REFINITIV

DELTA REPORT

10-K

FUSB - FIRST US BANCSHARES, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	3115
CHANGES	393
DELETIONS	1372
ADDITIONS	1350

REFINITIV

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED December 31, 2022 2023

OR

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

FOR THE TRANSITION PERIOD FROM TO .

Commission file number: 000-14549

FIRST US BANCSHARES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**63-0843362**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
3291 U.S. Highway 280 Birmingham, Alabama	**35243**
(Address of Principal Executive Offices)	(Zip Code)

(205) 582-1200
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common Stock, par value $0.01 per share	FUSB	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $60,150,607 46,290,307.

As of March 8, 2023 March 6, 2024, the registrant had outstanding 5,869,391 5,787,118 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2023 2024 Annual Meeting of Shareholders to be held on April 27, 2023 April 25, 2024 are incorporated by reference into Part III of this Annual Report on Form 10-K.

Auditor Firm PCAOB ID: 213 Auditor Name: Carr, Riggs & Ingram, LLC Auditor Location: Atlanta, Georgia, United States

First US Bancshares, Inc.
Annual Report on Form 10-K
for the fiscal year ended
December 31, 2022 2023

Table of Contents

Forward-Looking Statements
Forward-Looking Statements 4
PART I
PART I
1 Business 5

P A R T II	PART II	PART II

ership of Certain Beneficial Owners and Management and Related Stoc

* Portions of the definitive proxy statement for the registrant's 2023 2024 Annual Meeting of Shareholders to be held on April 27, 2023 25, 2024 are incorporated by reference into Part III of this Annual Report on Form 10-K.

FORWARD-LOOKING STATEMENTS

Statements contained in this Annual Report on Form 10-K that are not historical facts are forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995). In addition, First US Bancshares, Inc. ("Bancshares" and, together with its subsidiaries, the "Company"), through its senior management, from time to time makes forward-looking statements concerning our expected future operations and performance and other developments. The words "estimate," "project," "intend," "anticipate," "expect," "believe," "continues" and similar expressions are indicative of forward-looking statements. Such forward-looking statements are necessarily estimates reflecting the Company's best judgment based on current information and involve a number of risks and uncertainties, and various factors could cause results to differ materially from those contemplated by such forward-looking statements. Such factors could include those identified from time to time in the Company's Securities and Exchange Commission ("SEC") filings and other public announcements, including the factors described in this Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. Such factors include, but are not limited to, the adverse effects of the COVID-19 pandemic and any similar health crisis in the future on the Company's business, the communities that the Company serves and the United States economy; risks related to the Company's credit, including that if loan credit losses are greater than anticipated; increased risk from commercial real estate lending; the rate of growth (or lack thereof) in the economy generally and in the Company's service areas; liquidity risks; market conditions and investment returns; strong competition in the bank industry; changes in interest rates; the pending phasing out effects of a potential government shutdown; technological changes in the London Interbank Offer Rate (LIBOR) as an interest rate benchmark; banking and financial services industries; potential failures or interruptions in our information systems and those of our third-party service providers and cybersecurity and data privacy threats; the increasing and uncertain costs of complying with governmental regulations applicable to the financial services industry; the impact of climate change and related legislative and regulatory initiatives; and risks related to acquisitions, including that the strategic benefits may not materialize and unforeseen integration difficulties may arise. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to revise forward-looking statements to reflect circumstances or events that occur after the dates on which the forward-looking statements are made, except as required by law.

In addition, our business is subject to a number of general and market risks that could affect any forward-looking statements, including the risks discussed under Item 1A herein entitled "Risk Factors."

PART I

Item 1. Business.

First US Bancshares, Inc., a Delaware corporation ("Bancshares" and, together with its subsidiaries, the "Company"), is a bank holding company formed in 1983 registered under the Bank Holding Company Act of 1956, as amended (the "BHCA"). Bancshares operates one banking subsidiary, First US Bank, an Alabama banking corporation (the "Bank"). Prior to its name change on October 11, 2016, Bancshares was known as United Security Bancshares, Inc. Bancshares and the Bank are headquartered in Birmingham, Alabama.

The Bank conducts a general commercial banking business and offers banking services such as demand, savings, individual retirement account and time deposits, personal and commercial loans, safe deposit box services and remote deposit capture. The Bank operates and serves its customers through 15 full-service banking offices located in Birmingham, Butler, Calera, Centreville, Gilbertown, Grove Hill, Harpersville, Jackson, Thomasville, Tuscaloosa and Woodstock, Alabama; Knoxville and Powell, Tennessee; and Rose Hill, Virginia; as well as loan production offices in Mobile, Alabama and the Chattanooga, Tennessee area. The Bank provides a wide range of commercial banking services to small- and medium-sized businesses, property managers, business executives, professionals and other individuals. The Bank also performs indirect lending through third-party retailers and currently conducts this lending in 12 17 states, including Alabama, Arkansas, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Mississippi, Missouri, Nebraska, North Carolina, Oklahoma, South Carolina, Tennessee, Texas and Virginia. During the third quarter of 2021, the Company closed four banking offices located in Bucksville, Columbiana and south Tuscaloosa, Alabama, as well as Ewing, Virginia.

The Previously, the Bank has had two wholly owned subsidiaries: Acceptance Loan Company, Inc., an Alabama corporation ("ALC"), and FUSB Reinsurance, Inc., an Arizona corporation ("FUSB Reinsurance"). Both ALC and FUSB Reinsurance were dissolved in 2023, after all remaining assets and liabilities of these entities were transferred to the Bank. As used herein, unless the context suggests otherwise, references to the “Company,” “we,” “us” and “our” refer to Bancshares and the Bank, as well as the Bank, ALC and FUSB Reinsurance (for periods prior to their dissolution), collectively.

The Bank owns all of the stock of ALC. ALC is was a finance company headquartered in Mobile, Alabama. During The Bank will continue to manage the third quarter of 2021, ALC ceased new business development and permanently closed its 20 branch lending locations in Alabama and Mississippi to the public. ALC continues to service its remaining portfolio of loans from its headquarters in Mobile, Alabama.

ALC’s portfolio, which totaled $10.5 million as of December 31, 2023, through final resolution. FUSB Reinsurance was designed to reinsure or “underwrite” credit life and credit accident and health certain insurance policies sold to the Bank’s Bank's and ALC’s ALC's consumer loan customers. FUSB Reinsurance was responsible for the first level of risk on these policies up to a specified maximum amount, while the primary third-party insurer retained the remaining risk. While FUSB Reinsurance underwrote insurance contracts for both the Bank and ALC, in recent years, the majority of contracts were associated with ALC’s loans. Due to reduced contract volume, particularly following the cessation of business of ALC, during 2022, management of FUSB Reinsurance began procedures to terminate the entity’s activities. During 2022, FUSB Reinsurance ceased writing new insurance contracts, and reached an agreement with a third-party insurance provider to indemnify FUSB Reinsurance for all remaining liabilities associated with previously underwritten insurance policies. As of December 31, 2022, the remaining assets and liabilities of FUSB Reinsurance were transferred to the Bank, and it is anticipated that FUSB Reinsurance will be legally dissolved during 2023.

Strategy

Our strategy focuses on increasing franchise value by building and maintaining a strong and diversified balance sheet through continued loan and deposit growth that leverages our branch network, loan production offices, and digital market capabilities. We foster a culture that adheres to effective credit underwriting standards, pricing discipline, and expense control. Our longer-term growth strategy seeks to grow loan production offices to levels that support limited branching, expansion of our customer base through digital banking offerings, and consideration of acquisition opportunities to enter new markets.

Human Capital Resources

Bancshares has no employees, other than the executive officers discussed in the information incorporated by reference in Part III, Item 10 of this report. As of December 31, 2022 December 31, 2023, the Bank had 149 153 full-time equivalent employees, and ALC had six full-time equivalent employees. FUSB Reinsurance has no employees. None of our employees are party to a collective bargaining agreement. Management believes that the Company’s employee relations are good. satisfactory.

To facilitate talent attraction and retention, we strive to make the Company an inclusive, safe and healthy workplace, with opportunities for our employees to grow and develop in their careers, supported by strong compensation, benefits, health and welfare programs. Our talent acquisition team uses internal and external resources to recruit highly skilled and talented workers across our markets, and we encourage employee referrals for open positions.

As part of our compensation philosophy, we believe that we must offer and maintain market competitive total rewards programs for our employees in order to attract and retain superior talent. In addition to healthy base wages, additional programs include bonus opportunities, Company matched 401(k) Plan, healthcare and insurance benefits, health savings and flexible spending accounts, vacation and paid time off, family and military leave, flexible work schedules and employee assistance programs.

The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of flexible and convenient health and welfare programs, including benefits that support their physical and mental health by providing tools and resources to help them improve or maintain their health status; and that offer choice where possible so they can customize their benefits to meet their needs and the needs of their families.

We strive to maintain an inclusive workplace and seek to foster an environment where all of our employees can thrive through active engagement in the ongoing success of our organization. It is essential to our business that we continually attract and retain a talented workforce, and our practices are designed to promote diversity and fairness in the hiring process. We encourage a customer-focused orientation that meets the diverse needs of consumers and businesses in the communities in which we serve.

As of December 31, 2022 December 31, 2023, 77% 79% of our workforce was comprised of females, and 20% 19% of our workforce was comprised of individuals who are racially or ethnically diverse. Our Board of Directors includes three females and one racially or ethnically diverse member (representing 36% of Directors). Women and individuals who are racially or ethnically diverse represent 31% 21% of our senior management team, which includes our executive officers.

Competition

We face strong competition in making loans, acquiring deposits and attracting customers for investment services. Competition among financial institutions is based on interest rates offered on deposit accounts, interest rates charged on loans, other credit and service charges relating to loans, the quality and scope of the services rendered, the convenience of banking facilities and, in the case of loans to commercial borrowers, relative lending limits. We compete with numerous other financial services providers, including commercial banks, online banks, credit unions, finance companies, mutual funds, insurance companies, investment banking companies, brokerage firms and other financial intermediaries operating in Alabama and elsewhere. Many of these competitors, some of which are affiliated with large bank holding companies, have substantially greater resources and lending limits than we do. In addition, many of our non-bank competitors are not subject to the same extensive federal regulations that govern bank holding companies and federally insured banks.

The financial services industry is likely to become more competitive as further technological advances enable more companies to provide financial services. These technological advances may diminish the importance of depository institutions and other financial intermediaries.

Supervision and Regulation

General

We are extensively regulated under both federal and state law. These laws restrict permissible activities and investments and require compliance with various consumer protection provisions applicable to lending, deposit, brokerage and fiduciary activities. They also impose capital adequacy requirements and condition Bancshares' ability to repurchase stock or to receive dividends from the Bank. Bancshares is subject to comprehensive examination and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), and the Bank and its subsidiaries are subject to comprehensive examination and supervision by the Alabama State Banking Department (the "ASBD") and the Federal Deposit Insurance Corporation (the "FDIC"). These regulatory agencies generally have broad discretion to impose restrictions and limitations on our operations. This supervisory framework could materially impact the conduct and profitability of our activities.

To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the text of such provisions. Proposals to change the laws and regulations governing the banking industry are frequently raised at both the state and federal level. The likelihood and timing of any changes in these laws and regulations, as well as the impact that such changes may have on us, are difficult to ascertain. A change in applicable laws and regulations, or in the manner in which such laws or regulations are interpreted by regulatory agencies or courts, may have a material effect on our business, operations and earnings.

Regulation of Bancshares

Bancshares is registered as a bank holding company and is subject to regulation and supervision by the Federal Reserve. The BHCA requires a bank holding company to secure the approval of the Federal Reserve before it owns or controls, directly or indirectly, more than five percent (5%) of the voting shares or substantially all of the assets of any bank or thrift, or merges or consolidates with another bank or thrift holding company. Further, under the BHCA, the activities of a bank holding company and any nonbank subsidiary are limited to: (1) those activities that the Federal Reserve determines to be so closely related to banking as to be a proper incident thereto and (2) investments in companies not engaged in activities closely related to banking, subject to quantitative limitations on the value of such investments. Prior approval of the Federal Reserve may be required before engaging in certain activities. In making such determinations, the Federal Reserve is required to weigh the expected benefits to the public, such as greater convenience, increased competition and gains in efficiency, against the possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices.

There are a number of restrictions imposed on us by law and regulatory policy that are designed to minimize potential losses to the depositors of the Bank and the Deposit Insurance Fund maintained by the FDIC (as discussed in more detail below) if the Bank should become insolvent. For example, the Federal Reserve requires bank holding companies to serve as a source of financial strength to their subsidiary depository institutions and to commit resources to support such institutions in circumstances in which they might not otherwise do so. The Federal Reserve also has the authority to require a bank holding company to terminate any activity or to relinquish control of a non-bank subsidiary upon the Federal Reserve's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

Any capital loan by Bancshares to the Bank is subordinate in right of payment to deposits and certain other indebtedness of the Bank. In addition, in the event of Bancshares' bankruptcy, any commitment by Bancshares to a federal banking regulatory agency to maintain the capital of the Bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

The Federal Deposit Insurance Act provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as a subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If an insured depository institution fails, then insured and uninsured depositors, along with the FDIC, will have priority of payment over unsecured, non-deposit creditors, including the institution's holding company, with respect to any extensions of credit that they have made to such insured depository institution.

Regulation of the Bank

The operations and investments of the Bank are limited by federal and state statutes and regulations. The Bank is subject to supervision and regulation by the ASBD and the FDIC and to various requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types, amount and terms and conditions of loans that it may originate, and limits on the types of other activities in which the Bank may engage and the investments it may make.

The Bank is subject to federal laws that limit the amount of transactions between the Bank and its nonbank affiliates, including Bancshares, but excluding operating subsidiaries, such as ALC. Under these provisions, transactions by the Bank with nonbank affiliates (such as loans or investments) are generally limited to 10% of the Bank's capital and surplus for all covered transactions with any one affiliate and 20% of capital and surplus for all covered transactions with all affiliates. Any extensions of credit to affiliates, with limited exceptions, must be secured by eligible collateral in specified amounts. The Bank is also prohibited from purchasing any "low quality" assets from an affiliate. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") imposed additional requirements on transactions with affiliates, including an expansion of the definition of "covered transactions" and an increase in the length of time for which collateral requirements regarding covered transactions must be maintained.

The Dodd-Frank Act requires the banking agencies and the SEC to establish joint rules or guidelines for financial institutions with more than $1 billion in assets which prohibit incentive compensation arrangements that the agencies determine to encourage inappropriate risks by the institution. The banking agencies issued proposed rules in 2011 and issued guidance on sound incentive compensation policies. In 2016, the Federal Reserve and the Office of Comptroller of the Currency also proposed rules that would, depending upon the assets of the institution, directly regulate incentive compensation arrangements and would require enhanced oversight and recordkeeping. As of December 31, 2022 December 31, 2023, these rules have not been implemented. With assets of approximately $995 million, we currently would not be subject to the rules as presently proposed but would become subject to the rules if our assets increased to $1 billion.

Lending Limits

Under Alabama law, the amount of loans that may be made by a bank in the aggregate to one person is limited. Alabama law provides that unsecured loans by a bank to one person may not exceed an amount equal to 10% of the capital and unimpaired surplus of the bank or 20% in the case of secured loans. For purposes of calculating these limits, loans to various business interests of the

borrower, including companies in which a substantial portion of the stock is owned or partnerships in which a person is a partner, must be aggregated with those made to the borrower individually. Loans secured by certain readily marketable collateral are exempt from these limitations, as are loans secured by deposits and certain government securities.

