substandard if poor trends continue.

Substandard. Inadequately protected by the current net worth and paying capacity of the obligor, or by the collateral pledged, if any. Loans have a well-defined weakness or weaknesses such as primary source of repayment is gone or severely impaired or cash flow is insufficient to reduce debt. There is a distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans have the same weaknesses as those classified Substandard, with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable. The likelihood of a loss on an asset or portion of an asset classified Doubtful is high.

Loss. Loans considered uncollectible and of such little value that the continuance as a Bank asset is not warranted. This does not mean that the loan has no recovery or salvage value, but rather the asset should be charged off even though partial recovery may be possible in the future.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be Pass rated loans. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, and based on the most recent analysis performed, the risk category and year of origination of loans by class of loans is as follows: (in thousands)

	2023	2022	2021	2020	2019	Prior	Revolvers	Total								
March 31, 2024									**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolvers**	**Total**
Pass																
Commercial (secured by real estate - owner occupied)	$ 4,239	$ 28,079	$ 30,166	$ 23,411	$ 11,915	$ 53,082	$ 8,726	$ 159,618	$ 4,773	$ 13,138	$ 24,750	$ 28,527	$ 22,559	$ 62,986	$ 5,581	$ 162,314
Commercial (secured by real estate - non-owner occupied)	25,934	36,270	25,932	4,493	10,156	17,846	10,729	131,360	4,383	31,925	36,744	28,451	4,377	25,566	5,797	137,243
Commercial and industrial	17,836	22,111	28,494	15,849	17,743	27,950	13,388	143,371	8,127	21,279	21,425	27,458	15,263	41,577	7,380	142,509
Construction, land and acquisition & development	16,247	21,084	6,359	147	219	610	1,938	46,604	7,502	25,403	14,628	4,688	106	476	2,470	55,273

Residential mortgage	5,702	6,147	2,477	1,928	1,440	30,029	4,921	52,644	335	4,985	5,670	2,399	1,876	29,255	5,575	50,095
Consumer installment	34,341	51,590	19,639	5,818	2,451	289	654	114,782	12,150	38,689	42,245	15,393	3,996	1,649	551	114,673
Total pass	104,299	165,281	113,067	51,646	43,924	129,806	40,356	648,379	37,270	135,419	145,462	106,916	48,177	161,509	27,354	662,107
Special Mention																
Commercial (secured by real estate - owner occupied)	—	—	—	—	—	340	—	340	—	—	—	—	—	324	—	324
Commercial (secured by real estate - non-owner occupied)	—	—	3,561	—	—	543	—	4,104	—	—	-	3,517	—	541	—	4,058

Commercial and industrial	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Construction, land and acquisition & development	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Residential mortgage	—	—	—	—	—	224	—	224	—	—	—	—	—	220	—	220
Consumer installment	—	99	75	—	8	—	—	182	—	53	226	14	11	2	—	306
Total special mention	—	99	3,636	—	8	1,107	—	4,850	—	53	226	3,531	11	1,087	—	4,908
Substandard																
Commercial (secured by real estate - owner occupied)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Commercial (secured by real estate - non-owner occupied)	—	—	—	—	—	4,808	15	4,823	—	—	—	—	—	4,309	-	4,309
Commercial and industrial	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Construction, land and acquisition & development	—	—	—	22	—	—	—	22	—	—	—	-	19	—	—	19
Residential mortgage	—	205	109	110	118	2,148	—	2,690	—	-	197	104	104	2,368	45	2,818
Consumer installment	—	79	146	6	21	—	—	252	—	80	96	147	5	9	—	337
Total substandard	—	284	255	138	139	6,956	15	7,787	—	80	293	251	128	6,686	45	7,483
Total	$ 104,299	$ 165,664	$ 116,958	$ 51,784	$ 44,071	$ 137,869	$ 40,371	$ 661,016	$ 37,270	$ 135,552	$ 145,981	$ 110,698	$ 48,316	$ 169,282	$ 27,399	$ 674,498

Current year to date period gross write-offs																
Commercial (secured by real estate - owner occupied)	$ —	$ —	$ —	$ —	$ —	$ 4	$ —	$ 4	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial (secured by real estate - non-owner occupied)	—	—	—	—	—	—	—	—	—	—	—	—	—	160	—	160
Commercial and industrial	—	—	—	—	—	3	—	3	—	—	—	—	—	—	—	—
Construction, land and acquisition & development	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Residential mortgage	—	—	—	—	—	—	—	—	—	—	5	—	—	—	—	5
Consumer installment	—	111	90	11	—	—	—	212	—	7	144	37	—	5	—	193
Total current period gross write-offs	$ —	$ 111	$ 90	$ 11	$ —	$ 7	$ —	$ 219	$ —	$ 7	$ 149	$ 37	$ —	$ 165	$ —	$ 358

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Notes to Unaudited Consolidated Financial Statements

December 31, 2022	Pass	Special Mention	Substandard	Doubtful/ Loss	Total
Commercial (secured by real estate - owner occupied)	$ 162,541	$ 362	$ 86	$ —	$ 162,989
Commercial (secured by real estate - non-owner occupied)	130,115	2,293	3,312	—	135,720
Commercial and industrial	147,772	—	3	—	147,775
Construction, land and acquisition & development	37,158	—	—	—	37,158
Residential mortgage	48,193	—	3,131	—	51,324
Consumer installment	111,049	84	135	—	111,268
Total	$ 636,828	$ 2,739	$ 6,667	$ —	$ 646,234

December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolvers	Total
Pass								
Commercial (secured by real estate - owner occupied)	$ 11,210	$ 23,441	$ 29,832	$ 22,982	$ 11,287	$ 49,744	$ 8,863	$ 157,359

Commercial (secured by real estate - non-owner occupied)	32,830	37,395	25,702	4,436	10,015	15,546	10,562	136,486
Commercial and industrial	22,473	21,590	27,252	14,764	16,697	25,317	12,314	140,407
Construction, land and acquisition & development	21,557	17,392	5,034	721	216	210	2,534	47,664
Residential mortgage	5,354	5,672	2,447	1,289	1,424	28,710	5,736	50,632
Consumer installment	42,601	46,869	17,488	4,866	1,919	247	543	114,533
Total pass	136,025	152,359	107,755	49,058	41,558	119,774	40,552	647,081
Special Mention								
Commercial (secured by real estate - owner occupied)	—	—	—	—	—	332	—	332
Commercial (secured by real estate - non-owner occupied)	—	—	3,539	—	—	540	—	4,079
Commercial and industrial	—	—	—	—	—	—	—	—
Construction, land and acquisition & development	—	—	—	—	—	—	—	—
Residential mortgage	—	—	—	—	—	222	—	222
Consumer installment	73	190	99	21	31	—	—	414
Total special mention	73	190	3,638	21	31	1,094	—	5,047
Substandard								
Commercial (secured by real estate - owner occupied)	—	—	—	—	—	—	—	—
Commercial (secured by real estate - non-owner occupied)	—	—	—	—	—	4,535	-	4,535
Commercial and industrial	—	—	—	—	—	—	—	—
Construction, land and acquisition & development	—	—	—	21	—	—	—	21
Residential mortgage	—	202	108	107	113	2,266	—	2,796
Consumer installment	50	205	118	11	12	—	—	396
Total substandard	50	407	226	139	125	6,801	-	7,748
Total	$ 136,148	$ 152,956	$ 111,619	$ 49,218	$ 41,714	$ 127,669	$ 40,552	$ 659,876
Current year to date period gross write-offs								
Commercial (secured by real estate - owner occupied)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial (secured by real estate - non-owner occupied)	—	—	—	—	—	204	—	204
Commercial and industrial	—	—	—	—	—	3	—	3
Construction, land and acquisition & development	—	—	—	—	—	—	—	—

Residential mortgage	—	—	—	—	—	—	—	—
Consumer installment	9	159	125	14	—	—	—	307
Total current period gross write-offs	$ 9	$ 159	$ 125	$ 14	$ —	$ 207	$ —	$ 514

(4) Intangible Assets

The core deposit premium intangible asset had a gross carrying amount of $1.9 million and accumulated amortization of $717,000 813,000 at September 30, 2023 March 31, 2024. The core deposit premium intangible asset had a gross carrying amount of $1.9 million and accumulated amortization of $574,000 765,000 at December 31, 2022 December 31, 2023. Aggregate amortization expense was $47,000 48,000 and $143,000 during for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Goodwill acquired through acquisition was $17.2 million at September 30, 2023 March 31, 2024 and 2022. 2023. No impairment loss was recognized during the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

(5) Deposits

The aggregate amounts amount of certificates of deposit ("CDs") of $250,000 or more, the standard FDIC deposit insurance coverage limit per depositor, were was approximately $35.4 30.4 million at September 30, 2023 March 31, 2024, and $26.4 31.2 million at December 31, 2022 December 31, 2023. Due to the FDIC insurance coverage rules and limits for a depositor's specific group of deposit accounts, it is important to note that not all deposits in excess of $250,000 are uninsured.