Commercial Real Estate Concentration Limits

In December 2006, the U.S. bank regulatory agencies issued guidance entitled “Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices” to address increased concentrations in commercial real estate (“CRE”) loans. The guidance describes the criteria the agencies will use as indicators to identify institutions potentially exposed to CRE concentration risk. An institution that has (i) experienced rapid growth in CRE lending, (ii) notable exposure to a specific type of CRE, (iii) total reported loans for construction, land development, and other land representing 100% or more of the institution’s capital, or (iv) total CRE loans representing 300% or more of the institution’s capital, and the outstanding balance of the institution’s CRE portfolio has increased by 50% or more in the prior 36 months, may be identified for further supervisory analysis of the level and nature of its CRE concentration risk.

In December 2015, the U.S. bank regulatory agencies issued guidance titled “Statement on Prudent Risk Management for Commercial Real Estate Lending” to remind financial institutions of existing guidance on prudent risk management practices for CRE lending activity, including the 2006 guidance described above. In the 2015 guidance, the agencies noted their belief that financial institutions had eased CRE underwriting standards in recent years. The 2015 guidance went on to identify actions that financial institutions should take to protect themselves from CRE-related credit losses during difficult economic cycles. The 2015 guidance also indicated that the agencies would pay special attention in the future to potential risks associated with CRE lending.

In June 2023, in response to the increased risk relating to commercial real estate loans, the federal banking agencies issued a final Interagency Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts. The new policy statement updates, expands on and supersedes existing guidance from 2009. Most notably, it (i) adds a new discussion of short-term loan accommodations, (ii) expands guidance regarding the evaluation and assessment of guarantors to also encompass loan sponsors, (iii) incorporates information about changes to accounting principles since 2009, and (iv) updates and expands the illustrative examples of commercial real estate loan workouts. Furthermore, on December 18, 2023, the FDIC issued an advisory on Managing Commercial Real Estate Concentrations in a Challenging Economic Environment, which conveys certain key risk management practices for FDIC-supervised institutions to consider in managing commercial real estate loan concentrations in the current economic environment.

Securities and Exchange Commission

Bancshares is under the jurisdiction of the Securities and Exchange Commission (“SEC”) for matters relating to the offer and sale of its securities and is subject to the SEC’s rules and regulations related to periodic reporting, reporting to shareholders, proxy solicitations and insider trading regulations.

Monetary Policy

Our earnings are and will be affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The monetary policies of the Federal Reserve have a substantial effect on the operating results of commercial banks, including the Bank. The Federal Reserve has a significant impact on the levels of bank loans, investments and deposits through its open market operations in United States government securities and through its regulation of, among other things, the discount rate on borrowings of member banks and the reserve requirements against member banks' deposits. It is not possible to predict the nature and impact of future changes in monetary and fiscal policies.

Deposit Insurance

The Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund maintained by the FDIC. As a result, the Bank is required to pay periodic assessments to maintain insurance coverage for its deposits. Under the FDIC's assessment system for banks with less than $10 billion in assets, the assessment rate is determined based on a number of factors, including the Bank's CAMELS (supervisory) rating, leverage ratio, net income, non-performing loan ratios, Other Real Estate Owned (OREO) ratios, core deposit ratios, one-year organic asset growth and a loan mix index.

The FDIC has authority to increase insurance assessments. A significant increase in insurance assessments would likely have an adverse effect on our operating expense, results of operations, and cash flows. Management cannot predict what insurance assessment rates will be in the future. Furthermore, deposit insurance may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Dividend Restrictions

Under Delaware law, dividends may be paid only out of the amount calculated as the present fair value of the total assets of the corporation, minus the present fair value of the total liabilities of the corporation, minus the capital of the corporation. In the event that there is no such amount, dividends may be paid out of the net profits of the corporation for the fiscal year in which the dividend is declared and/or the immediately preceding fiscal year. Dividends may not be paid, however, out of net profits of the corporation if the capital represented by the issued and outstanding stock of all classes having a preference on the distribution of assets is impaired. Further, the Federal Reserve permits bank holding companies to pay dividends only out of current earnings and only if future retained earnings would be consistent with the company's capital, asset quality and financial condition.

Since it has no significant independent sources of income, Bancshares' ability to pay dividends depends on its ability to receive dividends from the Bank. Under Alabama law, the Bank may not pay a dividend in excess of 90% of its net earnings unless its surplus is equal to at least 20% of capital. The Bank is also required by Alabama law to seek the approval of the Superintendent of the ASBD prior to the payment of dividends if the total of all dividends declared by the Bank in any calendar year will exceed the total of (1) the Bank's net earnings for that year, plus (2) its retained net earnings for the preceding two years, less any required transfers to surplus. Alabama law defines net earnings as the remainder of all earnings from current operations plus actual recoveries on loans and investments and other assets, after deducting from the total thereof all current operating expenses, actual losses, accrued dividends on preferred stock, if any, and all federal, state and local taxes. The Bank must be able to satisfy the conditions described above in order to declare or pay a dividend to Bancshares without obtaining the prior approval of the Superintendent of the ASBD. In addition, the FDIC prohibits the payment of cash dividends if (1) as a result of such payment, the bank would be undercapitalized or (2) the bank is in default with respect to any assessment due to the FDIC, including a deposit insurance assessment. These restrictions could materially influence the Bank's, and therefore Bancshares', ability to pay dividends.

Capital Adequacy

In July 2013, the federal banking regulatory agencies adopted regulations to implement the framework developed by the Basel Committee on Banking Supervision ("Basel Committee") for strengthening international capital and liquidity, known as "Basel III" (the "Basel III Rule"). The Basel III Rule provides risk-based capital guidelines designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks, to account for off-balance sheet exposures, and to minimize disincentives for holding liquid assets. Under these guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate risk-weights. The net amount of assets remaining after applying the risk-weights to the gross asset values represents the institution's total risk-weighted assets ("RWA"). An institution's total RWA are used to calculate its regulatory capital ratios. The Basel III Rule establishes minimum capital and leverage ratios that supervised financial institutions are required to maintain, while also providing countercyclical capital requirements so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness. Under the Basel III Rule, banks must maintain a specified capital conservation buffer above each of the required minimum capital levels in order to avoid limitations on paying dividends, engaging in share repurchases and paying certain discretionary bonuses.

In December 2017, the Basel Committee published the last version of the Basel III accord, generally referred to as "Basel IV." The Basel Committee stated that a key objective of the revisions incorporated into the framework is to reduce excessive variability of risk-weighted assets, which will be accomplished by enhancing the robustness and risk sensitivity of the standardized approaches for credit risk and operational risk, which will facilitate the comparability of banks' capital ratios; constraining the use of internally modeled approaches; and complementing the risk-weighted capital ratio with a finalized leverage ratio and a revised and robust capital floor. Leadership of the federal banking agencies who are tasked with implementing Basel IV has indicated that it is considering how to appropriately apply these revisions in the United States. Although it is uncertain at this time, some, if not all, of the Basel IV accord may be incorporated into the capital requirements framework applicable to Bancshares and the Bank.

Banking organizations must have appropriate capital planning processes, with proper oversight from the board of directors. Accordingly, pursuant to a separate, general supervisory letter from the Federal Reserve, bank holding companies are expected to conduct and document comprehensive capital adequacy analyses prior to the declaration of any dividends (on common stock, preferred stock, trust preferred securities or other Tier 1 capital instruments), capital redemptions or capital repurchases. Moreover, the federal banking agencies have adopted a joint agency policy statement, noting that the adequacy and effectiveness of a bank's interest rate risk management process and the level of its interest rate exposures are critical factors in the evaluation of the bank's capital adequacy.

In 2018, the U.S. Congress passed, and the President signed into law, the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (the “Growth Act”) to modify or remove certain financial reform rules and regulations, including some of those implemented under the Dodd-Frank Act. While the Growth Act maintains most of the regulatory structure established by the Dodd-Frank Act, it amends certain aspects of the regulatory framework for small depository institutions with total assets of less than $10 billion and for large banks with total assets of more than $50 billion. The Growth Act, among other things, requires the federal banking agencies to issue regulations allowing community bank organizations with total assets of less than $10 billion and limited amounts of certain assets and off-balance sheet exposures to access a simpler capital regime focused on a bank’s Tier 1 leverage capital levels rather than risk-based capital levels that are the focus of the capital rules issued under the Dodd-Frank Act implementing Basel III.

Among other changes, the Growth Act expands the definition of qualified mortgages that may be held by a financial institution and simplifies the regulatory capital rules for financial institutions and their holding companies with total consolidated assets of less than $10 billion by instructing the federal banking regulators to establish a single “Community Bank Leverage Ratio” of between 8% and 10% to replace the leverage and risk-based regulatory capital ratios. The Growth Act also includes regulatory relief for community banks regarding regulatory examination cycles, call reports, the Volcker Rule (proprietary trading prohibitions), mortgage disclosures, and risk weights for certain high-risk commercial real estate loans. It is difficult to predict at this time when or how any

new standards under the Growth Act will ultimately be applied to us or what specific impact the Growth Act and the yet-to-be-written implementing rules and regulations will have on community banks.

Pursuant to the Growth Act, in October 2019, the federal banking agencies adopted regulations that exempt a qualifying community bank and its holding company that have Tier 1 leverage ratios of greater than 9% from the risk-based capital requirements of the capital rules issued under the Dodd-Frank Act. A qualifying community organization is a depository institution or its holding company that has less than $10 billion in average total consolidated assets; has off-balance-sheet exposures of 25% or less of total consolidated assets; has trading assets plus trading liabilities of 5% or less of total consolidated assets; and is not an advanced approaches banking organization. A qualifying community banking organization and its holding company that have chosen the proposed framework will not be required to calculate the existing risk-based and leverage capital requirements. A qualifying community banking organization will also be considered to have met the capital ratio requirements to be well capitalized for the agencies’ prompt corrective action rules provided it has a community bank leverage ratio greater than 9%.The . The new community bank leverage ratio framework first became available for banking organizations to use on March 31, 2020. A qualifying community banking organization may opt into and out of the framework by completing the associated reporting requirements on its call report. We presently do not anticipate opting into the framework.

In July 2023, the federal banking regulators proposed revisions to the Basel III Capital Rules to implement the Basel Committee’s 2017 standards and make other changes to the Basel III Capital Rules. The proposal introduces revised credit risk, equity risk, operational risk, credit valuation adjustment risk and market risk requirements, among other changes. However, the revised capital requirements of the proposed rule would not apply to the Company or the Bank because they have less than $100 billion in total consolidated assets and trading assets and liabilities below the threshold for market risk requirements.

Prompt Corrective Action

In addition to the required minimum capital levels described above, federal law establishes a system of “prompt corrective actions” that federal banking agencies are required to take, and certain actions that they have discretion to take, based on the capital category into which a federally regulated depository institution falls. Regulations set forth detailed procedures and criteria for implementing prompt corrective action in the case of any institution that is not adequately capitalized. Each institution is assigned to one of five categories based on its capital ratios: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.” Institutions categorized as “undercapitalized” or worse become subject to increasing levels of regulatory oversight and restrictions, which may include, among other things, limitations on growth and activities and payment of dividends.

As of December 31, 2022 December 31, 2023, the Bank was “well-capitalized” under the prompt corrective action rules. This classification is primarily for the purpose of applying the federal prompt corrective action provisions and is not intended to be, and should not be, interpreted as a representation of our overall financial condition or prospects.

Legislative and Regulatory Responses to the COVID-19 Pandemic

The COVID-19 pandemic created extensive disruptions to the global economy, to businesses, and to the lives of individuals throughout the world. There have been a number of regulatory actions intended to help mitigate the adverse economic impact of the COVID-19 pandemic on borrowers, including several mandates from the bank regulatory agencies, requiring financial institutions to work constructively with borrowers affected by the pandemic.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Several provisions within the CARES Act led to action from the bank regulatory agencies and there were also separate provisions within the legislation that directly impacted financial institutions. Section 4022 of the CARES Act allows, until the date the national emergency declared by the President terminates, borrowers with federally-backed one-to-four family mortgage loans experiencing a financial hardship due to the pandemic to request forbearance, regardless of delinquency status, for up to 360 days. Section 4022 also prohibited servicers of federally-backed mortgage loans from initiating foreclosures during the 60-day period beginning March 18, 2020. The FHFA announced that the FNMA and FHLMC would extend this single-family moratorium on foreclosures and evictions through December 31, 2020 and then through March 31, 2021.In addition, under Section 4023 of the CARES Act, until the date the national emergency declared by the President terminates, borrowers with federally-backed multifamily mortgage loans whose payments were current as of February 1, 2020, but who have since experienced financial hardship due to COVID-19, may request a forbearance for up to 90 days. Borrowers receiving such forbearance may not evict or charge late fees to tenants for its duration. On December 23, 2020, the FHFA announced an extension of forbearance programs for qualifying multifamily properties through March 31, 2021.On January 30, 2023, the President announced his intent to end the national emergency related to the COVID-19 pandemic on May 11, 2023, but various regulatory and legislative actions may be expanded, extended and amended in the future.

The Paycheck Protection Program (“PPP”), originally established under the CARES Act and extended under the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, authorized financial institutions to make federally-guaranteed loans to qualifying small businesses and non-profit organizations. These loans carried an interest rate of 1% per annum and a maturity of 2 years for loans originated prior to June 5, 2020 and 5 years for loans originated on or after June 5, 2020. The PPP provided that such loans may be forgiven if the borrowers met certain requirements with respect to maintaining employee headcount and payroll and the use of the loan proceeds after the loan was originated. The initial phase of the PPP, after being extended multiple times by Congress, expired on August 8, 2020. However, on January 11, 2021, the SBA reopened the PPP for First Draw PPP loans to small business and non-profit organizations that did not receive a loan through the initial PPP phase. Further, on January 13, 2021, the SBA reopened the PPP for Second Draw PPP loans to small businesses and non-profit organizations that did receive a loan through the initial PPP phase. The PPP ended on May 31, 2021, but additional governmental assistance programs may be implemented in the future.

In addition, the federal bank regulatory agencies issued several interim final rules throughout the course of 2020 to neutralize the regulatory capital and liquidity effects for banks that participate in the Federal Reserve liquidity facilities. The interim final rule issued on April 9, 2020, clarified that a zero percent risk weight applies to loans covered by the PPP for capital purposes and the interim final rule issued on May 15, 2020, permitted depository institutions to choose to exclude U.S. Treasury securities and deposits at Federal Reserve Banks from the calculation of the supplementary leverage ratio. These interim final rules were finalized on September 29, 2020.

On March 11 2021, the American Rescue Plan Act of 2021 (the “ARP Act”) was enacted, implementing a $1.9 trillion package of stimulus and relief proposals. Among other things, the ARP Act provided (i) additional funding for the PPP program and an expansion of the program for the benefit of certain nonprofits, (ii) funding for the SBA to make targeted grants for restaurants and similar establishments, (iii) direct cash payments of up to $1,400 to individuals, subject to income provisions, (iv) an increase in the maximum annual Child Tax Credit, subject to income limitation provisions, (v) $300 a week in expanded unemployment insurance lasting through September 6, 2021 and made $10,200 in unemployment benefits tax free for households, subject to income limitation provisions, (vi) tax relief making any student loan forgiveness incurred between December 31, 2020, and January 1, 2026 non-taxable income, and (vii) funding to support state and local governments; K-12 schools and higher education; the Centers for Disease Control; public transit; rental assistance; child care; and airline industry workers.

Community Reinvestment Act

The Community Reinvestment Act (the “CRA”) requires the federal banking regulatory agencies to assess all financial institutions that they regulate to determine whether these institutions are meeting the credit needs of the communities that they serve, including their assessment area(s) (as established for these purposes in accordance with applicable regulations based principally on the location of the institution’s branch offices). Under the CRA, institutions are assigned a rating of “outstanding,” “satisfactory,” “needs to improve” or “unsatisfactory.” An institution’s record in meeting the requirements of the CRA is made publicly available and is taken into consideration in connection with any applications that it files with federal regulators to engage in certain activities, including approval of branches or other deposit facilities, mergers and acquisitions, office relocations or expansions into non-banking activities. The Bank received a “satisfactory” rating in its most recent CRA evaluation.

On October 24, 2023, the FDIC, the Federal Reserve Board, and the Office of the Comptroller of the Currency (the “OCC”) issued a final rule to strengthen and modernize the CRA regulations. Under the final rule, banks with assets of at least $600 million as of December 31 in both of the prior two calendar years and less than $2 billion as of December 31 in either of the prior two calendar years will be an “intermediate bank,” and banks with assets of at least $2 billion as of December 31 in both of the prior two calendar years will be a “large bank.” The agencies will evaluate large banks under four performance tests: the Retail Lending Test, the Retail Services and Products Test, the Community Development Financing Test, and the Community Development Services Test. The agencies will evaluate intermediate banks under the Retail Lending Test and either the current community development test, referred to in the final rule as the Intermediate Bank Community Development Test, or, at the bank’s option, the Community Development Financing Test. The applicability date for the majority of the provisions in the CRA regulations is January 1, 2026, and additional requirements will be applicable on January 1, 2027.

Anti-Money Laundering Laws

Under various federal laws, including the Currency and Foreign Transactions Reporting Act (also known as the “Bank Secrecy Act”), as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism

(USA PATRIOT) Act, financial institutions are subject to prohibitions against specified financial transactions and account relationships, as well as enhanced due diligence and “know your customer” standards in their dealings with foreign financial institutions and foreign customers. These laws also mandate that financial institutions establish anti-money laundering programs meeting certain standards and require the federal banking regulators to consider the effectiveness of a financial institution’s anti-money laundering activities when reviewing bank mergers and bank holding company acquisitions.

The Anti-Money Laundering Act of 2020 (“AMLA”), which amends the Bank Secrecy Act, was enacted in January 2021. The AMLA is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the U.S. Department of the Treasury to promulgate priorities for anti-money laundering and countering the financing of terrorism policy; requires the development of standards for testing technology and internal processes for Bank Secrecy Act compliance; expands enforcement- and investigation-related authority, including increasing available sanctions for certain Bank Secrecy Act violations; and expands Bank Secrecy Act whistleblower incentives and protections. Many of the statutory provisions in the AMLA will require additional rulemakings, reports and other measures, and the impact of the AMLA will depend on, among other things, rulemaking and implementation guidance. In June 2021, the Financial Crimes Enforcement Network, a bureau of the U.S. Department of the Treasury, issued the priorities for anti-money laundering and countering the financing of terrorism policy required under the AMLA. The priorities include: corruption, cybercrime, terrorist financing, fraud, transnational crime, drug trafficking, human trafficking and proliferation financing.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) comprehensively revised the laws affecting corporate governance, auditing, executive compensation and corporate reporting for entities with equity or debt securities registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Among other things, Sarbanes-Oxley and its implementing regulations

established new membership requirements and additional responsibilities for audit committees, imposed restrictions on the relationships between public companies and their outside auditors (including restrictions on the types of non-audit services that auditors may provide), imposed additional responsibilities for public companies’ external financial statements on the chief executive officer and chief financial officer, and expanded the disclosure requirements for corporate insiders. The requirements are intended to allow stockholders to more easily and efficiently monitor the performance of companies and directors. We and our Board of Directors have, as appropriate, adopted or modified our policies and practices in order to comply with these regulatory requirements and to enhance our corporate governance practices.

As required by Sarbanes-Oxley, we have adopted a Code of Business Conduct and Ethics applicable to our Board, executives and employees. This Code of Business Conduct can be found on our website at http://www.fusb.com under the tabs “About – Investor Relations – FUSB Policies.”

Privacy of Customer Information

The Financial Services Modernization Act of 1999 (also known as the “Gramm-Leach-Bliley Act” or the “GLBA”) and the implementing regulations issued by federal banking regulatory agencies require financial institutions to adopt policies and procedures regarding the disclosure of nonpublic personal information about their customers to non-affiliated third parties. In general, financial institutions are required to explain to customers their policies and procedures regarding the disclosure of such nonpublic personal information, and, unless otherwise required or permitted by law, financial institutions are prohibited from disclosing such information except as provided in their policies and procedures. Specifically, the GLBA established certain information security guidelines that require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to develop, implement, and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, to protect against anticipated threats or hazards to the security or integrity of such information, and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

Cybersecurity

The Cybersecurity Information Sharing Act of 2015 (“CISA”) was intended to improve cybersecurity in the United States by enhanced sharing of information about security threats among the U.S. government and private sector entities, including financial institutions. CISA also authorizes companies to monitor their own systems notwithstanding any other provision of law and allows companies to carry out cybersecurity defensive measures on their own systems. The law includes liability protections for companies that share cyber threat information with third parties so long as such sharing activity is conducted in accordance with CISA.

In October 2016, the federal bank regulatory agencies issued an Advance Notice of Proposed Rulemaking regarding enhanced cyber risk management standards which would apply to a wide range of large financial institutions and their third-party service providers, including Bancshares and the Bank. The proposed standards would expand existing cybersecurity regulations and guidance to focus on cyber risk governance and management, management of internal and external dependencies, and incident response, cyber resilience, and situational awareness. In addition, the proposal contemplates more stringent standards for institutions with systems that are critical to the financial sector.

The federal banking regulators regularly issue guidance regarding cybersecurity intended to enhance cyber risk management standards among financial institutions. A financial institution is expected to establish multiple lines of defense and to ensure its risk management processes address the risk posed by potential threats to the institution. A financial institution’s management is expected to maintain sufficient processes to effectively respond and recover the institution’s operations after a cyber-attack. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations if a critical service provider of the institution falls victim to this type of cyber-attack.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. We expect this trend of state-level activity in those areas to continue and are continually monitoring developments in the states in which our customers are located.

In March 2021, Virginia adopted the Consumer Data Protection Act (the “VCDPA”), which imposes certain restrictions and requirements on businesses that collect consumer data for at least 100,000 consumers in Virginia. The Bank currently has fewer than 100,000 customers in Virginia but may become subject to the VCDPA if its customer base grows above that level. The Company could face enforcement actions by the Virginia Attorney General and penalties for noncompliance with the VCDPA.

In November 2021, the U.S. federal bank regulatory agencies adopted a rule regarding notification requirements for banking organizations related to significant computer security incidents. Under the final rule, a bank holding company, such as the Company, and an FDIC-supervised insured depository institution, such as the Bank, are required to notify the Federal Reserve or FDIC, respectively, within 36 hours of incidents that have materially disrupted or degraded, or are reasonably likely to materially disrupt or degrade, the banking organization's ability to deliver services to a material portion of its customer base, jeopardize the viability of key

operations of the banking organization, or impact the stability of the financial sector. Service providers are required under the rule to notify any affected bank client it provides services to as soon as possible when it determines it has experienced a computer-security incident that has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, covered services provided by that entity to the bank for four or more hours.

In March 2022, July 2023, the SEC proposed adopted amendments to its rules to enhance and standardize disclosures regarding cybersecurity risk management, strategy, governance, and incident reporting by public companies that are subject to the reporting requirements of the Exchange Act. Specifically, the proposed amendments require current reporting about material cybersecurity incidents, periodic disclosures

about a registrant's policies and procedures to identify and manage cybersecurity risk, management's role in implementing cybersecurity policies and procedures, and the board of directors' management's cybersecurity expertise, if any, and its the board of directors' oversight of cybersecurity risk. Additionally, the proposed rules would require registrants to provide updates about previously reported cybersecurity incidents in their periodic reports.

On October 19, 2023, the Consumer Financial Protection Bureau ("CFPB") announced a proposed rule to adopt a regulation regarding personal financial data rights that is designed to promote "open banking." If enacted as proposed, the regulation would require, among other things, that data providers, including any financial institution, make available to consumers and certain authorized third parties upon request certain covered transaction, account and payment information.

On October 30, 2023, the current Presidential Administration issued an Executive Order on Safe, Secure and Trustworthy Development and Use of AI, emphasizing the need for transparency, accountability and fairness in the development and use of AI. The order seeks to balance innovation with addressing risks associated with AI by providing eight guiding principles and priorities, such as ensuring that consumers are protected from fraud, discrimination and privacy risks related to AI. The Executive Order also requires certain federal agencies, including the CFPB, to address potential discrimination in the housing and consumer financial markets relating to the use by financial institutions of AI technologies. Prior to the issuance of the Executive Order, the CFPB published a report addressing the use by financial institutions of AI chatbots in the provision of financial products and services, which report also highlighted the limitations and various risks posed by such activity. States have also started to regulate the use of AI technologies. For example, the California Privacy Protection Agency ("CCPA") is currently in the process of finalizing regulations under the CCPA regarding the use of automated decision making.

Regulation of Lending Practices

Our lending practices are subject to a number of federal and state laws, as supplemented by the rules and regulations of the various agencies charged with the responsibility of implementing these laws. These include, among others, the following:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the communities it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other specified factors in extending cred
- Fair Credit Reporting Act of 1978, as amended by the Fair and Accurate Credit Transactions Act, governing the use and provi of information to credit reporting agencies, certain identity theft protections and certain credit and other disclosures;
- Fair Debt Collection Practices Act, governing the manner in which consumer debts may be collected by collection agencies;
- Real Estate Settlement Procedures Act, requiring certain disclosures concerning loan closing costs and escrows, and governi transfers of loan servicing and the amounts of escrows in connection with loans secured by one-to-four family residential properties; and
- Rules and regulations established by the National Flood Insurance Program.

In addition, the Dodd-Frank Act created the Consumer Financial Protection Bureau (the “CFPB”), CFPB, an independent bureau with broad authority to regulate the consumer finance industry, including regulated financial institutions, non-banks and others involved in extending credit to consumers. The CFPB has authority through rulemaking, orders, policy statements, guidance and enforcement actions to administer and enforce federal consumer financial laws. Although the CFPB has the power to interpret, administer and enforce federal consumer financial laws, the Dodd-Frank Act provides that the federal banking regulatory agencies continue to have examination and enforcement powers over the financial institutions that they supervise relating to the matters within the jurisdiction of the CFPB if the supervised institutions have less than $10 billion in assets. Even so, the CFPB has adopted a number of rules that impact our lending practices, including, among other things, (1) requiring financial institutions to make a “reasonable and good faith determination” that a consumer has a “reasonable ability” to repay a residential mortgage loan before making such a loan, (2) requiring sponsors of asset-backed securities to retain at least 5% of the credit risk of the assets underlying the securities (and generally prohibiting sponsors from transferring or hedging that credit risk), and (3) imposing a number of new and enhanced requirements on the mortgage servicing industry, including rules regarding communications with borrowers, maintenance of customer account records, procedures for responding to written borrower requests and complaints of errors, servicing delinquent loans, and conducting foreclosure proceedings, among other measures.

Regulation of Deposit Operations

Our deposit operations are subject to federal laws applicable to depository accounts, including, among others, the following:

- Right to Financial Privacy Act, which imposes a duty to maintain the confidentiality of consumer financial records and prescrib procedures for complying with administrative subpoenas of financial records;

- Truth-In-Savings Act, requiring certain disclosures for consumer deposit accounts;
- Electronic Funds Fund Transfer Act and Regulation E, which govern automatic deposits to and withdrawals from deposit accou and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services; a
- Rules and regulations of the various agencies charged with the responsibility of implementing these laws.

Federal Home Loan Bank Membership

The Bank is a member of the Federal Home Loan Bank of Atlanta ("FHLBA"). Each member of the FHLBA is required to maintain a minimum investment in the Class B stock of the FHLBA. The Board of Directors of the FHLBA can increase the minimum investment requirements if it concludes that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Agency. Because the extent of any obligation to increase the level of investment in the FHLBA depends entirely on the occurrence of a future event, we are unable to determine the extent of future required potential payments to the FHLBA at this time. Additionally, in the event that a member financial institution fails, the right of the FHLBA to seek repayment of funds loaned to that institution will take priority over the rights of all other creditors.

Climate-Related Regulation and Risk Management

In recent years, the federal banking agencies have increased their focus on climate-related risks impacting the operations of banks, the communities they serve and the broader financial system. Accordingly, the agencies have begun to enhance their supervisory expectations regarding the climate risk management practices of larger banking organizations, including by encouraging such banks to: ensure that management of climate-related risk exposures has been incorporated into existing governance structures; evaluate the potential impact of climate-related risks on the bank's financial condition, operations and business objectives as part of its strategic planning process; account for the effects of climate change in stress testing scenarios and systemic risk assessments; revise expectations for credit portfolio concentrations based on climate-related factors; consider investments in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change; evaluate the impact of climate change on the bank's borrowers and consider possible changes to underwriting criteria to account for climate-related risks to mortgaged properties; incorporate climate-related financial risk into the bank's internal reporting, monitoring and escalation processes; and prepare for the transition risks to the bank associated with the adjustment to a low-carbon economy and related changes in laws, regulations, governmental policies, technology, and consumer behavior and expectations.

On October 21, 2021, the Financial Stability Oversight Council published a report identifying climate-related financial risks as an "emerging threat" to financial stability. On December 16, 2021, the Office of the Comptroller of the Currency (the "OCC") issued proposed principles for climate-related financial risk management for national banks with more than $100 billion in total assets. Although these risk management principles, if adopted as proposed, would not apply to the Bank directly based upon our current size, the OCC has indicated that all banks, regardless of their size, may have material exposures to climate-related financial and other risks that require prudent management. The federal banking agencies, either independently or on an interagency basis, are expected to adopt a more formal climate risk management framework for larger banking organizations in the coming months. As climate-related supervisory guidance is formalized, and relevant risk areas and corresponding control expectations are further refined, we may be required to expend significant capital and incur compliance, operating, maintenance and remediation costs in order to conform to such requirements.

Website Information

The Bank's website address is https://www.fusb.com. Bancshares does not maintain a separate website. Bancshares makes available free of charge on or through the Bank's website, under the tabs "Investors – SEC filings," its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after such material is electronically filed with the SEC. These reports are also available on the SEC's website, https://www.sec.gov. Bancshares will provide paper copies of these reports to shareholders free of charge upon written request. Bancshares is not including the information contained on or available through the Bank's website as a part of, or incorporating such information into, this Annual Report on Form 10-K.

Item 1A. Risk Factors.