Brokered CDs totaled $107.4 million and had a weighted average rate of 4.65% and a weighted average maturity of 28 months at March 31, 2024 and $107.3 million and had a weighted average rate of 4.87% and a weighted average maturity of 31 28 months at September 30, 2023 and $34.9 million and had a weighted average rate of 4.50% and a weighted average maturity of 34 months at December 31, 2022 December 31, 2023.

(6) Borrowings

The following FHLB Federal Home Loan Bank ("FHLB") advances, which required monthly or quarterly interest payments, were outstanding at September 30, 2023 March 31, 2024 and December 31, 2023:

Advance Date	Advance	Interest Rate	Maturity	Rate	Call Feature	Advance	Interest Rate	Maturity	Rate	Call Feature

1/6/2023	$ 10,000,000	4.22%	1/6/2026	Fixed	N/A	$	10,000,000	4.22%	1/6/2026	Fixed	N/A
1/6/2023	10,000,000	3.94%	1/6/2028	Fixed	N/A		10,000,000	3.94%	1/6/2028	Fixed	N/A
10/25/2023							10,000,000	3.99%	10/25/2028	Convertible	4/25/2024
12/14/2023							10,000,000	3.28%	12/14/2028	Convertible	6/14/2024
	$ 20,000,000					$	40,000,000				

There were FHLB advances totaling $10.0 million consisting of advances with a book value of $10.0 million At March 31, 2024 and no fair value adjustment as of December 31, 2022. At September 30, 2023 and December 31, 2022 December 31, 2023, the FHLB advances were collateralized by certain loans which totaled approximately $395.4 406.1 million and $384.4 392.6 million, and by the Company's investment in FHLB stock which totaled approximately $1.5 2.5 million at March 31, 2024 and $832,000 at September 30, 2023 and December 31, 2022 December 31, 2023. Acquired FHLB advances totaling $49.0 million were paid off during the nine months ended September 30, 2022. We were able to accrete to income the remaining $1.0 million fair value adjustment associated with these acquired advances, resulting in a reduction in interest expense for the nine months ended September 30, 2022. We also incurred $647,000 of prepayment penalties during the nine months ended September 30, 2022 in connection with the payoff of the acquired advances.

The Company had one FHLB letter of credit of $12.5 million, used to collateralize public deposits, outstanding at both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The Company has Federal Funds unsecured lines of credit totaling $32.5 million. No amount was borrowed under these lines as of September 30, 2023 March 31, 2024.

We also have a line of $70.9 76.8 million and $67.4 million with the Federal Reserve Bank of Atlanta Discount Window secured by $102.5 101.9 million and $96.1 million in loans. loans and investment securities as of March 31, 2024 and December 31, 2023. There was $No 11.8 amount was million and $0 outstanding on under the unsecured lines of credit or the Discount Window Bank Term Funding Program at September 30, 2023 March 31, 2024 and December 31, 2023.

(7) Employee Stock Ownership Plan

The Company sponsors an employee stock ownership plan (“ESOP”) that covers all employees who meet certain service requirements. The Company makes annual contributions to the ESOP in amounts as defined by the plan document. These contributions are used to pay debt service and purchase additional shares. Certain ESOP shares are pledged as collateral for debt. As the debt is repaid, shares are released from collateral and allocated to active employees, based on the proportion of debt service paid in the year.

In 2017, the ESOP borrowed $3.0 million payable to the Company for the purpose of purchasing shares of the Company’s common stock. A total of 295,499 shares were purchased with the loan proceeds as part of the Company’s initial stock offering. In 2021, the ESOP borrowed $3.0 million payable to the Company for the purpose of purchasing additional shares of the Company’s common stock. A total of 225,721 shares were purchased with the loan proceeds as part of the Company’s second stock offering. Total ESOP expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was approximately $74,000, $77,000, $220,000 86,000 and $237,000 78,000, respectively. The balance of the note payable of the ESOP was approximately $5.3 5.1 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Because the source of the loan payments is contributions received by the ESOP from the Company, the related note receivable is shown as a reduction of stockholders’ equity. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 80,000 101,000 shares had been released.

(8) Stock-Based Compensation

In 2018, shareholders approved the Company’s 2018 Equity Incentive Plan, which authorizes the issuance of up to 133,987 shares of common stock pursuant to restricted stock grants and up to 334,970 shares of common stock pursuant to the exercise of options.

In May 2022, shareholders approved the Company’s 2022 Equity Incentive Plan, which authorizes the issuance of up to 148,060 shares of common stock pursuant to restricted stock grants and up to 370,150 shares of common stock pursuant to the exercise of options.

A Black-Scholes model is utilized to estimate the fair value of stock option grants, while the market price of the Company’s stock at the date of grant is used to estimate the fair value of restricted stock awards. The weighted average assumptions used in the Black-Scholes model for valuing stock option grants during the nine months ended September 30, 2023 were as follows: dividend yield of 0%, expected volatility of 27.58%, risk-free interest rate of 3.84%, expected average life of 7.13, and weighted average per share fair value of options of $5.46.

A summary of the Company’s stock option activity is summarized below.

Stock Options	Option Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding - December 31, 2022	484,519	$ 12.28	8.45	$ 1,522
Granted	57,500	14.40		

Exercise of stock options*	(8,753)	11.14		
Outstanding - March 31, 2023	533,266	$ 12.21	8.06	$ 1,439
Exercisable - March 31, 2023	125,255	$ 9.78	6.53	$ 643
Granted	—	—		
Forfeited	—	—		
Outstanding - June 30, 2023	533,266	$ 12.21	7.81	$ 934
Exercisable - June 30, 2023	189,515	$ 10.06	6.50	$ 607
Granted	7,500	$ 13.51		
Forfeited	(8,000)	14.85		
Outstanding - September 30, 2023	532,766	$ 12.19	7.57	$ 1,143
Exercisable - September 30, 2023	225,739	$ 10.81	6.64	$ 747

* The terms of the stock option agreements permit having a number of shares of stock withheld, the fair market value of which as of the date of exercise is sufficient to satisfy the exercise price and/or tax withholding requirements. All 2023 exercises of stock options were exercised in this manner.

Stock Options	Option Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding - December 31, 2023	640,766	12.58	7.75	1,419
Outstanding - March 31, 2024	640,766	12.58	7.51	2,476
Exercisable - March 31, 2024	236,905	10.98	6.28	1,294

Intrinsic value represents the amount by which the fair market value of the underlying stock exceeds the exercise price of the stock options. A summary of the Company’s restricted stock activity is summarized below.

Restricted Stock	Restricted Shares Outstanding	Weighted Average Grant Date Fair Value
Outstanding - December 31, 2022	169,504	$ 11.97
Granted	12,400	14.40
Outstanding - March 31, 2023	181,904	$ 12.08
Vested*	(27,147)	10.42
Outstanding - June 30, 2023	154,757	$ 12.08
Vested*	(20,867)	14.85
Outstanding - September 30, 2023	133,890	$ 12.08

Restricted Stock	Restricted Shares Outstanding	Weighted Average Grant Date Fair Value
Outstanding - December 31, 2023	166,591	13.46
Vested	(3,467)	
Outstanding - March 31, 2024	163,124	13.44

* The terms of the restricted stock agreements permit the surrender of shares to the Company upon vesting in order to satisfy applicable tax withholding requirements at the minimum statutory withholding rate, and accordingly,

1,666 and 3,417 shares were surrendered during the three and nine months ended September 30, 2023. 17

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Notes to Unaudited Consolidated Financial Statements

The Company recognized approximately $258,000, $281,000, $782,000 349,000 and $460,000 260,000, of stock-based compensation expense during the three months ended March 31, 2024 and nine months ended September 30, 2023 and 2022 2023 respectively, associated with its common stock awards granted to directors and officers.

As of September 30, 2023 March 31, 2024, there was approximately $2.9 3.4 million of unrecognized compensation cost related to equity award grants. The cost is expected to be recognized over the weighted average remaining vesting period of approximately 2.34 2.24 years.

(9) Fair Value Measurements and Disclosures

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. From time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired collateral dependent loans and other real estate owned. These nonrecurring fair value adjustments typically involve application of the lower of cost or market accounting or write-downs of individual assets. Additionally, the Company is required to disclose, but not record, the fair value of other financial instruments.

Fair Value Hierarchy

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description are descriptions of valuation methodologies used for assets and liabilities recorded at fair value.

Cash and Cash Equivalents

The carrying value of cash and cash equivalents is a reasonable estimate of fair value.

Investment Securities Available-for-Sale

Available-for-sale securities are recorded at market value. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and state, county and municipal bonds. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Other Investments

The carrying value of other investments includes FHLB stock and FNBB First National Bankers Bank stock and approximates fair value.

Loans

The Company does not record loans at fair value on a recurring basis. However, from time to time, basis, unless a loan is considered impaired collateral dependent and a specific reserve may be required to be established within the allowance for credit losses. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. individually evaluated. Once a loan is identified as individually impaired, collateral dependent, management measures impairment in accordance with GAAP. The fair value of impaired collateral dependent loans is estimated using one of three methods, including collateral value, market value of similar debt, and discounted cash flows. Those impaired collateral dependent loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed exceeds the recorded investments in such loans. In accordance with GAAP, impaired collateral dependent loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price, the Company records the impaired collateral dependent loan as nonrecurring Level 2. When an appraised value is used or an appraisal is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the impaired collateral dependent loan as nonrecurring Level 3. For disclosure purposes, the fair value of fixed rate loans which are not considered impaired collateral dependent is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For unimpaired non collateral dependent variable rate loans, the carrying amount is a reasonable estimate of fair value for disclosure purposes.

Other Real Estate Owned

Other real estate owned properties are adjusted to fair value upon transfer of the loans to other real estate. Subsequently, other real estate assets are carried at fair value less estimated selling costs. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price, the Bank records the other real estate as nonrecurring Level 2. When an appraised value is used or an appraisal is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank records the other real estate asset as nonrecurring Level 3.

Bank Owned Life Insurance

The carrying value of the cash surrender value of life insurance reasonably approximates fair value.

Deposits

The fair value of savings accounts, interest bearing checking accounts, non-interest bearing checking accounts and market rate checking accounts is the amount payable on demand at the reporting date, while the fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using current rates at which comparable certificates would be issued.

FHLB Advances and Other Borrowings

FHLB advances are carried at cost and the fair value is obtained from the Federal Home Loan Bank of Atlanta. Federal Funds

Purchased are carried at cost and because they are overnight funds, the carrying value is a reasonable estimate of fair value.

Commitments to Extend Credit

Commitments to extend credit are short-term and, therefore, the carrying value and the fair value are considered immaterial for disclosure.

Assets Recorded at Fair Value on a Recurring Basis

The Company’s only assets recorded at fair value on a recurring basis are available-for-sale securities that had fair values of approximately $48.0 48.2 million and $46.2 48.6 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. They are classified as Level 2.

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost

at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands).

September 30, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**				
March 31, 2024					**Level 1**	**Level 2**	**Level 3**	**Total**
Other real estate owned	$ —	$ —	$ 2,901	$ 2,901	$ —	$ —	$ 2,850	$ 2,850
Collateral dependent loans	—	—	4,600	4,600	—	—	1,281	1,281
Total assets at fair value	$ —	$ —	$ 7,501	$ 7,501	$ —	$ —	$ 4,131	$ 4,131

December 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**				
December 31, 2023					**Level 1**	**Level 2**	**Level 3**	**Total**
Other real estate owned	$ —	$ —	$ 2,901	$ 2,901	$ —	$ —	$ 2,850	$ 2,850
Impaired loans	—	—	5,659	5,659				
Collateral dependent loans					—	—	1,440	1,440
Total assets at fair value	$ —	$ —	$ 8,560	$ 8,560	$ —	$ —	$ 4,290	$ 4,290

The carrying amounts and estimated fair values (in thousands) of the Company’s financial instruments at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows:

	September 30, 2023		**December 31, 2022**		**March 31, 2024**		**December 31, 2023**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**

Financial assets:									
Cash and cash equivalents	$ 61,503	$ 61,503	$ 26,324	$ 26,324	Level 1	$ 61,395	$ 61,395	$ 50,025	$ 50,025
Investment securities available-for-sale	48,012	48,012	46,200	46,200	Level 2	48,239	48,239	48,561	48,561
Investment securities held-to-maturity	34,183	32,925	26,527	26,251	Level 2	34,230	33,873	34,206	33,835
Other investments	4,885	4,885	1,082	1,082	Level 3	5,480	5,480	5,434	5,434
Loans, net	651,805	629,318	636,909	611,687	Level 3	665,903	646,136	650,955	635,957
Bank owned life insurance	15,991	15,991	15,724	15,724					
Financial liabilities:									
Deposits	709,045	706,468	657,172	653,577	Level 2	687,444	685,322	674,443	673,854
FHLB advances and other borrowings	20,000	20,374	10,025	10,025	Level 3	51,837	51,515	40,000	39,830

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial instruments include deferred income taxes and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

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

General

Management's discussion and analysis of financial condition and results of operations at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and for the three months ended March 31, 2024 and nine months ended September 30, 2023 and 2022 2023 is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the unaudited consolidated financial statements and the notes thereto appearing in Part I, Item 1, of this report Quarterly Report on Form 10-Q.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "contemplate," "continue," "target" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Accordingly, you should not place undue reliance on such statements. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance credit losses;
- our ability to access cost-effective funding;
- changes in liquidity, including the size and composition of our deposit portfolio and the percentage of uninsured deposits in the portfolio;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions, including with respect to service charges and fees;
- inflation and changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, the fair value of financial instruments or our level of loan originations, or increase the level of defaults, losses and prepayments on loans w have made and make;

- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capi requirements;
- changes in tax laws;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- failure or breaches of our IT security systems;
- the inability of third-party providers to perform as expected;

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- our ability to manage market risk, credit risk and operational risk in the current economic environment;
- our ability to introduce new products and services, enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we r acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charge related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Stanc Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- the effects of global or national war, conflict or acts of terrorism;
- changes in the value of our goodwill or other intangible assets;
- risks related to the COVID-19 pandemic or any other pandemic;
- the effects of any Federal government shutdown;
- our compensation expense associated with equity allocated or awarded to our employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

Summary of Significant Accounting Policies

A summary of our accounting policies is described in Note 1 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. There have been no material changes to our significant accounting policies as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Comparison of Financial Condition at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023

Total assets increased $64.1 million $26.3 million, or 8.1% 3.1%, to $855.4 million $869.5 million at September 30, 2023 March 31, 2024 from $791.3 million $843.3 million at December 31, 2022 December 31, 2023, due primarily to an increase in cash and cash equivalents as well as an increase in loans.

Cash and cash equivalents increased $35.2 million $11.4 million, or 133.6% 22.7%, to $61.5 million $61.4 million at September 30, 2023 March 31, 2024 from $26.3 million $50.0 million at December 31, 2022 December 31, 2023 primarily due to cash received from an increase in deposits as well as an increase in Federal Home Loan Bank advances as we have increased Reserve borrowings to enhance our levels of liquidity in response to recent market events. liquidity.