Making or continuing an investment in our common stock involves certain risks that you should carefully consider. The risks and uncertainties described below are not the only risks that may have a material adverse effect on us. Additional risks and uncertainties also could adversely affect our business, consolidated financial condition, results of operations and cash flows. If any of the following risks actually occurs, our business, financial condition or results of operations could be negatively affected, the market

price of your common stock could decline, and you could lose all or a part of your investment. Further, to the extent that any of the information contained in this Annual Report on Form 10-K constitutes forward-looking statements, the risk factors set forth below also are cautionary statements identifying important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf.

Risks Related to Credit and Liquidity

If loan losses are greater than anticipated, our earnings may be adversely affected.

As a lender, we are exposed to the risk that customers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans may not be sufficient to assure repayment. Credit losses are inherent in the business of making loans. Our credit risk with respect to our real estate and construction loan portfolio relates principally to the creditworthiness of individuals and the value of the real estate serving as security for the repayment of loans, and the credit risk with respect to our commercial and consumer loan portfolio relates principally to the general creditworthiness of businesses and individuals within the local markets in which we operate. We make various assumptions and judgments about the collectability of our loan portfolio and provide an allowance for potential loan credit losses based on a number of factors. We believe that our allowance for loan credit losses is adequate. However, if estimates, assumptions or judgments used in calculating this allowance are incorrect, the allowance for loan credit losses may not be sufficient to cover our actual loan losses. Deterioration of economic conditions affecting borrowers, new information regarding existing loans, inaccurate management assumptions, identification of additional problem loans and other factors, both within and outside of our control, may result in higher levels of nonperforming assets and charge-offs and loan losses in excess of our current allowance for loan credit losses, requiring us to make material additions to our allowance for loan credit losses, which could have a material adverse effect on our business, consolidated financial condition, results of operations and cash flows. The actual amount of future provisions for loan credit losses cannot be determined at this time and may vary from the amounts of past provisions. In addition, banking regulators periodically review our allowance for loan credit losses and may require us to increase our provision for loan credit losses or recognize further charge-offs if the regulators' judgments are different than those of our management. Material additions to the allowance could materially decrease our net income.

CRE lending may expose us to increased lending risks.

Our policy generally has been to originate CRE loans primarily in the states in which the Bank operates. At December 31, 2023, CRE loans, including owner occupied, investor, and real estate construction loans, totaled $301.7 million or 36.7%, of our total loan portfolio. As a result of our growth in this portfolio over the past several years and planned future growth, these loans require more ongoing evaluation and monitoring and we are implementing enhanced risk management policies, procedures and controls. CRE loans generally involve a greater degree of credit risk than residential mortgage loans because they typically have larger balances and are more affected by adverse conditions in the economy. Because payments on loans secured by CRE often depend upon the successful operation and management of the properties and the businesses which operate from within them, repayment of such loans may be affected by factors outside the borrower's control, such as adverse conditions in the real estate market or the economy or changes in government regulation. In recent years, CRE markets have been experiencing substantial growth, and increased competitive pressures have contributed significantly to historically low capitalization rates and rising property values. However, CRE markets have been facing downward pressure since 2022 due in large part to increasing interest rates and declining property values. Accordingly, the federal banking agencies have expressed concerns about weaknesses in the current CRE market and have applied increased regulatory scrutiny to institutions with CRE loan portfolios that are fast growing or large relative to the institutions' total capital. To address supervisory expectations with respect to financial institutions' handling of CRE borrowers who are experiencing financial difficulty, in June of 2023, the federal banking agencies, including the OCC, issued an interagency policy statement addressing prudent CRE loan accommodations and workouts. Our failure to adequately implement enhanced risk management policies, procedures and controls could adversely affect our ability to increase this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio. At December 31, 2023, nonaccrual CRE loans totaled $1.3 million, or less than 1% of our total portfolio of CRE loans.

Our business is subject to liquidity risk, which could disrupt our ability to meet financial obligations.

Liquidity risk refers to the ability of the Company to ensure that sufficient cash flow and liquid assets are available to satisfy current and future financial obligations, including demand for loans and deposit withdrawals, funding operating costs and other corporate purposes. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ or when assets cannot be liquidated at fair market value as needed. The Company obtains funding through deposits and various short-term and long-term wholesale borrowings, including federal funds purchased and securities sold under repurchase agreements, the Federal Reserve Discount Window and Federal Home Loan Bank (FHLB) advances. Any restriction or disruption of the Company's ability to obtain funding from these or other sources could have a negative effect on the Company's ability to satisfy its current and future financial obligations, which could materially affect the Company's condition or results of operations.

Liquidity risks could affect our operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the repayment or sale of loans and other sources could have a substantial negative effect on our liquidity. Our funding sources include federal funds, purchased securities sold under repurchase agreements, core and non-core deposits, and short- and long-term debt. We maintain a portfolio of securities that can be used as a source of liquidity. Other sources of liquidity are available should they be needed, such as through our acquisition of additional non-core deposits. Bancshares may be able, depending on market conditions, to issue and sell debt securities and preferred or common equity securities in public or private transactions. Our access to funding sources in amounts adequate to finance or capitalize our activities or on acceptable terms could be impaired by factors that affect us specifically or the financial services industry or economy in general, such as further disruption in the financial markets, negative views and expectations about the prospects for the financial services industry, deterioration within the credit markets, or the financial condition, liquidity or profitability of the financial institutions with which we transact.

Risks Related to Our Market and Industry

Our business and operations may be materially adversely affected by national and local market economic conditions.

Our business and operations, which primarily consist of banking activities, including lending money to customers in the form of loans and borrowing money from customers in the form of deposits, are sensitive to general business and economic conditions in the United States generally, and in our local markets in particular. If economic conditions in the United States or any of our local markets weaken, our growth and profitability from our operations could be constrained. Economic activity generally improved during 2022 as COVID-19 cases declined across the United States and restrictions were lifted; however, economic concerns remain due to ongoing uncertainty regarding the long-term effectiveness of the COVID-19 vaccine. In addition, the impact of the COVID-19 pandemic continues to influence the economy through ongoing supply chain shortages, workforce displacement, heightened volatility in the financial markets, and increased economic risks in certain industries. The current economic environment is characterized by high inflation levels and interest rates that have increased rapidly since March 2022. rates. These conditions impact our ability to attract deposits and to generate attractive earnings through our loan and investment portfolios. All of these factors can individually or in the aggregate be detrimental to our business, and the interplay between these factors can be complex and unpredictable. Unfavorable market conditions can result in a deterioration in the credit quality of our borrowers and the demand for our products and services, an increase in the number of delinquencies, defaults and charge-offs, additional provisions for loan losses, a decline in the value of our collateral, and an overall material adverse effect on

---

the quality of our loan portfolio. Additionally, national financial markets may be adversely affected by sustained high levels of inflation, and the current or anticipated impact of military conflict, including the current conflict between Russia conflicts in the Middle East and Ukraine, terrorism, or and other geopolitical events.

The economic conditions in our local markets may be different from the economic conditions in the United States as a whole. Our success depends to a certain extent on the general economic conditions of the geographic markets that we serve in Alabama,

Tennessee and Virginia. Local economic conditions in these areas have a significant impact on our commercial, real estate and construction loans, the ability of borrowers to repay these loans and the value of the collateral securing these loans. Adverse changes in the economic conditions of the southeastern United States in general or any one or more of these local markets could negatively impact the financial results of our banking operations and have a negative effect on our profitability.

The banking industry is highly competitive, which could result in loss of market share and adversely affect our business.

We encounter strong competition in making loans, acquiring deposits and attracting customers for investment services. We compete with commercial banks, online banks, credit unions, finance companies, mutual funds, insurance companies, investment banking companies, brokerage firms and other financial intermediaries operating in our markets and elsewhere in various segments of the financial services market. Many of these competitors, some of which are affiliated with large bank holding companies, have substantially greater resources and lending limits than we do. In addition, many of our non-bank competitors are not subject to the same extensive federal regulations that govern bank holding companies and federally insured banks, and, as a result, may be able to offer certain products and services at a lower cost than we are able to offer, which could adversely affect our business.

Rapid and significant changes in market interest rates may adversely affect our performance.

Most of our assets and liabilities are monetary in nature and are therefore subject to significant risks from changes in interest rates. Our profitability depends to a large extent on net interest income, and changes in interest rates can impact our net interest income as well as the valuation of our assets and liabilities. Our consolidated results of operations are affected by changes in interest rates and our ability to manage interest rate risks. Changes in market interest rates, changes in the relationships between short-term and long-term market interest rates and changes in the relationships between different interest rate indices can affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. These differences could result in an increase in interest expense relative to interest income or a decrease in our interest rate spread. For a more detailed discussion of these risks and our management strategies for these risks, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our net interest margin depends on many factors that are partly or completely out of our control, including competition, federal economic monetary and fiscal policies and general economic conditions. Despite the implementation of strategies to manage interest rate risks, changes in interest rates may have a material adverse impact on our profitability.

The performance of our investment portfolio is subject to fluctuations due to changes in interest rates and market conditions.

Changes in interest rates can negatively affect the performance of most of our investments. Interest rate volatility can reduce gains or create losses in our investment portfolios. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. Fluctuations in interest rates affect returns on, and the market value of, investment securities. The fair market value of the securities in our portfolio and the investment income from these securities also fluctuate depending on general economic and market conditions. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations. The potential effect of these factors is heightened due to the current conditions in the financial markets and economic conditions generally.

Fiscal challenges facing the U.S. government could negatively impact financial markets which in turn could have an adverse effect on our financial position or results of operations.

Federal budget deficit concerns and the potential for political conflict over legislation to fund U.S. government operations and raise the U.S. government's debt limit may increase the possibility of a default by the U.S. government on its debt obligations, related credit-rating downgrades, or an economic recession in the United States. Many of our investment securities are issued by the U.S. government and government agencies and sponsored entities. As a result of uncertain domestic political conditions, including potential future federal government shutdowns, the possibility of the federal government defaulting on its obligations for a period of time due to debt ceiling limitations or other unresolved political issues, investments in financial instruments issued or guaranteed by the federal government pose liquidity risks. In connection with prior political disputes over U.S. fiscal and budgetary issues leading to the U.S. government shutdown in 2011, S&P lowered its long-term sovereign credit rating on the U.S. from AAA to AA+. In 2023, Congress narrowly averted two separate government shutdowns by passing continuing resolutions. In part due to repeated debt-limit political standoffs and last-minute resolutions, in 2023 a rating agency downgraded the U.S. long-term foreign-currency issuer default rating to AA+ from AAA. A further downgrade, or a downgrade by other rating agencies, as well as sovereign debt issues facing the governments of other countries, could have a material adverse impact on financial markets and economic conditions in the U.S. and worldwide.

Changes in the policies of monetary authorities and other government action could adversely affect our profitability.

Our consolidated results of operations are affected by credit policies of monetary authorities, particularly the Federal Reserve. The instruments of monetary policy employed by the Federal Reserve include open market operations in United States government securities, changes in the discount rate or the federal funds rate on bank borrowings and changes in reserve requirements against bank deposits. In view of changing conditions in the national economy and in the money markets, we cannot predict future changes in interest rates, deposit levels, loan demand or our business and earnings. Furthermore, the actions of the United States government and other governments in responding to such conditions may result in currency fluctuations, exchange controls, market disruption and other adverse effects.

Uncertainty relating to the LIBOR calculation process and the phasing out of LIBOR may adversely affect our results of operations.

The United Kingdom's Financial Conduct Authority and ICE Benchmark Administration ("IBA"), the administrators of LIBOR, have announced that the publication of the most commonly used U.S. dollar London Interbank Offered Rate ("LIBOR") settings will cease to be published or cease to be representative after June 30, 2023. The publication of all other LIBOR settings ceased to be published as of December 31, 2021. Given consumer protection, litigation, and reputational risks, the bank regulatory agencies indicated that entering into new contracts that use LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks and that they would examine bank practices accordingly. The Adjustable Interest Rate (LIBOR) Act, enacted in March 2022, provides a statutory framework to replace U.S. dollar LIBOR with a benchmark rate based on the Secured Overnight

Financing Rate ("SOFR") for contracts governed by U.S. law that have no or ineffective fallbacks, and in December 2022, the Federal Reserve Board adopted related implementing rules.

As of December 31, 2021, we no longer originate new loans or their products using any LIBOR index. As of December 31, 2022, approximately $66.5 million of our outstanding loans, and, in addition, certain derivative contracts, borrowings and other financial instruments have attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR has resulted in and could continue to result in added costs and employee efforts and could present additional risk. We are subject to litigation and reputational risks if we are unable to renegotiate and amend existing contracts with counterparties that are dependent on LIBOR, including contracts that do not have fallback language. We may incur significant expenses in effecting the transition, and may be subject to disputes or litigation with contract counterparties over the appropriateness or comparability to LIBOR of the substitute indices, which could have an adverse effect on our results of operations.

At this time, it is impossible to predict the effect of alternative rates, including SOFR, on the value of LIBOR-based securities and variable rate loans, subordinated debentures, or other securities or financial arrangements, given LIBOR's role in determining market interest rates globally. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates and the value of LIBOR-based loans and securities in our portfolio and may impact the availability and cost of hedging instruments and borrowings.

Risks Related to Privacy and Technology

Technological changes in the banking and financial services industries may negatively impact our results of operations and our ability to compete.

The banking and financial services industries are undergoing rapid changes, with frequent introductions of new technology-driven products and services. In addition to enhancing the level of service provided to customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. To remain competitive, financial institutions must continuously evaluate changing customer preferences with respect to emerging technologies and develop plans to address such changes in the most cost-effective manner possible. Our future success will depend, in part, on our ability to use technology to offer products and services that provide convenience to customers and create additional efficiencies in operations, and our failure to do so could negatively impact our business. Additionally, our competitors may have greater resources to invest in technological improvements than we do, and we may not be able to effectively implement new technology-driven products and services, which could reduce our ability to effectively compete.

Our information systems may experience a failure or interruption.

We rely heavily on communications and information systems to conduct our business. Any failure or interruption in the operation of these systems could impair or prevent the effective operation of our customer relationship management, general ledger, deposit, lending or other functions. While we have policies and procedures designed to prevent or limit the effect of a failure or interruption in the operation of our information systems, there can be no assurance that any such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions impacting our information systems could damage our reputation, result in a loss of customer business, and expose us to additional regulatory scrutiny, civil litigation and possible financial liability, any of which could have a material adverse effect on our business, consolidated financial condition, results of operations and cash flows.

We use information technology in our operations and offer online banking services to our customers, and unauthorized access to our customers' confidential or proprietary information as a result of a cyber-attack or otherwise could expose us to reputational harm and litigation and adversely affect our ability to attract and retain customers.