Net Gross loans increased $14.9 million $14.6 million, or 2.3% 2.2%, to $651.8 million $674.5 million at September 30, 2023 March 31, 2024 from $636.9 million $659.9 million at December 31, 2022 December 31, 2023. Construction loans increased $9.5 million $7.6 million, or 25.5% 16.0%, to $46.6 million $55.3 million at September 30, 2023 March 31, 2024 from $37.2 million $47.7 million at December 31, 2022 December 31, 2023. Non-owner-occupied Owner-occupied commercial real estate loans increased $4.6 million $4.9 million, or 3.5% 3.1%, while one- to four-family residential commercial and industrial loans increased $2.1 million, or 1.5% and non-owner-occupied commercial real estate loans increased $4.2 million, $510,000 or 8.2% and consumer installment loans increased $3.9 million or 3.5% 0.4%. We experienced decreases in commercial residential mortgages of $517,000 and industrial in consumer installment loans ($4.4 million, or 3.0%) and owner-occupied commercial real estate loans ($3.0 million, or 1.9%). of $27,000.

Total investment securities increased $9.5 million, or 13.0%, to $82.2 million at September 30, 2023, from $72.7 million at December 31, 2022, as we continued to invest excess cash in securities in an effort to increase yield. 22

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Total deposits increased $51.9 million $13.0 million, or 7.9% 1.9%, to $709.0 million $687.4 million at September 30, 2023 March 31, 2024 from $657.2 million $674.4 million at December 31, 2022 December 31, 2023, reflecting an increase in certificates of deposit. Certificates of deposit demand deposits and money market accounts. Non-interest bearing deposits increased $96.3 million $9.9 million, or 76.5%, to $222.3 million at September 30, 2023 from $126.0 million at December 31, 2022. This was partially offset by a decrease in non-time deposits of $44.5 million, or 8.4% 6.4%, as we believe customers increased deposits in higher-yielding accounts during the current interest rate environment. The a result of our business customers' cyclical demands at year-end. Our certificates of deposits increase included include brokered deposits at September 30, 2023 March 31, 2024, totaling $107.3 million. Brokered deposits have $107.4 million,which had an average life of 2.6 years 28 months and an average interest rate of 4.87% 4.65%. The loan-to-deposit ratio at September 30, 2023 March 31, 2024 was 93.2% 98.1%, as compared to 98.3% 97.8% at December 31, 2022 December 31, 2023.

We had $20.0 million $40.0 million of FHLB advance advances and no $11.8 million in other borrowings at September 30, 2023 March 31, 2024, compared to $10.0 million and $40.0 million of Federal Home Loan Bank FHLB advances at December 31, 2022 December 31, 2023. We increased borrowings during During the first quarter of 2023 to increase our liquidity position 2024, we borrowed $11.8 million in response to recent market events, including funds through the closures of Signature Federal Reserve Bank and Silicon Valley Bank. During the second quarter, $15.0 million of FHLB borrowings matured, and an additional $20.0 million of FHLB borrowings was prepaid that was issued in first quarter of 2023. Term Funding Program.

Stockholders' equity increased by $1.4 million $1.8 million, or 1.2% 1.5% to $118.5 million $123.3 million at September 30, 2023 March 31, 2024 compared to $117.1 million $121.5 million at December 31, 2022 December 31, 2023, primarily due to net income of $4.9 million $1.3 million during the first nine months quarter of 2023, partially offset by a decrease in additional paid in capital from the repurchase 2024, and stock compensation expense of 216,317 shares of our common stock totaling $3.0 million at an average price per share of $13.82. $349,000.

Average Balance Sheets

The following tables set table sets forth average balance sheets, average annualized yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are monthly average balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Three Months Ended September 30,					
	2023			2022		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans	$ 660,456	$ 9,113	5.47 %	$ 639,115	$ 7,734	4.80 %
Investment securities held-to-maturity	34,158	525	6.10 %	—	—	—
Investment securities available-for-sale	49,242	461	3.71 %	44,690	289	2.56 %
Interest-earning deposits and federal funds	68,892	889	5.12 %	39,384	189	1.91 %
Other investments	2,053	36	6.96 %	1,163	12	4.19 %
Total interest-earning assets	814,801	11,024	5.37 %	724,352	8,224	4.50 %
Non-interest-earning assets	51,971			49,770		
Total assets	$ 866,772			$ 774,122		
Interest-bearing liabilities:						
Interest-bearing checking accounts	$ 90,682	$ 73	0.32 %	$ 98,473	$ 47	0.19 %

Money market accounts	142,346	987	2.75 %	159,478	100	0.25 %
Savings accounts	81,756	569	2.76 %	83,484	187	0.89 %
Certificates of deposit	232,276	2,286	3.90 %	89,871	291	1.28 %
Total interest-bearing deposits	547,060	3,915	2.84 %	431,306	625	0.57 %
FHLB advances and other borrowings	20,000	208	4.13 %	13,696	73	2.12 %
Total interest-bearing liabilities	567,060	4,123	2.88 %	445,002	698	0.62 %
Non-interest-bearing liabilities	180,868			211,986		
Total liabilities	747,928			656,988		
Total stockholders' equity	118,844			117,134		
Total liabilities and stockholders' equity	$ 866,772			$ 774,122		
Net interest rate spread			2.49 %			3.88 %
Net interest income		$ 6,901			$ 7,526	
Net interest margin			3.36 %			4.12 %

	For the Nine Months Ended September 30,						For the Three Months Ended March 31,					
	2023			2022			2024			2023		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)						(Dollars in thousands)					
Interest-earning assets:												
Loans	$ 659,416	$ 26,131	5.30 %	$ 616,141	$ 22,013	4.78 %	$ 664,660	$ 9,499	5.75 %	$ 651,750	$ 8,291	5.16 %

Investment securities held-to-maturity	33,733	1,549	6.14%	—	—	—	34,213	528	6.21%	32,898	503	6.20%
Investment securities available-for-sale	49,616	1,299	3.50%	46,585	827	2.37%	48,169	463	3.87%	48,844	411	3.41%
Interest-earning deposits and federal funds	69,340	2,527	4.87%	43,125	286	0.89%	50,083	647	5.20%	45,758	488	4.32%
Other investments	2,285	109	6.38%	1,117	30	3.57%	5,447	84	6.20%	2,643	35	5.39%
Total interest-earning assets	814,390	31,615	5.19%	706,968	23,156	4.38%	802,572	11,221	5.62%	781,893	9,728	5.05%
Non-interest-earning assets	51,675			51,687			52,145			51,044		
Total assets	$ 866,065			$ 758,655			$ 854,717			$ 832,937		
Interest-bearing liabilities:												

Interest-bearing checking accounts	$ 92,614	$ 172	0.25%	$ 97,463	$ 134	0.18%	$ 88,057	$ 103	0.47%	$ 91,856	$ 45	0.20%
Money market accounts	139,726	2,472	2.37%	151,654	282	0.25%	140,600	1,086	3.11%	139,495	661	1.92%
Savings accounts	88,528	1,680	2.54%	84,042	356	0.57%	74,412	528	2.85%	95,897	552	2.34%
Certificates of deposit	207,734	5,691	3.66%	91,493	840	1.23%	219,806	2,285	4.18%	149,058	1,056	2.87%
Total interest-bearing deposits	528,602	10,015	2.53%	424,652	1,612	0.51%	522,875	4,002	3.08%	476,306	2,314	1.97%
FHLB advances and other borrowings	33,975	1,109	4.36%	12,350	(874)	-9.46%	52,615	470	3.59%	46,723	516	4.48%
Total interest-bearing liabilities	562,577	11,124	2.64%	437,002	738	0.23%	575,490	4,472	3.13%	523,029	2,830	2.19%