Information security risks for financial institutions have generally increased in recent years, in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists and other external parties. We are under continuous threat

of loss due to hacking and cyber-attacks, especially as we continue to expand customer capabilities to utilize the internet and other remote channels to transact business. Our risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cybercriminals and hackers, our plans to continue to provide internet banking channels, and our plans to develop additional remote connectivity solutions to serve our customers. Therefore, the secure processing, transmission and storage of information in connection with our online banking services are critical elements of our operations. However, our network could be vulnerable to unauthorized access, computer viruses and other malware, phishing schemes or other security failures. In addition, our customers may use personal smartphones, tablet PCs or other mobile devices that are beyond our control systems in order to access our products and services. Our technologies, systems and networks, and our customers' devices, may become the target of

cyber-attacks, electronic fraud or information security breaches that could result in the unauthorized release, gathering, monitoring, use, loss or destruction of our or our customers' confidential, proprietary and other information, or otherwise disrupt our or our customers' or other third parties' business operations. As cyber threats continue to evolve, we may be required to spend significant capital and other resources to protect against these threats or to alleviate or investigate problems caused by such threats. To the extent that our activities or the activities of our customers involve the processing, storage or transmission of confidential customer information, any breaches or unauthorized access to such information could present significant regulatory costs and expose us to litigation and other possible liabilities. Any inability to prevent these types of security threats could also cause existing customers to lose confidence in our systems and could adversely affect our reputation and ability to generate deposits. In addition, we may not have adequate insurance coverage to compensate for losses from a cyber threat event. In February 2022, the New York State Department of Financial Services issued a warning that the Russian invasion of Ukraine significantly elevates the cyber risk for the U.S. financial sector. While we have not experienced any material losses relating to cyber-attacks or other information security breaches to date, we may suffer such losses in the future. The occurrence of any cyber-attack or information security breach could result in potential legal liability, reputational harm, damage to our competitive position, additional compliance costs, and the disruption of our operations, all of which could adversely affect our business, consolidated financial condition, results of operations and cash flows.

We depend on outside third parties for the processing and handling of our records and data, which exposes us to additional risk for cybersecurity breaches and regulatory action.

We rely on software and internet-based platforms developed by third-party vendors to process various transactions. In some cases, we have contracted with third parties to run their proprietary software on our behalf. These systems include, but are not limited to, general ledger, payroll, employee benefits, loan and deposit processing and securities portfolio accounting. If these third-party service providers experience difficulties, are subject to cybersecurity breaches or terminate their services, and we are unable to replace them with other service providers on a timely basis, our operations could be interrupted. If an interruption were to continue for a significant period of time, our business, consolidated financial condition and results of operations could be adversely affected. While we perform a review of controls instituted by the applicable vendors over these programs in accordance with industry standards and perform our own testing of user controls, we must rely on the continued maintenance of controls by these third-party vendors, including safeguards over the security of customer data. In addition, we maintain, or contract with third parties to maintain, daily backups of key processing outputs in the event of a failure on the part of any of these systems. Nonetheless, we may incur a temporary disruption in our ability to conduct business or process transactions, or damage to our reputation, if the third-party vendor fails to adequately maintain internal controls or institute necessary changes to systems. Such a disruption or breach of security could have a material adverse effect on our business.

In addition, federal regulators have issued guidance outlining their expectations for third-party service provider oversight and monitoring by financial institutions. Any failure to adequately oversee the actions of our third-party service providers could result in regulatory actions against us, which could adversely affect our business, consolidated financial condition, results of operations and cash flows.

Risks Related to Legal, Reputational and Compliance Matters

We are subject to extensive governmental regulation, and the costs of complying with such regulation could have an adverse impact on our operations.

The financial services industry is extensively regulated and supervised under both federal and state law. We are subject to the supervision and regulation of the Federal Reserve, the FDIC and the ASBD. These regulations are intended primarily to protect depositors, the public and the FDIC's Deposit Insurance Fund, rather than shareholders. Additionally, we are subject to supervision, regulation and examination by other regulatory authorities, such as the SEC and state securities and insurance regulators. If, as a result of an examination, the Federal Reserve, the FDIC or the ASBD were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, they may take a number of different remedial actions as they deem appropriate. These actions include the power to require us to remediate any such adverse examination findings. We are also subject to changes in federal and state laws, as well as regulations and governmental policies, income tax laws and accounting principles. Regulations affecting banks and other financial institutions are undergoing continuous change, and the ultimate effect of such changes cannot be predicted. Regulations and laws may be modified at any time, and new legislation may be enacted that could affect us. We cannot assure you that any changes in regulations or new laws will not adversely affect our performance or consolidated results of operations. Our regulatory framework is discussed in greater detail under "Item 1. Business – Supervision and Regulation."

We are subject to laws regarding the privacy, information security and protection of personal information, and any violation of these laws or unauthorized disclosure of such information could damage our reputation and otherwise adversely affect our operations and financial condition.

Our business requires the collection and retention of large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We also maintain important internal data, such as personally identifiable information about our employees and information relating to our operations. We are subject to complex and evolving laws and regulations governing the privacy and protection of personal information of individuals (including customers, employees, suppliers and other third parties). For example, our business is subject to the Gramm-Leach-Bliley Act, which, among other things: (1) imposes certain limitations on our ability to share nonpublic personal information about our customers with nonaffiliated third parties; (2) requires us to provide certain disclosures to customers about our information collection, sharing and security practices and to afford customers the right to "opt out" of any information sharing by us with nonaffiliated third parties (with certain exceptions); and (3) requires us to develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and state legislatures have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in the event of a security breach. Ensuring that our collection, use, transfer and storage of personal information complies with all applicable laws and regulations can increase our costs. Furthermore, we may not be able to ensure that all of our clients, suppliers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. If personal, confidential or proprietary information of customers or others were to be mishandled or misused (in situations where, for example, such information was erroneously provided to unauthorized persons, or where such information was intercepted or otherwise compromised by third parties), we could be exposed to litigation or regulatory sanctions under applicable laws and regulations. Concerns about the effectiveness of our measures to safeguard personal information could cause us to lose customers or potential customers for our products and services and thereby reduce our revenues. Accordingly, any failure or perceived failure to comply with applicable privacy or data protection laws and regulations may subject us to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties, and could damage our reputation and otherwise adversely affect our business, consolidated financial condition, results of operations and cash flows.

Our FDIC deposit insurance premiums and assessments may increase and thereby adversely affect our financial results.

The Bank's deposits are insured by the FDIC up to legal limits, and, accordingly, the Bank is subject to periodic insurance assessments by the FDIC. The Bank's regular assessments are determined by its risk classification, which is based on its regulatory capital levels and the level of supervisory concern that it poses. Numerous bank failures during the financial crisis and increases in the statutory deposit insurance limits increased resolution costs to the FDIC and put significant pressure on the Deposit Insurance Fund. The FDIC has authority to increase insurance assessments, and any significant increase in insurance assessments would likely have an adverse effect on us.

We face a risk of noncompliance and enforcement action under the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act of 1970, the USA PATRIOT Act and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and to file reports such as suspicious activity reports and currency transaction reports. We are required to comply with these and other anti-money laundering requirements. Our federal and state banking regulators, the Financial Crimes Enforcement Network and other government agencies are authorized to impose significant civil money penalties for violations of anti-money laundering requirements. We are also subject to increased scrutiny with respect to our compliance with the regulations issued and enforced by the Office of Foreign Assets Control. If our program is deemed deficient, we could be subject to liability, including fines, civil money penalties and other regulatory actions, which may include restrictions on our business operations and our ability to pay dividends, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have significant reputational consequences for us. Any of these circumstances could have a material adverse effect on our business, consolidated financial condition, results of operations and cash flows.

Bancshares' liquidity is subject to various regulatory restrictions applicable to its subsidiaries.

There are various regulatory restrictions on the ability of Bancshares' subsidiaries to pay dividends or to make other payments to Bancshares. In addition, Bancshares' right to participate in any distribution of assets of any of its subsidiaries upon a subsidiary's liquidation or otherwise will be subject to the prior claims of creditors of that subsidiary, except to the extent that any of Bancshares' claims as a creditor of such subsidiary may be recognized.

The internal controls that we have implemented to mitigate risks inherent to the business of banking might fail or be circumvented.

Management regularly reviews and updates our internal controls and procedures that are designed to manage the various risks in our business, including credit risk, operational risk, financial risk, compliance risk and interest rate risk. No system of controls, however well-designed and operated, can provide absolute assurance that the objectives of the system will be met. If such a system fails or is circumvented, there could be a material adverse effect on our business, consolidated financial condition, results of operations and cash flows.

Changes in tax laws and interpretations and tax challenges may adversely affect our financial results.

The enactment of federal tax reform has had, and is expected to continue to have, far reaching and significant effects on us, our customers and the United States economy. Further, the income tax treatment of corporations may at any time be clarified and/or modified through legislation, administration or judicial changes or interpretations. These changes or interpretations could adversely affect us, either directly or as a result of the effects on our customers.

In the course of our business, we are sometimes subject to challenges from taxing authorities, including the Internal Revenue Service, individual states and municipalities, regarding amounts due. These challenges may result in adjustments to the timing or amount of taxable income or deductions or allocation of income among tax jurisdictions, all of which may require a greater provisioning for taxes or otherwise negatively affect our financial results.

Climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact the Company's business.

Political and social attention to the issue of climate change has increased in recent years. Federal and state legislatures and regulatory agencies have continued to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. The federal banking agencies, including the OCC, have emphasized that climate-related risks are faced by banking organizations of all types and sizes and are in the process of enhancing supervisory expectations regarding banks' risk management practices. In December 2021, the OCC published proposed principles for climate risk management by banking organizations with more than $100 billion in assets. The OCC also has appointed its first ever Climate Change Risk Officer and established an internal climate risk implementation committee in order to assist with these initiatives and to support the agency's efforts to enhance its supervision of climate change risk management. Similar and even more expansive initiatives are expected, including potentially increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change. To the extent that these initiatives lead to the promulgation of new regulations or supervisory guidance applicable to the Company or the Bank, we would likely experience increased compliance costs and other compliance-related risks. The lack of empirical data surrounding the credit and other financial risks posed by climate change render it impossible to predict how specifically climate change may impact the Company's financial condition and results of operations.

Risks Related to Strategic Planning

We intend to engage in acquisitions of other banking institutions from time to time. These acquisitions may not produce revenue or earnings enhancements or cost savings at levels, or within time frames, originally anticipated and may result in unforeseen integration difficulties.

We regularly evaluate opportunities to strengthen our current market position through acquisitions, subject to regulatory approval. Such transactions could, individually or in the aggregate, have a material effect on our operating results and financial condition, including short and long-term liquidity. Our acquisition activities could be material to our business. These activities could require us to use a substantial amount of cash or other liquid assets and/or incur debt. In addition, if goodwill recorded in connection with acquisitions were determined to be impaired, then we would be required to recognize a charge against our earnings, which could materially and adversely affect our results of operations during the period in which the impairment was recognized. Our acquisition activities could involve a number of additional risks, including the risks of:

- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating the terms of poter transactions, resulting in our attention being diverted from the operation of our existing business;
- using inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the tai institution or assets;
- being potentially exposed to unknown or contingent liabilities of banks and businesses we acquire;

- changes in asset quality and credit risk as a result of the transaction;
- being required to expend time and expense to integrate the operations and personnel of the combined businesses;
- experiencing higher operating expenses relative to operating income from the new operations;
- creating an adverse short-term effect on our results of operations;
- losing key team members and customers as a result of an acquisition that is poorly received; and
- incurring significant problems relating to the conversion of the financial and customer data of the entity being acquired into our financial and customer product systems.

Depending on the condition of any institutions or assets that are acquired, any acquisition may, at least in the near term, materially adversely affect our capital and earnings and, if not successfully integrated following the acquisition, may continue to have such effects.

Generally, any acquisition of target financial institutions, banking centers or other banking assets by us may require approval by, and cooperation from, a number of governmental regulatory agencies, possibly including the Federal Reserve and the FDIC, as well as state banking regulators. Such regulators could deny our application based on their regulatory criteria or other considerations, which could restrict our growth, or the regulatory approvals may not be granted on terms that are acceptable to us. For example, we could be required to sell banking centers as a condition to receiving regulatory approvals, and such a condition may not be acceptable to us or may reduce the benefit of any acquisition.

We cannot assure you that we will be successful in overcoming these risks or any other problems encountered in connection with pending or potential acquisitions. Our inability to overcome these risks could have an adverse effect on levels of reported net income, return on equity and return on assets and the ability to achieve our business strategy and maintain market value.

We may not be able to maintain consistent growth, earnings or profitability.

There can be no assurance that we will be able to continue to grow and to remain profitable in future periods, or, if profitable, that our overall earnings will remain consistent with our prior results of operations or increase in the future. Our growth in recent years has been driven by a number of factors, including strong growth in our indirect lending portfolio and demand in the commercial and real estate loan markets in certain of the communities that we serve. A downturn in economic conditions in our markets, heightened competition from other financial services providers, an inability to retain or grow our core deposit base, regulatory and legislative considerations, and failure to attract and retain high-performing talent, among other factors, could limit our ability to grow our assets or increase our profitability to the same extent as in recent periods. Sustainable growth requires that we manage our risks by following prudent loan underwriting standards, balancing loan and deposit growth without materially increasing interest rate risk or compressing our net interest margin, maintaining adequate capital, hiring and retaining qualified employees and successfully implementing our strategic initiatives. A failure to sustain our recent rate of growth or adequately manage the factors that have contributed to our growth or successfully enter new markets could have a material adverse effect on our earnings and profitability and, therefore on our business, consolidated financial condition, results of operations and cash flows.

General Risks

We cannot guarantee that we will pay dividends in the future.

Dividends from the Bank are Bancshares' primary source of funds for the payment of dividends to its shareholders, and there are various legal and regulatory limits regarding the extent to which the Bank may pay dividends or otherwise supply funds to Bancshares. The ability of both the Bank and Bancshares to pay dividends will continue to be subject to and limited by the results of operations of the Bank and by certain legal and regulatory restrictions. Further, any lenders making loans to Bancshares or the Bank may impose financial covenants that may be more restrictive than the legal and regulatory requirements with respect to the payment of dividends. There can be no assurance as to whether or when Bancshares may pay dividends to its shareholders.

Extreme weather could cause a disruption in our operations, which could have an adverse impact on our profitability.

Some of our operations are located in areas near the Gulf of Mexico, a region that is susceptible to hurricanes and other forms of extreme weather. Such weather events could disrupt our operations and have a material adverse effect on our overall results of operations. Further, a hurricane, tornado or other extreme weather event in any of our market areas could adversely impact the ability of borrowers to timely repay their loans and may adversely impact the value of collateral that we hold.

Securities issued by us, including our common stock, are not insured.

Securities issued by us, including our common stock, are not savings or deposit accounts or other obligations of any bank and are not insured by the Deposit Insurance Fund maintained by the FDIC or by any other governmental agency or instrumentality, or any private insurer, and are subject to investment risk, including the possible loss of principal.

Future issuances of additional securities by us could result in dilution of your ownership.

We may decide from time to time to issue additional securities in order to raise capital, support growth or fund acquisitions. Further, we may issue stock options or other stock grants to retain and motivate employees. Such issuances of securities by us would dilute the respective ownership interests of our shareholders.

Our common stock price could be volatile, which could result in losses for individual shareholders.

The market price of our common stock may be subject to significant fluctuations in response to a variety of factors, including, but not limited to:

- general economic, business and political conditions;
- changing market conditions in the broader stock market in general, or in the financial services industry in particular;
- monetary and fiscal policies, laws and regulations and other activities of the government, agencies and similar organizations;
- actual or anticipated variations in our operating results, financial condition or asset quality;
- our failure to meet analyst predictions and projections;

- collectability of loans;
- cost and other effects of legal and administrative cases and proceedings, claims, settlements and judgments;
- additions or departures of key personnel;
- trades of large blocks of our stock;
- announcements of innovations or new services by us or our competitors;
- future sales of our common stock or other securities; and
- other events or factors, many of which are beyond our control.

Due to these factors, you may not be able to sell your stock at or above the price you paid for it, which could result in substantial losses.

Our performance and results of operations depend in part on the soundness of other financial institutions.

Our ability to engage in routine investment and banking transactions, as well as the quality and value of our investments in equity securities and obligations of other financial institutions, could be adversely affected by the actions, financial condition and profitability of such other financial institutions with which we transact, including, without limitation, the FHLBA and our correspondent banks. Financial services institutions are interrelated as a result of shared credits, trading, clearing, counterparty and other relationships. As a result, defaults by, or even rumors or questions about, one or more financial institutions, or the financial services industry generally, could lead to market-wide liquidity problems and losses of depositor, creditor or counterparty confidence in certain institutions, and could lead to losses or defaults by other institutions. Any defaults by, or failures of, the institutions with whom we transact could adversely affect our debt and equity holdings in such other institutions, our participation interests in loans originated by other institutions, and our business, including our liquidity, consolidated financial condition and earnings.

Liquidity risks could affect our operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the repayment or sale of loans and other sources could have a substantial negative effect on our liquidity. Our funding sources include federal funds, purchased securities sold under repurchase agreements, core and non-core deposits, and short- and long-term debt. We maintain a portfolio of securities that can be used as a source of liquidity. Other sources of liquidity are available should they be needed, such as through our

acquisition of additional non-core deposits. Bancshares may be able, depending on market conditions, to issue and sell debt securities and preferred or common equity securities in public or private transactions. Our access to funding sources in amounts adequate to finance or capitalize our activities or on acceptable terms could be impaired by factors that affect us specifically or the financial services industry or economy in general, such as further disruption in the financial markets, negative views and expectations about the prospects for the financial services industry, deterioration within the credit markets, or the financial condition, liquidity or profitability of the financial institutions with which we transact.

We depend on the services of our management team and board of directors, and the unexpected loss of key officers or directors may adversely affect our operations.

A departure of any of our executive officers, other key personnel or directors could adversely affect our operations. The community involvement of our executive officers and directors and our directors' diverse and extensive business relationships are important to our success. A material change in the composition of our management team or board of directors could cause our business to suffer.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats, as such term is defined in Item 106(a) of Regulation S-K. These risks include, among other things, operational disruption; intellectual property theft; fraud; extortion; harm to employees or customers; violation of privacy or security laws and other litigation and legal risk; and reputational risks. We have implemented several cybersecurity processes, technologies, and controls to aid in our efforts to assess, identify, and manage such material risks.

To identify and assess material risks from cybersecurity threats, our enterprise risk management program considers cybersecurity threat risks alongside other company risks as part of our overall risk assessment process. Our enterprise risk professionals collaborate with subject matter specialists, as necessary, to gather insights for identifying and assessing material cybersecurity threat risks, their severity, and potential mitigations. We employ a range of tools and services, providing multiple layers of security, to inform our professionals' risk identification and assessment.

We also have a cybersecurity specific risk assessment process, which helps identify our cybersecurity threat risks by comparing our processes to standards set by the Federal Financial Institutions Examination Council's ("FFIEC"), the National Institute of Standards and Technology ("NIST"), and other agencies providing guidance in this area, as well as by engaging experts to attempt to infiltrate our information systems, as such term is defined in Item 106(a) of Regulation S-K.

Our cybersecurity program includes controls designed to identify, protect against, detect, respond to and recover from cybersecurity incidents (as such term is defined in Item 106(a) of Regulation S-K), and to provide for the availability of critical data and systems and to maintain regulatory compliance. These controls include the following activities:

- conduct annual customer data handling and use requirements training for our employees;
- conduct annual cybersecurity management and incident training for employees involved in our systems and processes that ha sensitive data;
- conduct regular phishing email simulations for employees with access to corporate email systems to enhance awareness responsiveness to such possible threats;
- through policy, practice and contract (as applicable) require employees, as well as third-parties who provide services on our be to treat customer information and data with care;
- run tabletop exercises to simulate a response to a cybersecurity incident and use the findings to improve our processes technologies;

- utilize an incident handling framework to help us identify, protect, detect, respond, and recover when there is an actual or pote cybersecurity incident;
- maintain multiple layers of controls, including embedding security into our technology investments;
- carry information security risk insurance that provides protection against the potential losses arising from a cybersecurity inci and
- external reviews of our cybersecurity position to help ensure adherence to best practices and validate risk assessments response plans.

We perform periodic internal and third-party assessments to test our cybersecurity controls and regularly evaluate our policies and procedures surrounding our handling and control of personal data and the systems we have in place to help protect us from cybersecurity or personal data breaches, and we perform periodic internal and third-party assessments to test our controls and to help us identify areas for continued focus, improvement, and/or compliance.

We have established a cybersecurity risk management process that includes internal reporting of significant cybersecurity risk to our Information Technology Steering Committee of the Board of Directors of the Bank at least quarterly. In addition, our incident response plan coordinates the activities we take to prepare for, detect, respond to, and recover from cybersecurity incidents, which include processes to triage, assess severity for, escalate, contain, investigate, and remediate the incident, as well as to comply with potentially applicable legal obligations and mitigate brand and reputational damage.

Our processes also address cybersecurity threat risks associated with our use of third-party service providers, including those in our supply chain or who have access to our customer and employee data or our systems. Third-party risks are included within our enterprise risk management program, as well as our cybersecurity-specific risk identification program, both of which are discussed above. In addition, cybersecurity considerations affect the selection and oversight of our third-party service providers. We perform diligence on third parties that have access to our systems, data or facilities that house such systems or data, and monitor cybersecurity threat risks identified through such diligence.

As a regulated financial institution, the Company is also subject to financial privacy laws and its cybersecurity practices are subject to oversight by the federal banking agencies. For additional information, see “Supervision and Regulation – Privacy of Customer Information and “– Cybersecurity” included in Part I. Item 1 – Business of this report.

Although the Company has not, as of the date of this Annual Report on Form 10-K, experienced a cybersecurity threat or incident that materially affected its business strategy, results of operations or financial condition, there can be no guarantee that the Company will not experience such an incident in the future. For additional information regarding the risk the Company faces from cybersecurity threats, please see the risk factors titled “We use information technology in our operations and offer online banking services to our customers, and unauthorized access to our customers’ confidential or proprietary information as a result of a cyber-attack or otherwise could expose us to reputational harm and litigation and adversely affect our ability to attract and retain customers” and “We depend on outside third parties for the processing and handling of our records and data, which exposes us to additional risk for cybersecurity breaches and regulatory action.” included in Part I. Item 1A. – Risk Factors of this report.

Cybersecurity Governance

Cybersecurity is an important part of our enterprise risk management program and an area of increasing focus for our Board and management. Our Information Technology Steering Committee of the Board of Directors of the Bank, which then reports to the entire Board, is responsible for the oversight of risks from cybersecurity threats. At least quarterly, the Information Technology Steering Committee receives an overview from management of our cybersecurity threat risk management process and strategy covering topics such as data security posture, results from third-party assessments, progress towards pre-determined risk-mitigation-related goals, our incident response plan, and material cybersecurity threat risks or incidents and developments, as well as the steps management has taken to respond to such risks. In such sessions, the Information Technology Steering Committee generally receives materials, including materials indicating current and emerging material cybersecurity threat risks and describing the Company's ability to mitigate those risks, and discusses such matters with our Chief Information Officer, Information Security Officer, and other staff as needed.

Members of the Information Technology Steering Committee, and other members of the Board, are also encouraged to regularly engage in ad hoc conversations with management on cybersecurity-related news events and discuss any updates to our cybersecurity risk management process. Material cybersecurity threat risks are also considered during separate Board meeting discussions of important matters like enterprise risk management, operational budgeting, business continuity planning, mergers and acquisitions, brand management, and other relevant matters.

Our cybersecurity risk management process, which is discussed in greater detail above, is led by our Chief Information Officer, Information Security Officer, Chief Risk Officer, and other staff as needed. Such individuals have collectively over 90 years of prior work experience in various roles involving managing information security, developing cybersecurity strategy, implementing effective information and cybersecurity programs and safeguarding corporate and customer information.

These members of management are informed about and monitor the prevention, mitigation, detection, and remediation of cybersecurity incidents through their management of, and participation in, the cybersecurity risk management process described above, including the operation of our incident response plan. As discussed above, these members of management report to the Information Technology Steering Committee about cybersecurity threat risks, among other cybersecurity related matters, at least quarterly. A summary report is provided to the full Board of Directors at least annually.

Item 2. Properties.

With the exception of its offices located in Knoxville and Powell, Tennessee, and Mobile, Alabama, which are leased, the Bank owns all of its offices, including its executive offices, without encumbrances. ALC owns a commercial building in Jackson, Alabama, and leases additional office space in its Mobile, Alabama headquarters location. Bancshares does not separately own any property, and to the extent that its activities require the use of physical office facilities, such activities are conducted at the offices of the Bank. We believe that our properties are sufficient for our operations at the current time.

Item 3. Legal Proceedings.

We are party to certain ordinary course litigation, and we intend to vigorously defend ourselves in all such litigation. In the opinion of management, based on a review and consultation with our legal counsel, the outcome of such ordinary course litigation should not have a material adverse effect on our consolidated financial statements or results of operation.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Bancshares' common stock is listed on the Nasdaq Capital Market under the symbol "FUSB." Prior to our name change on October 11, 2016, our common stock was listed on the Nasdaq Capital Market under the symbol "USBI." As of March 8, 2023 March 6, 2024, there were approximately 652 634 record holders of Bancshares' common stock (excluding any participants in any clearing agency and "street name" holders).

Bancshares declared total dividends of $0.14 $0.20 per common share and $0.12 $0.14 per common share during the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Bancshares expects to continue to pay comparable cash dividends in the future, subject to the results of operations of Bancshares and the Bank, legal and regulatory requirements and potential limitations imposed by financial covenants with third parties. See note 15, Note 14, "Shareholders' Equity", Equity," in the consolidated financial statements for additional information on dividend restrictions.

Share Repurchases

The following table sets forth purchases made by or on behalf of Bancshares or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) of the Exchange Act, of shares of Bancshares' common stock during the fourth quarter of 2022. 2023.

	Issuer Purchases of Equity Securities				
Period	Total Number of Shares Purchased (1)		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under the Programs (2)
October 1-31, 2022	—	$	—	—	596,813
November 1-30, 2022	909	$	8.43	—	596,813
December 1-31, 2022	9	$	8.97	—	596,813
Total	918	$	8.44	—	596,813

	Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under the Programs (2)
October 1-31, 2023	1,043	$ 8.70	—	596,813
November 1-30, 2023	111	$ 9.03	—	596,813
December 1-31, 2023	137,575	$ 10.34	137,500	459,313
Total	138,729	$ 10.33	137,500	459,313

(1) 918 1,229 shares were purchased in open-market transactions by an independent trustee for Bancshares' 401(k) Plan during the fourth quarter of 2022. 2023.

(2) All 137,500 shares have been were repurchased to date during the fourth quarter pursuant to Bancshares' publicly announced share repurchase program, which was initially approved by the Board of Directors on January 19, 2006 and authorized the repurchase of up to 642,785 shares of common stock. On each of December 18, 2019 In December 2019 and April 28, 2021, A 2021, the Board approved the repurchase of additional shares of common stock under the share repurchase program, and the Board has periodically extended the expiration date of the program, most recently to December 31, 2023 December 31, 2024. of December 31, 2022 December 31, 2023, Bancshares was authorized to repurchase up to 596,813 459,313 shares of comm stock under the share repurchase program.

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding securities authorized for issuance under our equity compensation plans is incorporated by reference to Item 12 of this Annual Report on Form 10-K.

Item 6. Reserved

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

You should read the following discussion of our financial condition and results of operations in conjunction with the "Selected Financial Data" and our financial statements and the related notes included elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, and our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those discussed under Item 1A "Risk Factors" and elsewhere in this Annual Report.

Selected Financial Data

The selected consolidated financial and other data of the Company set forth below does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, the more detailed information, including the consolidated financial statements and related notes, appearing elsewhere herein.

	Year Ended December 31,					Year Ended December 31,				
	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019
	(Dollars in Thousands, except Per Share Amounts)					(Dollars in Thousands, except Per Share Amounts)				
Results of Operations:										
Interest income	$ 41,197	$ 39,921	$ 40,377	$ 43,588	$ 37,138	$ 52,806	$ 41,197	$ 39,921	$ 40,377	$ 43,588
Interest expense	4,256	2,950	4,611	6,646	4,350	15,456	4,256	2,950	4,611	6,646
Net interest income	36,941	36,971	35,766	36,942	32,788	37,350	36,941	36,971	35,766	36,942
Provision for loan and lease losses	3,308	2,010	2,945	2,714	2,622					
Provision for credit losses						319	3,308	2,010	2,945	2,714
Non-interest income	3,451	3,521	5,010	5,366	5,610	3,381	3,451	3,521	5,010	5,366
Non-interest expense	28,072	32,756	34,299	33,782	32,385	29,141	28,072	32,756	34,299	33,782
Income before income taxes	9,012	5,726	3,532	5,812	3,391	11,271	9,012	5,726	3,532	5,812
Provision for income taxes	2,148	1,275	825	1,246	901	2,786	2,148	1,275	825	1,246
Net income	$ 6,864	$ 4,451	$ 2,707	$ 4,566	$ 2,490	$ 8,485	$ 6,864	$ 4,451	$ 2,707	$ 4,566

Per Share Data:										
Basic net income per share	$ 1.13	$ 0.70	$ 0.43	$ 0.71	$ 0.40	$ 1.42	$ 1.13	$ 0.70	$ 0.43	$ 0.71
Diluted net income per share	$ 1.06	$ 0.66	$ 0.40	$ 0.67	$ 0.37	$ 1.33	$ 1.06	$ 0.66	$ 0.40	$ 0.67
Dividends per share	$ 0.14	$ 0.12	$ 0.12	$ 0.09	$ 0.08	$ 0.20	$ 0.14	$ 0.12	$ 0.12	$ 0.09
Common stock price - High	$ 12.00	$ 12.50	$ 12.00	$ 11.93	$ 13.62	$ 10.44	$ 12.00	$ 12.50	$ 12.00	$ 11.93
Common stock price - Low	$ 6.46	$ 7.54	$ 5.18	$ 7.60	$ 7.60	$ 6.54	$ 6.46	$ 7.54	$ 5.18	$ 7.60
Period end price per share	$ 8.68	$ 10.57	$ 9.02	$ 11.61	$ 7.95	$ 10.31	$ 8.68	$ 10.57	$ 9.02	$ 11.61
Period end shares outstanding (in thousands)	5,812	6,172	6,177	6,158	6,298	5,735	5,812	6,172	6,177	6,158
Period-End Balance Sheet:										
Total assets	$ 994,667	$ 958,302	$ 890,511	$ 788,738	$ 791,939	$ 1,072,940	$ 994,667	$ 958,302	$ 890,511	$ 788,738
Loans, net of allowance for loan and lease losses	764,451	700,030	638,374	545,243	514,867					
Allowance for loan and lease losses	9,422	8,320	7,470	5,762	5,055					
Total loans						821,791	773,873	708,350	645,844	551,005
Allowance for credit losses on loans						10,507	9,422	8,320	7,470	5,762
Investment securities, net	132,657	134,319	91,422	108,356	153,949	136,669	132,657	134,319	91,422	108,356