Non-interest-bearing liabilities	184,871			203,164			156,697			191,659		
Total liabilities	747,448			640,166			732,187			714,688		
Total stockholders' equity	118,617			118,489			122,530			118,249		
Total liabilities and stockholders' equity	$ 866,065			$ 758,655			$ 854,717			$ 832,937		
Net interest rate spread			2.55%			4.15%			2.49%			2.86%
Net interest income		$ 20,491			$ 22,418			$ 6,749			$ 6,898	
Net interest margin			3.36%			4.24%			3.38%			3.58%

Rate/Volume Analysis

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

	Three Months Ended September 30, 2023 vs. 2022			Nine Months Ended September 30, 2023 vs. 2022		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
	(In thousands)					
Interest-earning assets:						
Loans	$ 1,141	$ 238	$ 1,379	$ 3,815	$ 303	$ 4,118
Investment securities held-to-maturity	495	30	525	1,459	90	1,549
Investment securities available-for-sale	153	19	172	398	74	472
Interest-earning deposits and federal funds	651	49	700	2,027	214	2,241
Other investments	22	2	24	75	4	79
Total interest-earning assets	2,462	338	2,800	7,774	685	8,459
Interest-bearing liabilities:						
Interest-bearing checking accounts	(207)	233	26	(80)	118	38
Market rate checking accounts	(5,163)	6,050	887	(2,985)	5,175	2,190
Savings accounts	(1,421)	1,803	382	953	371	1,324
Certificates of deposit	1,913	82	1,995	4,649	202	4,851
Total interest-bearing deposits	(4,878)	8,168	3,290	2,537	5,866	8,403
FHLB advances	127	8	135	1,629	354	1,983
Total interest-bearing liabilities	(4,751)	8,176	3,425	4,166	6,220	10,386
Change in net interest income	$ 7,213	$ (7,838)	$ (625)	$ 3,608	$ (5,535)	$ (1,927)

	Three Months Ended March 31, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(In thousands)		
Interest-earning assets:			
Loans	$ 927	$ 281	$ 1,208
Investment securities held-to-maturity	25	—	25
Investment securities available-for-sale	(292)	344	52
Interest-earning deposits and federal funds	144	15	159
Other investments	48	1	49
Total interest-earning assets	852	641	1,493
Interest-bearing liabilities:			
Interest-bearing checking accounts	(396)	454	58
Market rate checking accounts	169	256	425
Savings accounts	(769)	745	(24)
Certificates of deposit	1,181	48	1,229
Total interest-bearing deposits	185	1,503	1,688
FHLB advances and other borrowings	821	(867)	(46)
Total interest-bearing liabilities	1,006	636	1,642
Change in net interest income	$ (154)	$ 5	$ (149)

Comparison of Operating Results for the Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

General. Net income was $1.6 million $1.3 million for the three months ended September 30, 2023 March 31, 2024, compared to $1.9 million $1.7 million for the three months ended September 30, 2022 March 31, 2023. The decrease was caused by an increase in interest expense, offset partially by an increase in interest income.

Interest Income. Interest income increased $2.8 million $1.5 million, or 34.1% 15.3%, to $11.0 million $11.2 million for the three months ended September 30, 2023 March 31, 2024 from $8.2 million $9.7 million for the three months ended September 30, 2022 March 31, 2023. The increase was due to increases in all categories of interest-earning assets. Interest income on loans increased $1.4 million $1.2 million, or 7.8% 14.6%, to $9.1 million $9.5 million for the three months ended September 30, 2023 March 31, 2024 from $7.7 million $8.3 million for the three months ended September 30, 2022 March 31, 2023. The average yield on loans increased 67 59 basis points to 5.47% 5.75% for the current quarter, as compared to 4.80% 5.16% for the prior year period, due to the continued changes in the interest rate environment. In addition, our average balance of loans increased by $21.3 million $12.9 million, or 3.3% 2.0%, to $660.5 million $664.7 million for the three months ended September 30, 2023 March 31, 2024 from $639.1 million $651.8 million for the three months ended September 30, 2022 March 31, 2023. The average balance of loans increased due to steady loan demand.

Interest income on interest-earning deposits and federal funds increased $700,000 $159,000 to $889,000 $647,000 for the three months ended September 30, 2023 March 31, 2024 from $189,000 $488,000 for the three months ended September 30, 2022 March 31, 2023. The average balance of interest-earning deposits and federal funds increased $29.5 million $4.3 million to $68.9 million $50.1 million for the three months ended September 30, 2023 March 31, 2024 compared to $39.4 million $45.8 million for the three months ended September 30, 2022 March 31, 2023, as we held excess cash to increase liquidity, as described above. In addition, the yields we received on these funds increased to 5.12% 5.20% from 1.91% 4.32% due to the continued changes in the interest rate environment.

Interest income on available-for-sale and held-to-maturity securities increased $697,000 $77,000 to $986,000 $991,000 for the three months ended September 30, 2023 March 31, 2024 from $289,000 $914,000 for the three months ended September 30, 2022 March 31, 2023. The average balance of held-to-maturity securities was $34.2 million for the three months ended September 30, 2023 compared to zero for the three months ended September 30, 2022, as we began to classify some new purchases as held-to-maturity.

Interest Expense. Interest expense increased $3.7 million $1.6 million to $4.1 million $4.5 million for the three months ended September 30, 2023 March 31, 2024, compared to $698,000 $2.8 million for the three months ended September 30, 2022 March 31, 2023, due to increases in the average balances of interest-bearing liabilities as well as the rates paid on such liabilities.

We recognized increases in all categories of interest-bearing liabilities. Interest expense on deposits increased $1.7 million to $3.9 million $4.0 million for the three months ended September 30, 2023 March 31, 2024 from $625,000 $2.3 million for the three months ended September 30, 2022 March 31, 2023. The largest increase was in interest expense on certificates of deposit, which increased $2.0 million $1.2 million to $2.3 million for the three months ended September 30, 2023 March 31, 2024. The average rate we paid on certificates of deposit increased 262 131 basis points to 3.90% 4.18% for the three months ended September 30, 2023 March 31, 2024 from 1.28% 2.87% for the three months ended September 30, 20222, March 31, 2023, due to the continued changes in the interest rate environment. In addition, environment and the average balance increase of certificates of deposit increased $142.4 million $70.7 million to $232.3 million $219.8 million for the three months ended September 30, 2023 March 31, 2024 from $89.9 million $149.1 million for the three months ended September 30, 2022, as we believe customers increased deposits in higher-yielding accounts during the current interest rate environment in addition to the brokered deposits we took out during the first quarter to enhance liquidity. March 31, 2023. We also experienced increases of $887,000 $425,000 in interest expense on money market accounts, from $987,000 for the quarter ended September 30, 2023 and savings accounts of $382,000 to $569,000 for the quarter ended September 30, 2023, due to increases in the rates we paid on these accounts of 250 119 basis points and 187 basis points, respectively. points.

Interest expense on borrowings increased decreased to $208,000 $470,000 for the three months ended September 30, 2023 March 31, 2024 from $73,000 $516,000 for the three months ended September 30, 2022. We increased borrowings during March 31, 2023, due to short term funding needs for the first quarter of 2023 to increase our liquidity position in response to recent market events, including the closures of Signature Bank and Silicon Valley Bank. three months ended March 31, 2023.

Net Interest Income. Net interest income decreased $625,000, $149,000, or 8.3% 2.2%, to $6.7 million for the three months ended March 31, 2024 compared to $6.9 million for the three months ended September 30, 2023 compared to $7.5 million for the three months ended September 30, 2022 March 31, 2023. Our net interest rate spread decreased to 2.48% 2.49% for the three months ended September 30, 2023 March 31, 2024 from 3.88% 2.86% for the three months ended September 30, 2022 March 31, 2023, and our net interest margin decreased to 3.36% 3.38% for the three months ended September 30, 2023 March 31, 2024 from 4.12% 3.58% for the three months ended September 30, 2022 March 31, 2023 as the rates we paid on interest-bearing liabilities increased faster than the yields we earned on our interest-earning assets, and as we paid off FHLB advances and recognized $1.0 million in accretion from fair value adjustments during the quarter ended March 31, 2022. assets. Our average net interest-earning assets decreased to $247.7 million $227.1 million for the three months ended September 30, 2023 March 31, 2024 compared to $279.4 million $258.9 million for the three months ended September 30, 2022 March 31, 2023.

Provision for Credit Losses. The provisions for credit losses consists of provisions for credit losses for loans and unfunded loan commitments, as well as held-to-maturity securities.

Provisions for credit losses for loans are charged to operations to establish an allowance for credit losses at a level necessary to absorb known and inherent losses in our loan portfolio that are both probable and reasonably estimable at the date of the consolidated financial statements. In evaluating the level of the allowance for credit losses for loans, management analyzes several qualitative loan portfolio risk factors including, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses.

Provisions for credit losses for unfunded commitments are charged to operations to establish an allowance for credit losses for contractual obligations to extend credit. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The estimate is influenced by historical loss experience, adjusted for current risk characteristics, and economic factors.

Provisions for credit losses for held-to-maturity securities are also charged to operations to establish an allowance on a collective basis by major security type. The estimate of expected credit losses for held-to-maturity securities considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. See "—Summary of Significant Accounting Policies" for additional information.

After an evaluation of these factors, we recorded no provision for credit losses for the three months ended September 30, 2023 March 31, 2024, compared to a provision of $187,000 $7,000 for the three months ended September 30, 2022 March 31, 2023. Our allowance for credit losses was $9.2 million $8.6 million at September 30, 2023 March 31, 2024, and $9.3 $8.9 million at December 31, 2022 and September 30, 2022 December 31, 2023 . The allowance for credit losses to total loans was 1.39% 1.27% at September 30, 2023 March 31, 2024 compared to 1.46% 1.35% at December 31, 2022 and 1.43% at September 30, 2022 December 31, 2023. The allowance for credit losses to non-performing loans was 120.6% 120.0% at September 30, 2023 March 31, 2024 compared to 138.8% 120.1% at December 31, 2022 and 128.4% at September 30, 2022 December 31, 2023. Net charge-offs were $41,000 $326,000 for the three months ended September 30, 2023 March 31, 2024, compared to net loan recoveries chargeoffs of $133,000 $91,000 for the three months ended September 31, 2022 March 31, 2023.

To the best of our knowledge, we have recorded all credit losses that are both probable and reasonable to estimate at September 30, 2023 March 31, 2024. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to our loan portfolio, could result in material increases in our provision for credit losses. In addition, the Office of the Comptroller of the Currency, as an integral part of its examination process, periodically reviews our allowance for credit losses, and as a result of such reviews, we may have to adjust our allowance for credit losses. However, regulatory agencies are not directly involved in the process

of establishing the allowance for credit losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

Non-interest Income. Non-interest income increased $37,000, $32,000, or 6.2% 5.8%, to $630,000 $584,000 for the three months ended September 30, 2023 March 31, 2024 from $593,000. $552,000. There were no material changes in any categories of non-interest income.

Non-interest Expenses. Non-interest expenses information is as follows.

	Three Months Ended September 30,		Change		Three Months Ended March 31,		Change	
	2023	2022	Amount	Percent	2024	2023	Amount	Percent
	(Dollars in thousands)				(Dollars in thousands)			
Salaries and employee benefits	$ 3,007	$ 3,187	$ (180)	(5.6)%	$ 3,179	$ 3,004	$ 175	5.8%
Occupancy	637	675	(38)	(5.6)%	618	644	(26)	(4.0)%
Advertising	59	128	(69)	(53.9)%				
Data processing	525	486	39	8.0%	511	493	18	3.7%
Other	1,178	1,014	164	16.2%	1,262	1,053	209	19.8%
Total non-interest expenses	$ 5,406	$ 5,490	$ (84)	(1.5)%	$ 5,570	$ 5,194	$ 376	7.2%

Salaries and employee benefits expense decreased due increased related to changes stock compensation for restricted stock and stock options that were issued in staffing. 2023. Other expenses increased $209,000 related to increases in professional fees and FDIC insurance premiums.

Income Tax Expense. We recorded income tax expense of $502,000 $428,000 for the three months ended September 30, 2023 March 31, 2024 compared to $581,000 $527,000 for the three months ended September 30, 2022 March 31, 2023. The effective tax rate was 23.6% 24.3% and 23.8% 23.4% for the respective periods.

Comparison of Operating Results for the Nine Months Ended September 30, 2023 and 2022

General. Net income was $4.9 million for the nine months ended September 30, 2023 compared to $5.4 million for the nine months ended September 30, 2022. The decrease was caused by an increase in interest expense partially offset by an increase in interest income and a decrease in noninterest expenses and the provision for credit losses.

Interest Income. Interest income increased $8.5 million, or 36.5%, to $31.6 million for the nine months ended September 30, 2023from $23.2 million for the nine months ended September 30, 2022. The increase was due to increases in all categories of interest-earning assets. Interest income on loans increased $4.1 million, or 18.7%, to $26.1 million for the nine months ended September 30, 2023 from $22.0 million for the nine months ended September 30, 2022. Our average balance of loans increased by $43.3 million, or 7.0%, to $659.4 million for the nine months ended September 30, 2023 from $616.1 million for the nine months ended September 30, 2022. The average balance of loans increased due to steady loan demand. The average yield on loans increased 52 basis points to 5.30% for the current quarter, as compared to 4.78% for the prior year period, due to the continued changes in the interest rate environment. Interest income on interest-earning deposits and federal funds increased $2.2 million to $2.5 million for the nine months ended September 30, 2023 from $286,000 for the nine months ended September 30, 2022. The average balance of interest-earning deposits and federal funds increased $26.2 million to $69.3 million for the nine months ended September 30, 2023 compared to $43.1 million for the nine months ended September 30, 2022, as we held excess cash to increase liquidity, as described above. In addition, the yields we received on these funds increased to 4.87% from 0.89% due to the continued changes in the interest rate environment.

Interest income on available-for-sale and held-to-maturity securities, increased $2.0 million to $2.8 million for the nine months ended September 30, 2023 from $827,000 for the nine months ended September 30, 2022. The average balance of held-to-maturity securities was $33.7 million for the nine months ended September 30, 2023 compared to zero for the nine months ended September 30, 2022, as we began to purchase held-to-maturity securities.

Interest Expense. Interest expense increased to $11.1 million for the nine months ended September 30, 2023, compared to $738,000 for the nine months ended September 30, 2022, due to increases in interest rate environment with respect to the current period as well as our repaying acquired FHLB borrowings in the previous period, recognizing $1.0 million in accretion from the fair value adjustments.

We recognized increases in all categories of interest-bearing liabilities. Interest expense on deposits increased to $10.1 million for the nine months ended September 30, 2023 from $1.6 million for the nine months ended September 30, 2022. The largest increase was in interest expense on certificates of deposit, which increased $4.9 million to $5.7 million for the nine months ended September 30, 2023. The average rate we paid on certificates of deposit increased 243 basis points to 3.66% for the nine months ended September 30, 2023 from 1.23% for the nine months ended September 30, 2022, due to the continued changes in the interest rate environment. In addition, the average balance of certificates of deposit increased $116.2 million to $207.7 million for the nine months ended September 30, 2023 from $91.5 million for the nine months ended September 30, 2022, as we believe customers increased deposits in higher-yielding accounts during the current interest rate environment in addition to the brokered deposits we took out during the first quarter to enhance liquidity.We also experienced increases in interest expense on money market accounts of $2.2 million to $2.5 million for the nine months ended September 30, 2023 and savings accounts of $1.3 million to $1.7 million for the nine months ended September 30, 2023, due to increases in the rates we paid on these accounts of 212 basis points and 197 basis points, respectively.

Interest expense on borrowings increased to $1.1 million for the nine months ended September 30, 2023 from negative $874,000 for the nine months ended September 30, 2022, due to our repaying acquired FHLB borrowings, and recognizing $1.0 million in accretion from the fair value adjustments on acquired advances in the previous period. We also increased borrowings during the first quarter of 2023 to increase our liquidity position in response to recent market events, including the closures of Signature Bank and Silicon Valley Bank.