Total deposits	870,025	838,126	782,212	683,662	704,725	950,191	870,025	838,126	782,212	683,662
Short-term borrowings	20,038	10,046	10,017	10,025	527	10,000	20,038	10,046	10,017	10,025
Long-term borrowings	10,726	10,653	—	—	—	10,799	10,726	10,653	—	—
Total shareholders' equity	85,135	90,064	86,678	84,748	79,437	90,593	85,135	90,064	86,678	84,748
Book value	14.65	14.59	14.03	13.76	12.61	15.80	14.65	14.59	14.03	13.76
Performance Ratios:										
Loans to deposits	87.9%	83.5%	81.6%	79.8%	73.1%					
Total loans to deposits						86.5%	88.9%	84.5%	82.6%	80.6%
Net interest margin	4.07%	4.23%	4.69%	5.18%	5.27%	3.87%	4.07%	4.23%	4.69%	5.18%
Return on average assets	0.70%	0.47%	0.32%	0.58%	0.36%	0.82%	0.70%	0.47%	0.32%	0.58%
Return on average equity	7.99%	5.01%	3.17%	5.51%	3.26%	9.88%	7.99%	5.01%	3.17%	5.51%
Asset Quality:										
Allowance for loan and lease losses as % of loans	1.22%	1.17%	1.16%	1.05%	0.97%					
Allowance for credit losses as % of loans						1.28%	1.22%	1.17%	1.16%	1.05%
Nonperforming assets as % of loans and other real estate	0.30%	0.59%	0.62%	0.87%	0.82%	0.37%	0.30%	0.59%	0.62%	0.87%
Nonperforming assets as % of total assets	0.24%	0.43%	0.45%	0.61%	0.54%	0.28%	0.24%	0.43%	0.45%	0.61%
Net charge-offs as a % of average loans	0.30%	0.16%	0.21%	0.38%	0.57%	0.14%	0.30%	0.16%	0.21%	0.38%
Capital Adequacy:										

Common equity tier 1 risk-based capital ratio	11.07%	11.36%	11.78%	12.78%	12.62%	10.88%	11.07%	11.36%	11.78%	12.78%
Tier 1 risk-based capital ratio	11.07%	11.36%	11.78%	12.78%	12.62%	10.88%	11.07%	11.36%	11.78%	12.78%
Total risk-based capital ratio	12.19%	12.44%	12.92%	13.77%	13.53%	12.11%	12.19%	12.44%	12.92%	13.77%
Tier 1 leverage ratio	9.39%	9.17%	8.98%	9.61%	8.96%	9.36%	9.39%	9.17%	8.98%	9.61%

DESCRIPTION OF THE BUSINESS

First US Bancshares, Inc., a Delaware corporation ("Bancshares" and, together with its subsidiaries, subsidiary, the "Company"), is a bank holding company formed in 1983 registered under the Bank Holding Company Act of 1956, as amended (the "BHCA"). Bancshares operates one banking subsidiary, First US Bank, an Alabama banking corporation (the "Bank"). Prior to its name change on October 11, 2016, Bancshares was known as United Security Bancshares, Inc. Bancshares and the Bank are headquartered in Birmingham, Alabama.

The Bank conducts a general commercial banking business and offers banking services such as demand, savings, individual retirement account and time deposits, personal and commercial loans, safe deposit box services and remote deposit capture. The Bank operates and serves its customers through 15 full-service banking offices located in Birmingham, Butler, Calera, Centreville, Gilbertown, Grove Hill, Harpersville, Jackson, Thomasville, Tuscaloosa and Woodstock, Alabama; Knoxville and Powell, Tennessee; and Rose Hill, Virginia; as well as loan production offices in Mobile, Alabama and the Chattanooga, Tennessee area. The Bank provides a wide range of commercial banking services to small- and medium-sized businesses, property managers, business executives, professionals and other individuals. The Bank also performs indirect lending through third-party retailers and currently conducts this lending in 12 17 states, including Alabama, Arkansas, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Mississippi, Missouri, Nebraska, North Carolina, Oklahoma, South Carolina, Tennessee, Texas and Virginia. During the third quarter of 2021, the Company closed four banking offices located in Bucksville, Columbiana and south Tuscaloosa, Alabama, as well as Ewing, Virginia.

The Previously, the Bank has had two wholly owned subsidiaries: Acceptance Loan Company, Inc., an Alabama corporation ("ALC"), and FUSB Reinsurance, Inc., an Arizona corporation ("FUSB Reinsurance"). Both ALC and FUSB Reinsurance were dissolved in 2023, after all remaining assets and liabilities of these entities were transferred to the Bank. As used herein, unless the context suggests otherwise, references to the “Company,” “we,” “us” and “our” refer to Bancshares and the Bank, as well as the Bank, ALC and FUSB Reinsurance (for periods prior to their dissolution), collectively.

The Bank owns all of the stock of ALC. ALC is was a finance company headquartered in Mobile, Alabama. During The Bank will continue to manage the third quarter of 2021, ALC ceased new business development and permanently closed its 20 branch lending locations in Alabama and Mississippi to the public. ALC continues to service its remaining portfolio of loans from its headquarters in Mobile, Alabama.

ALC’s portfolio, which totaled $10.5 million as of December 31, 2023, through final resolution. FUSB Reinsurance was designed to reinsure or “underwrite” credit life and credit accident and health certain insurance policies sold to the Bank’s Bank's and ALC’s ALC's consumer loan customers. FUSB Reinsurance was responsible for the first level of risk on these policies up to a specified maximum amount, while the primary third-party insurer retained the remaining risk. While FUSB Reinsurance underwrote insurance contracts for both the Bank and ALC, in recent years, the majority of contracts were associated with ALC’s loans. Due to reduced contract volume, particularly following the cessation of business of ALC, during 2022, management of FUSB Reinsurance began procedures to terminate the entity’s activities. During 2022, FUSB Reinsurance ceased writing new insurance contracts, and reached an agreement with a third-party insurance provider to indemnify FUSB Reinsurance for all remaining liabilities associated with previously underwritten insurance policies. As of December 31, 2022, the remaining assets and liabilities of FUSB Reinsurance were transferred to the Bank, and it is anticipated that FUSB Reinsurance will be legally dissolved during 2023.

The following discussion and financial information are presented to aid in an understanding of the Company’s consolidated financial position, changes in financial position, results of operations and cash flows and should be read in conjunction with the consolidated financial statements and notes thereto included herein. The emphasis of the discussion is on the years 2022 2023 and 2021. 2022. All yields and ratios presented and discussed herein are recorded and presented on the accrual basis and not on the tax-equivalent basis, unless otherwise indicated.

RECENT MARKET CONDITIONS

During 2022, certain economic conditions benefited from declining COVID-19 cases and 2023, the related lifting banking industry was impacted by significant volatility due both to notable banking failures that began during the first quarter of COVID-19 restrictions 2023, as well as ongoing increases in interest rates. The interest rate environment generally led to contraction of net interest margin throughout the United States. However, economic uncertainty remains with respect to the long-term effectiveness of efforts to reduce the impact of COVID-19 both globally and domestically. In addition, industry. While inflation in 2023 eased from 40-year highs that were reached during 2022, economic uncertainty emerged from geopolitical developments surrounding the invasion of Ukraine by Russia and further COVID-19 lockdowns in China. Furthermore, inflation reached 40-year highs during 2022 in the United States, and market rates of interest rose significantly after a prolonged period at historical lows. In March 2022, it remained elevated over the Federal Reserve Board (FRB) Bank's ("FRB") long run target. In its effort to reduce inflation, the FRB raised the target federal funds rate for by 525 basis points between March 2022 and July 2023. As of December 31, 2023, the first time in over three years, and between March 16, 2022 and February 1, 2023 increased the target federal funds rate by was in a total range of 450 basis points. Further increases are expected 5.25% to 5.50%.

Economic activity generally improved in 2023 compared to 2022; however, as the FRB continues its efforts year closed, significant uncertainty continued to reduce inflation.

As interest rates increase, competitive pressures on both loan and deposit pricing have increased and are expected exist related to remain at a heightened level. The pace and magnitude the potential impact of changes geopolitical developments (including conflicts in interest rates, Ukraine and the impact that such changes will have on Middle East), ongoing supply chain disruption, continued higher pricing levels in certain sectors, and the Company's operating results, cannot be fully predicted. During this still-ongoing and still-volatile transition period, weight of ongoing growth in fiscal deficit levels in the United States. In addition, as of December 31, 2023, the treasury curve (comparing the 10-year treasury to the 2-year treasury) had remained inverted for approximately 18 months. Inversion of the yield curve is commonly considered a leading indicator of economic recession. Furthermore, while inflation remained elevated, unemployment levels in the United States remained low throughout 2023. This has flattened generally caused increased workforce competition resulting in increased labor costs in many industries.

This environment has led to increased competitive pressures in a number of areas within the banking industry, but in particular, with respect to deposit pricing. Due to pricing pressures, compression of net interest margin occurred throughout the industry in 2023, and often becomes inverted. Unusual yield curve effects, including inversion, may continue. Further, if impacted the Company. The ultimate impact that competitive pressures around deposit pricing and other economic factors will have cannot be predicted with certainty. If the rate of inflation persists remains elevated or accelerates, the Company's operations could be impacted by, among other things, accelerating cost costs of goods and services, including

the cost costs of salaries and benefits. Additionally, the Company's borrowers could be negatively impacted by rising expense levels, leading to deterioration of credit quality and/or reductions in the Company's lending activities. The higher interest rate environment has also led to unrealized losses in the Company's investment portfolio which consists primarily of fixed rate instruments.activity.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make subjective judgments associated with estimates. These estimates are necessary to comply with accounting principles generally accepted in the United States of America ("U.S. GAAP") and general banking practices. The estimates include accounting for the allowance for loan credit losses, goodwill and other intangible assets, other real estate owned, valuation of deferred tax assets and fair value measurements.

Allowance for Loan Credit Losses on Loans and Lease Losses Leases

The Company maintains the allowance for loan and lease credit losses at is a level deemed adequate by management to absorb probable losses contra-asset valuation account that is deducted from loans and leases in the portfolio at the balance sheet date. In determining the adequacy amortized cost basis of the allowance for loan and lease losses, management considers numerous factors, including, but not limited loans to management's estimate of: (a) loan and lease loss experience; (b) present the financial condition and liquidity of certain loan customers; and (c) collateral values of property securing certain loans and leases. Because these factors and others involve the use of management's estimation and judgment, the allowance for loan and lease losses is inherently subject to adjustment at future dates. Unfavorable changes in the factors used by management to determine the adequacy of the allowance, including increased loan or lease delinquencies and subsequent charge-offs, or the availability of new information could require additional provisions in excess of normal provisions to the allowance for loan and lease losses in future periods. No allowance for loan and lease losses is carried over or established at acquisition for purchased loans acquired in business combinations. Loans acquired in business combinations that are deemed impaired at acquisition, purchased credit impaired (“PCI”) loans, are grouped into pools and evaluated separately from the non-PCI portfolio. The estimated cash flows net amount expected to be collected on PCI the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off. The allowance for credit losses on loans and leases is adjusted through the provision for (recovery of) credit losses.

Management estimates the allowance by using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for estimation of expected credit losses. Adjustments to historical loss information are discounted made for differences in loan-specific risk characteristics such as changes in economic and business conditions, underwriting standards, portfolio mix, and delinquency level. Considerations related to environmental conditions include reasonable and supportable current and forecasted data related to economic factors such as inflation, unemployment levels, and interest rates.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty as of 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 estimated selling costs as appropriate.

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 renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company, or management has a market rate reasonable expectation at the reporting date that a loan modification will be made to a borrower experiencing financial difficulty.

Allowance for Credit Losses on Unfunded Lending Commitments

Off-balance sheet credit exposures include unfunded lending commitments that represent unconditional commitments of interest. Subsequent the Company to lend to a borrower. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The following categories of off-balance sheet credit exposures have been identified: unfunded loan commitments, standby letters of credit, and financial guarantees (collectively, “unfunded lending commitments”). The allowance for credit losses on unfunded lending commitments is included in other liabilities on the Company’s consolidated balance sheet and is adjusted through the provision for (recovery of) credit losses. The estimate may include consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded, as well as reasonable practical expedients or industry practices to assist in the evaluation of estimated funding amounts.

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

Expected credit losses on held-to-maturity debt securities are measured on a collective basis by major security type. Accrued interest receivable on held-to-maturity securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The allowance for credit losses on investment securities held-to-maturity is adjusted through the provision for (recovery of) credit losses.

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

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized 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 debt securities available-for-sale that do not meet the aforementioned criteria, the Company 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 in the rating of the security by a rating agency, and adverse conditions specifically related to the acquisition of PCI loans, estimates security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are updated each reporting period based on updated assumptions regarding default rates, loss severities and other factors that are reflective compared to the amortized cost basis of current market conditions. Subsequent decreases in expected the security. If the present value of cash flows will generally result in expected to be collected is less than the amortized cost basis, a provision for loan losses. Subsequent increases in expected cash flows will generally result in a reversal of the provision for loan losses to the extent of prior charges. Changes in the estimates credit loss exists and assumptions are possible and may have a material impact on our allowance, and as a result, on our consolidated financial statements or results of operations. There can be no assurance that loan and lease losses in future periods will not exceed the an allowance for loan and lease credit losses or is recorded, limited by the amount

---

that additions to the allowances will fair value is less than the amortized cost basis. Any impairment that has not be required. See "Summary of Loan Loss Experience" been recorded through an allowance for additional analysis of the activity credit losses is recognized in other comprehensive income. Changes in the allowance for loan and lease losses.

Due to its classification as a smaller reporting company by credit losses are recorded in the Securities and Exchange Commission, as of December 31, 2022, the Company was not required to adopt, and had not adopted, the Current Expected Credit Loss (CECL) model to account provision for (recovery of) credit losses. Effective January 1, 2023, Losses are charged against the Company adopted allowance when management believes the CECL accounting model, and recorded a transition adjustment that increased loan loss reserves by approximately $2.4 million. Of this amount, approximately $0.7 million, uncollectibility of an available-for-sale security is confirmed or 29%, was associated with ALC's run-off loan portfolio, while when either of the remainder was associated with criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities is excluded from the Bank's loan portfolio. In accordance with CECL transition accounting guidance, the transition adjustment was recorded directly to retained earnings during the first quarter estimate of 2023 and will not impact current period earnings.credit losses.

Goodwill and Other Intangible Assets

Goodwill arises from business combinations and is generally determined as the excess of cost over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill is determined to have an indefinite useful life and is not amortized, but is tested for impairment at least annually or more frequently if events or circumstances exist that indicate that a goodwill impairment test should be performed. The Company performs its annual goodwill impairment test as of October 1. Impairment exists when a reporting unit's carrying amount of goodwill exceeds its implied fair value. In testing goodwill for impairment, U.S. GAAP permits the Company to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In this qualitative assessment, the Company evaluates events and circumstances that may include, but are not limited to, the general economic environment, banking industry and market conditions, the overall financial performance of the Company, the performance of the Company's common stock, the key financial performance metrics of the Company's reporting units and events affecting the reporting units to determine if it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If the quantitative impairment test is required or the decision to bypass the qualitative assessment is elected, the Company performs the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. A recognized impairment loss cannot be reversed in future periods even if the fair value of the reporting unit subsequently recovers. Goodwill impairment was neither indicated nor recorded during the years ended December 31, 2022 December 31, 2023 or 2021. 2022. As of October 1, 2022 October 1, 2023, the date of our most recent impairment test, the Bank reporting unit had a fair value that was in excess of its carrying value. Variability in the market and changes in assumptions or subjective measurements used to estimate fair value are reasonably possible and may have a material impact on our consolidated financial statements or results of operations.