Net Interest Income. Net interest income decreased $1.9 million, or 8.6%, to $20.5 million for the nine months ended September 30, 2023 compared to $22.4 million for the nine months ended September 30, 2022. Our net interest rate spread decreased to 2.55% for the nine months ended September 30, 2023 from 4.15% for the nine months ended September 30, 2022, and our net interest margin decreased to 3.36% for the nine months ended September 30, 2023 from 4.24% for the nine months ended September 30, 2022 as the rates we paid on interest-bearing liabilities increased faster than the yields we earned on our interest-earning assets, and as we paid off FHLB advances and recognized $1.0 million in accretion from fair value adjustments during the first quarter of 2022. Our average net interest-earning assets decreased to $251.8 million for the nine months ended September 30, 2023 compared to $270.0 million for the nine months ended September 30, 2022.

Provision for Credit Losses. The provisions for credit losses consists of provisions for credit losses for loans and unfunded loan commitments, as well as held-to-maturity securities.

Provisions for credit losses for loans are charged to operations to establish an allowance for credit losses at a level necessary to absorb known and inherent losses in our loan portfolio that are both probable and reasonably estimable at the date of the consolidated financial statements. In evaluating the level of the allowance for credit losses for loans, management analyzes several qualitative loan portfolio risk factors including, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses.

Provisions for credit losses for unfunded commitments are charged to operations to establish an allowance for credit losses for contractual obligations to extend credit. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The estimate is influenced by historical loss experience, adjusted for current risk characteristics, and economic factors.

Provisions for credit losses for held-to-maturity securities are also charged to operations to establish an allowance on a collective basis by major security type. The estimate of expected credit losses for held-to-maturity securities considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. See "—Summary of Significant Accounting Policies" for additional information.

After an evaluation of these factors, we recorded a provision for credit losses of $7,000 for the nine months ended September 30, 2023, compared to a provision of $654,000 for the nine months ended September 30, 2022. Our allowance for credit losses was $9.2 million at September 30, 2023 and $9.3 million at December 31, 2022 and September 30, 2022. The allowance for

credit losses to total loans was 1.39% at September 30, 2023 compared to 1.44% at December 31, 2022 and 1.43% at September 30, 2022. This reduces the overall allowance for credit loss to total loans percentage. The allowance for credit losses to non-performing loans was 120.6% at September 30, 2023 compared to 138.8% at December 31, 2022 and 132.8% at September 30, 2022. Net charge-offs were $114,000 for the nine months ended September 30, 2023, compared to net loan recoveries of $108,000 for the nine months ended September 30, 2023 .

To the best of our knowledge, we have recorded all credit losses that are both probable and reasonable to estimate at September 30, 2023. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to our loan portfolio, could result in material increases in our provision for credit losses. In addition, the Office of the Comptroller of the Currency, as an integral part of its examination process, periodically reviews our allowance for credit losses, and as a result of such reviews, we may have to adjust our allowance for credit losses. However, regulatory agencies are not directly involved in the process of establishing the allowance for credit losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

Non-interest Income. Non-interest income decreased $24,000 from $1.8 million for the nine months ended September 30, 2023 compared to $1.9 million for the nine months ended September 30, 2022.

Non-interest Expenses. Non-interest expenses information is as follows.

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	Percent
	(Dollars in thousands)			
Salaries and employee benefits	$ 9,047	$ 9,219	$ (172)	(1.9)%
Occupancy	1,919	1,798	121	6.7%
Advertising	238	326	(88)	(27.0)%
Data processing	1,504	1,476	28	1.9%
FHLB prepayment penalties	—	647	(647)	(100.0)%
Other	3,176	3,019	157	5.2%
Total non-interest expenses	$ 15,884	$ 16,485	$ (601)	(3.6)%

We incurred FHLB prepayment penalties as we repaid FHLB advances in the first quarter of 2022, but recognized $1.0 million of fair value adjustments in making such repayments.

Income Tax Expense. We recorded income tax expense of $1.5 million for the nine months ended September 30, 2023 compared to $1.7 million for the nine months ended September 30, 2022. The effective tax rate was 23.6% for both periods.

Management of Market Risk

General. Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. Our Asset/Liability Management Committee is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the policy and guidelines approved by our board of directors. We currently utilize a third-party modeling program, prepared on a quarterly basis, to evaluate our sensitivity to changing interest rates, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors.

We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. We have implemented the following strategies to manage our interest rate risk:

- limiting our reliance on non-core/wholesale funding sources;
- growing our volume of transaction deposit accounts;
- increasing our investment securities portfolio, with an average maturity of less than 15 years;

- diversifying our loan portfolio by adding more commercial-related loans and consumer loans, which typically have shorter maturitie and/or balloon payments; and
- continuing to price our one-to-four family residential real estate loan products in a way that encourages borrowers to select our bal

loans as opposed to longer-term, fixed-rate loans.

By following these strategies, we believe that we are better positioned to react to increases in market interest rates. In addition, we originate adjustable-rate, one-to-four-family residential real estate loans and home equity loans and lines of credit, which are originated with adjustable interest rates. credit.

We do not engage in hedging activities, such as engaging in futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligation residual interests, real estate mortgage investment conduit residual interests or stripped mortgage-backed securities.

Net Interest Income. We analyze our sensitivity to changes in interest rates through a net interest income model. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our net interest income would be for a 12-month period. We then calculate what the net interest income would be for the same period under the assumptions that the United States Treasury yield curve increases or decreases instantaneously by 200 and 400 basis point increments, with changes in interest rates representing immediate and permanent, parallel shifts in the yield curve. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the “Change in Interest Rates” column below.

The table below sets forth, as of September 30, 2023 March 31, 2024, the calculation of the estimated changes in our net interest income that would result from the designated immediate changes in the United States Treasury yield curve.

Change in Interest Rates (basis points) (1)	Net Interest Income Year 1 Forecast	Year 1 Change from Level	Net Interest Income Year 1 Forecast	Year 1 Change from Level
	(Dollars in thousands)		(Dollars in thousands)	
+400	$ 30,973	1.41 %	$ 31,385	0.64 %
+200	30,806	0.87 %	31,395	0.68 %
Level	30,541	—	31,184	—
-200	29,257	(4.20)%	29,951	(3.95)%
-400	26,225	(14.13)%	27,392	(12.16)%

(1) Assumes an immediate uniform change in interest rates at all maturities.

The table above indicates that at September 30, 2023 March 31, 2024, in the event of an instantaneous parallel 200 basis point increase in interest rates, we would have experienced a 0.87% decrease 0.68% increase in net interest income, and in the event of an instantaneous 200 basis point decrease in interest rates, we would have experienced a 4.20% 3.95% decrease in net interest income. At

September 30, 2022 March 31, 2023, in the event of an instantaneous parallel 200 basis point increase in interest rates, we would have experienced a 1.86% decrease 3.71% increase in net interest income, and in the event of an instantaneous 200 basis point decrease in interest rates, we would have experienced a 7.32% 8.82% decrease in net interest income.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurement. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net interest income table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net interest income table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on net interest income and will differ from actual results. Furthermore, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Additionally, certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates both on a short-term basis and over the life of the asset.

Interest rate risk calculations also may not reflect the fair values of financial instruments. For example, decreases in market interest rates can increase the fair values of our loans, deposits and borrowings.

Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from the sale of loans, and proceeds from maturities of securities. We also have the ability to borrow from the Federal Home Loan Bank of Atlanta. At September 30, 2023 March 31, 2024, we had a $219.2 million line of credit with the Federal Home Loan Bank of Atlanta, with advances of $20.0 million $40.0 million outstanding and a $12.5 million letter of credit outstanding, and we had a $5.0 million unsecured federal funds line of credit, a $7.5 million unsecured federal funds line of credit, and a $20.0 million unsecured federal funds line of credit. We also have a line of $70.9 million $76.8 million with the Federal Reserve Bank of Atlanta Discount Window secured by $102.5 million $101.9 million in loans. No amount was loans and investment securities. At March 31, 2024, we had $11.8 million outstanding on under the unsecured lines of credit or the Discount Window at September 30, 2023. Federal Reserve Bank Term Funding Program.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments including interest-bearing demand deposits. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was $6.1 million $1.2 million for the nine three months ended September 30, 2023 March

31, 2024, compared to $8.2 million $2.0 million for the nine three months ended September 30, 2022 March 31, 2023. Net cash used in investing activities was $29.7 million $14.7 million for the nine three months ended September 30, 2023 March 31, 2024, compared to $67.4 million $29.2 million for the nine three months ended September 30, 2022 March 31, 2023. Net cash used in investing activities typically consists primarily of disbursements for loan originations and purchases of investment securities. Net cash provided by financing activities, which consists primarily of activity in deposit accounts and proceeds/repayments of FHLB advances, and a stock repurchase program, was $58.9 million $24.8 million for the nine three months ended September 30, 2023 March 31, 2024 which included borrowing $11.8 million from the Federal Reserve Bank compared to net cash provided by financing activities of $137.8 million for the three months ended March 31, 2023,which included repaying $55.0 million $20.0 million of FHLB borrowings, borrowing $65.0 million in FHLB advances and repurchasing stock of $3.0 million, compared to net cash used in financing activities of $12.1 million for the nine months ended September 30, 2022, which included repaying $143.0 million of FHLB borrowings, borrowing $105.0 million in FHLB advances and repurchasing stock of $5.3 million. $867,000.

We are committed to maintaining a strong liquidity position. In the first quarter, in order to further enhance liquidity, we issued $85.6 million of brokered deposits and borrowed $45.0 million in advances from the FHLB. During the second quarter, $4.0 million of brokered deposits matured, $15.0 million of FHLB borrowings matured, and an additional $20.0 million of FHLB borrowings was prepaid that was issued in first quarter of 2023. During the third quarter, $9.0 million of brokered deposits matured. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

At September 30, 2023 March 31, 2024, we exceeded all of our regulatory capital requirements and the Bank is was categorized as "well capitalized." Management is not aware of any conditions or events since the most recent notification that would change our category. The Bank's actual capital amounts and ratios for September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are presented in the table below (in thousands).

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2023:						
Common Equity Tier 1 (to Risk Weighted Assets)	$ 93,230	12.14 %	$ 34,558	4.50 %	$ 49,917	6.50 %
Total Capital (to Risk Weighted Assets)	102,832	13.39 %	61,438	8.00 %	76,798	10.00 %
Tier I Capital (to Risk Weighted Assets)	93,230	12.14 %	46,077	6.00 %	61,437	8.00 %
Tier I Capital (to Average Assets)	93,230	10.89 %	34,244	4.00 %	42,805	5.00 %
As of December 31, 2022:						
Common Equity Tier 1 (to Risk Weighted Assets)	$ 87,397	11.86 %	$ 33,170	4.50 %	$ 47,913	6.50 %
Total Capital (to Risk Weighted Assets)	96,612	13.11 %	58,970	8.00 %	73,712	10.00 %
Tier I Capital (to Risk Weighted Assets)	87,397	11.86 %	44,227	6.00 %	58,970	8.00 %
Tier I Capital (to Average Assets)	87,397	10.97 %	31,865	4.00 %	39,832	5.00 %

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2024:						
Common Equity Tier 1 (to Risk Weighted Assets)	$ 97,306	12.50 %	$ 35,030	4.50 %	$ 50,599	6.50 %
Total Capital (to Risk Weighted Assets)	106,500	13.68 %	62,281	8.00 %	77,851	10.00 %
Tier I Capital (to Risk Weighted Assets)	97,306	12.50 %	46,707	6.00 %	62,281	8.00 %
Tier I Capital (to Average Assets)	97,306	11.53 %	33,758	4.00 %	42,197	5.00 %
As of December 31, 2023:						
Common Equity Tier 1 (to Risk Weighted Assets)	$ 95,335	12.41 %	$ 34,570	4.50 %	$ 49,934	6.50 %
Total Capital (to Risk Weighted Assets)	104,858	13.65 %	61,455	8.00 %	76,819	10.00 %
Tier I Capital (to Risk Weighted Assets)	95,335	12.41 %	46,093	6.00 %	61,455	8.00 %
Tier I Capital (to Average Assets)	95,335	11.27 %	33,837	4.00 %	42,296	5.00 %

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. At September 30, 2023 March 31, 2024, we had outstanding

commitments to originate loans of $76.5 million $75.5 million. We anticipate that we will have sufficient funds available to meet our current lending commitments. Time deposits that are scheduled to mature in less than one year from September 30, 2023 March 31, 2024 totaled $73.9 million $81.5 million. Management expects that a substantial portion of the maturing time deposits will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize FHLB advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included in Part 1, Item 2 of this quarterly report under “Management of Market Risk.”

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of September 30, 2023 March 31, 2024. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

During the quarter ended September 30, 2023 March 31, 2024, there have been no changes in the Company's internal controls over financial reporting 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

We are not involved in any pending legal proceedings as a defendant other than routine legal proceedings occurring in the ordinary course of business. At September 30, 2023 March 31, 2024, we were not involved in any legal proceedings the outcome of which would be material to our financial condition or results of operations.

Item 1A. Risk Factors

Not applicable for smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Other Information

None.

The following table sets forth information in connection with repurchases of shares of the Company's common stock during the three months ended September 30, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs (1)
July 1, 2023 through July 31, 2023	5,590	12.42	5,590	105,153
August 1, 2023 through August 31, 2023	5,593	14.14	5,593	99,560
September 1, 2023 through September 30, 2023	12,563	14.89	12,563	86,997
	23,746	$ 14.13	23,746	86,997

(1)The Board of Directors approved a stock repurchase program on October 31, 2022, which authorized the repurchase of up to 331,997 shares (approximately 5.0% of the then-outstanding shares). The total number of shares purchased as part of the publicly announced plan totaled 245,000 as of September 30, 2023. There is no expiration date for the stock repurchase plan.

Item 6. Exhibits

Exhibit Number	Description
3.1	Charter of Affinity Bancshares, Inc. (1)
3.2	Bylaws of Affinity Bancshares, Inc. (2)
3.3	Amendment to Bylaws of Affinity Bancshares, Inc. (3)
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Written Statement of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.0	The following materials for the quarter ended September 30, 2023, formatted in inline XBRL (Extensible Business Reporting Language): (i) Balance Sheets, (ii) Statements of Income, (iii) Statements of Comprehensive (Loss) Income, (iv) Statements of Changes in Stockholders' Equity, (v) Statements of Cash Flows, and (vi) Notes to Financial Statements
104.0	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

(1) Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, as amended (Commission File No. 333-215041).
(2) Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, as amended (Commission File No. 333-215041).
(3) Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 31, 2017 (Commission File No. 001-38074).

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.

		AFFINITY BANCSHARES, INC.
Date:	November May 9, 2023 2024	/s/ Edward J. Cooney
		Edward J. Cooney President and Chief Executive Officer
Date:	November May 9, 2023 2024	/s/ Brandi Pajot
		Brandi Pajot Senior Vice President and Chief Financial Officer

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Exhibit 31.1

Certification of Principal Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Edward J. Cooney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affinity Bancshares, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2023 May 9, 2024

/s/ Edward J. Cooney

Edward J. Cooney

President and Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brandi Pajot, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affinity Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: November 9, 2023 May 9, 2024

/s/ Brandi Pajot

Brandi Pajot

Senior Vice President and Chief Financial Officer

Exhibit 32

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

Edward J. Cooney, Chief Executive Officer of Affinity Bancshares, Inc. (the "Company"), and Brandi Pajot, Senior Vice President and Chief Financial Officer of the Company, each certify in his or her capacity as an executive officer of the Company that he or she has reviewed the quarterly report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 (the "Report") and that to the best of his or her knowledge:

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

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

Date: November 9, 2023 May 9, 2024

/s/ Edward J. Cooney

Edward J. Cooney

President and Chief Executive Officer

Date: November 9, 2023 May 9, 2024

/s/ Brandi Pajot

Brandi Pajot

Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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