Other intangible assets consist of core deposit intangible assets arising from acquisitions. Core deposit intangible assets have definite useful lives and are amortized on an accelerated basis over their estimated useful lives. The Company's core deposit intangibles have estimated useful lives of seven years. Intangible assets are evaluated for impairment whenever events or circumstances exist that indicate that the carrying amount should be reevaluated. As of December 31, 2022 December 31, 2023, the Company had $0.4 million $0.2 million in other intangible assets, and there was no indication of impairment.

Other Real Estate Owned

Other real estate owned ("OREO") consists of properties obtained through foreclosure or in satisfaction of loans, as well as closed Bank and ALC branches. It is reported at the net realizable value of the property, less estimated costs to sell. Estimates of fair value are generally based on third-party appraisals of the property and are classified within Level 3 of the fair value hierarchy. The appraisals are sometimes discounted based on management's knowledge of the property and/or changes in market conditions from the date of the most recent appraisal. Such discounts are typically unobservable inputs for determining fair value.

Deferred Tax Asset Valuation

Income tax expense and current and deferred tax assets and liabilities reflect management's best estimate of current and future taxes to be paid. Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements, which will result in taxable or deductible amounts in the future. Deferred tax assets may also arise from the carryforward of operating loss or tax credit carryforwards as allowed by applicable federal or state tax jurisdictions. In addition, there may be transactions and calculations for which the ultimate tax outcomes are uncertain and the Company's tax returns are subject to audit by various tax authorities. Although we believe that estimates related to income taxes are reasonable, no assurance can be given that the final tax outcome will not be materially different than that which is reflected in the consolidated financial statements. In evaluating the ability to recover deferred tax assets in the tax jurisdictions from which they arise, management considers all available positive and negative evidence, including the Company's historical earnings and, in particular, the results of recent operations, expected reversals of temporary differences, the ability to utilize tax planning strategies and the expiration dates of any operating loss and tax credit carryforwards. A valuation allowance is recognized for a deferred tax asset if, based on the weight of all available evidence, it is more likely than not that some portion of or the entire deferred tax asset will not be realized. The assumptions about the amount of future taxable income require the use of significant judgment and are consistent with the plans and estimates that management uses in the underlying business. At this time, management considers it to be more likely than not that the Company will have sufficient taxable income in the future to allow all deferred tax assets to be realized. Accordingly, a valuation allowance was not established for deferred tax assets as of either December 31, 2022 December 31, 2023 or 2021. 2022.

Fair Value Measurements

Portions of the Company's assets and liabilities are carried at fair value, with changes in fair value recorded either in earnings or accumulated other comprehensive income (loss). These assets and liabilities include securities available-for-sale, impaired loans and derivative instruments. Additionally, other real estate and certain other assets acquired in foreclosure are reported at the lower of the recorded investment or fair value of the property, less estimated cost to sell. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. While management uses judgment when determining the price at which willing market participants would transact when there has been a significant decrease in the volume or level of activity for the asset or liability in relation to "normal" market activity, management's objective is to determine the point within the range of fair value estimates that is most representative of a sale to a third party under current market conditions. The value to the Company if the asset or liability were held to maturity is not included in the fair value estimates.

A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. Fair value is measured based on a variety of inputs that the Company utilizes. Fair value may be based on quoted market prices for identical assets or liabilities traded in active markets (Level 1 valuations). If market prices are not available, the Company may use 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 2 valuations). Where observable market data is not available, the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but that are observable based on Company-specific data (Level 3 valuations). These unobservable assumptions reflect the Company's own estimates for assumptions that market participants would use in pricing the asset or liability. The valuation of financial instruments when quoted market prices are not available (Levels 2 and 3) may require significant management judgment to assess assumptions and observable inputs. Detailed information regarding fair value measurements can be found in Note 21, "Fair Value of Financial Instruments," in the consolidated financial statements contained herein.

Other Significant Accounting Policies

Other significant accounting policies, not involving the same level of measurable uncertainties as those discussed above, are nevertheless important to an understanding of the consolidated financial statements. Policies related to the right of use asset and lease liability, revenue recognition, investment securities and long-lived assets require difficult judgments on complex matters that are often subject to multiple and recent changes in the authoritative guidance. Certain of these matters are among topics currently under re-examination by accounting standard setters and regulators. Specific conclusions have not been reached by these standard setters, and outcomes cannot be predicted with confidence. See Note 2, “Summary of Significant Accounting Policies,” in the consolidated financial statements, which discusses accounting policies that we have selected from acceptable alternatives.

EXECUTIVE OVERVIEW

Update on Strategic Initiatives

Beginning in During the third quarter of 2021, the Company initiated certain executed strategic initiatives that were designed to improve the Company’s operating efficiency, focus the Company’s loan growth activities, and fortify asset quality. The discussion below provides an update as most significant component of December 31, 2022 regarding these ongoing strategic initiatives.
Cessation initiatives was the cessation of Business at ALC

On September 3, 2021, ALC ceased new business development and permanently closed its 20 at ALC. This initiative, which included the closure of ALC’s branch lending locations in Alabama and Mississippi September 2021, served to the public. As of December 31, 2022, ALC employed six full-time equivalent employees that continued to collect payments on loans through ALC’s Mobile, Alabama headquarters office. The objectives of this initiative included the simplification of significantly decrease the Company’s business processes, reduction of non-interest expense, and has led to substantial improvement of in the Company’s consumer lending asset quality. The timing of the Company’s ability to achieve each of these objectives will be different with some objectives being achieved relatively quickly after execution of the initiative, while others will take more time quality as ALC’s loan portfolio continues to remaining loans pay down. For example, a significant reduction Historically, ALC’s loans have produced significantly higher levels of non-interest expense was achieved beginning in charge-offs than the Bank’s other loan portfolios.

During the fourth quarter of 2021 2023, the Company transferred all remaining assets and continuing in 2022 due liabilities of ALC to the reduction of personnel, termination of branch leases, and reduction of technology and other overhead expenses. For the year ended December 31, 2022 Bank via intercompany transactions. On December 29, 2023, non-interest expense at ALC totaled $1.8 million, compared to $6.6 million for the year ended December 31, 2021.

Though the initiative resulted in significant non-interest expense reductions relatively early in its execution, it has also resulted in increased expense related to loan loss provisioning. As was dissolved as a result of branch closures, charge-offs associated with ALC loans have increased since the inception of the initiative compared to periods immediately prior to the closures. Net charge-offs at ALC totaled $1.9 million for the year ended December 31, 2022, compared to $0.8 million for the year ended December 31, 2021. legal entity. The increased charge-offs at ALC in 2022 resulted in part from the closure of ALC’s branches, and in part from worsening economic conditions in 2022, including elevated inflation levels and rising interest rates, that have impacted ALC’s borrowers. The combination of increased charge-off levels and worsening economic conditions resulted in additional loan loss provisions at ALC in 2022 compared to 2021. For the year ended December 31, 2022, loan loss provision expense specific to ALC’s loans totaled $2.0 million, compared to $0.5 million for the year ended December 31, 2021. The reduction of loans at ALC is expected to Bank will continue to improve manage the Company’s asset quality over time and result in reduced charge-off levels. ALC’s loans, and in particular its direct consumer portfolio, have historically had the Company’s highest level of credit losses. Approximately 85.5% and 66.1% of the Company’s total net charge-offs were associated with ALC’s loan portfolio during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, ALC's remaining loans net of unearned interest and fees, from ALC’s portfolio, which totaled $20.2 million, compared to $40.8 million $10.5 million as of December 31, 2021.

While the ALC cessation of business strategy is expected to provide ongoing expense reductions, interest income earned on ALC's loans will also continue to decline in future periods as the loans pay down. For the year ended December 31, 2022 December 31, 2023, interest income earned on ALC's loans totaled $4.7 million, compared to $9.0 million for the year ended December 31, 2021. Accordingly, the Company's focus remains on continued loan growth in other areas of the Bank's portfolio, as well as efforts to continue to simplify the Company's ongoing operations and further reduce expenses.

Organizational Efforts

In January 2022, management reorganized the Bank's retail banking, technology and deposit operations functions under a single organizational structure. Under this structure, management expects to further improve the efficiency of its retail banking operation, while also improving the promotion and deployment of the Bank's digital products and services. The Company continues to evaluate opportunities throughout the organization to improve its processes and simplify business models. through final resolution.

Financial Highlights

For the year ended December 31, 2022 December 31, 2023, the Company earned net income of $8.5 million, or $1.33 per diluted common share, compared to net income of $6.9 million, or $1.06 per diluted common share, compared to net income of $4.5 million, or $0.66 per diluted common share, for the year ended December 31, 2021 December 31, 2022. Earnings improvement in 2022, compared to 2021, was driven primarily by reductions in non-interest expense resulting from the strategic initiatives that were initiated by the Company beginning in 2021 and, in particular, the ALC cessation of business initiative. The Company's total non-interest expense was reduced by $4.7 million, or 14.3%, comparing 2022 to 2021.

Summarized condensed consolidated statements of operations are included below for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Interest income	$ 41,197	$ 39,921	$ 52,806	$ 41,197
Interest expense	4,256	2,950	15,456	4,256
Net interest income	36,941	36,971	37,350	36,941
Provision for loan losses	3,308	2,010		
Net interest income after provision for loan losses	33,633	34,961		
Provision for credit losses			319	3,308
Net interest income after provision for credit losses			37,031	33,633
Non-interest income	3,451	3,521	3,381	3,451

Non-interest expense		28,072		32,756		29,141		28,072
Income before income taxes		9,012		5,726		11,271		9,012
Provision for income taxes		2,148		1,275		2,786		2,148
Net income	$	6,864	$	4,451	$	8,485	$	6,864
Basic net income per share	$	1.13	$	0.70	$	1.42	$	1.13
Diluted net income per share	$	1.06	$	0.66	$	1.33	$	1.06
Dividends per share	$	0.14	$	0.12	$	0.20	$	0.14

The discussion that follows summarizes the most significant activity that impacted changes in the Company's operations during 2022 2023 as compared to 2021, 2022, as well as significant changes in the Company's balance sheet comparing December 31, 2022 December 31, 2023 to December 31, 2021 December 31, 2022.

Net Interest Income and Margin

Net interest income decreased increased by $30 thousand $0.4 million, or 1.1%, comparing the year ended December 31, 2022 December 31, 2023 to the year ended December 31, 2021 December 31, 2022. A decrease in net interest income was anticipated by management in 2022 due to the reduction in ALC's higher yielding loans compared to 2021. As a result of the ALC cessation of business strategy, interest and fees on ALC loans decreased by $4.3 million during the year ended December 31, 2022, compared to the year ended December 31, 2021. In addition, due to the rising interest rate environment, the Company's interest expense increased by $1.3 million, comparing 2022 to 2021. However, the year-over-year reduction in interest income on ALC loans, combined with the The increase in interest expense, was mostly offset by an increase of $5.6 million in interest and fee income attributable to the Bank's other interest-earning asset categories. Revenue growth in these categories was primarily attributable to growth in average balances of loans and to a lesser extent, improved yields on the Company's securities investments and cash and cash equivalent balances.

As ALC's loan portfolio continues to pay down, there will be continued reduction in interest and fees attributable to ALC's loans. These reductions are expected to put downward pressure on total loan yield and net interest margin in the future. As a result of the changing mix of loans, combined with increased interest expense, the Company's net interest margin decreased to 4.07% which averaged $795.4 million during the year ended December 31, 2022 December 31, 2023, compared to 4.23% $724.6 million during the year ended December 31, 2022. The average rate on earning assets totaled 5.47% for the year ended December 31, 2021 December 31, 2023, compared to 4.53% for the year ended December 31, 2022.

While yields on earning assets increased in 2023, rates on interest-bearing liabilities increased at a faster pace, causing margin compression. Net interest margin was 3.87% for the year ended December 31, 2023, compared to 4.07% for the year ended December 31, 2022. However, as discussed in The Company's total funding costs, including the section above entitled "Update on Strategic Initiatives," while revenue associated with ALC's loans will continue to decrease, management also expects continued reduction in cost of interest and non-interest expense as ALC's operations wind down, bearing deposits, as well as further reductions in provision for loan losses as ALC's loans continue borrowings, increased to decrease. 1.65% during the year ended December 31, 2023, compared to 0.48% during the year ended December 31, 2022.

Provision for Loan and Lease Credit Losses

The provision for loan and lease credit losses was $3.3 million $0.3 million for the year ended December 31, 2022 December 31, 2023, compared to $2.0 million $3.3 million during the year ended December 31, 2021 December 31, 2022. The increase reduction resulted primarily from reduced charge-off levels comparing the two periods, mostly related to legacy ALC loans which continued to reduce following implementation of the cessation of business strategy. The Company's net charge-offs totaled $1.1 million in provision expense in 2022 2023, compared to 2021 reflected both an increase $2.2 million in 2022. The reduction included a decrease of $1.7 million in net charge-offs associated with ALC's loan portfolio, partially offset by an increase of $0.6 million in net charge-offs associated with the indirect consumer portfolio. The Company's net charge-offs as well as qualitative adjustments applied to the portfolio in response to heightened inflationary trends and other economic uncertainties that emerged a percentage of average loans totaled 0.14% during the year. In management's view, the combination of the ALC business cessation strategy, coupled with deteriorating economic conditions, including elevated inflation levels, increased overall credit risk in ALC's loan portfolio as of December 31, 2022 year ended December 31, 2023, compared to December 31, 2021 0.30% during the year ended December 31, 2022. Loan As of December 31, 2023, the Company's allowance for credit losses on loans as a percentage of total loans was 1.28%, compared to 1.22% as of December 31, 2022. The allowance in 2023 was calculated under the current expected credit loss provisions recorded (CECL) accounting model which was adopted by the Company in 2022 included expense of $2.0 million associated with ALC's loans and $1.3 million associated with the Bank's portfolio. While loan loss provisioning at ALC resulted primarily from increased charge-offs and heightened economic risk factors, provisions at the Bank resulted primarily from loan growth.

30

effective January 1, 2023.

Non-interest Income

Non-interest income totaled $3.4 million and $3.5 million for both the years ended December 31, 2022 December 31, 2023 and 2021. 2022, respectively. The modest reduction in non-interest income resulted from gains on the sale of premises and equipment that occurred in 2022 but were not repeated in 2023.

33

Non-interest Expense

Non-interest expense decreased increased to $29.1 million for the year ended December 31, 2023, compared to $28.1 million for the year ended December 31, 2022, compared to $32.8 million for the year ended December 31, 2021. The decrease in 2022 resulted primarily from implementation Approximately $0.4 million of the ALC business cessation strategy, as well as other efficiency efforts conducted at the Bank. As a result of these efforts, significant expense reductions were realized associated with salaries and employee benefits, occupancy and equipment, as well as other expenses associated with technology, communications, and professional services. Non-interest expense was reduced by increase resulted from nonrecurring gains on the sale of OREO properties that reduced other real estate (OREO) totaling $0.4 million expense in 2022 but were not repeated in 2023. In addition, regulatory assessments from the FDIC and $0.5 million state banking authorities increased by approximately $0.3 million and the Bank experienced an increase in 2021.check fraud of approximately $0.2 million, comparing 2023 to 2022.

Total Assets

As of December 31, 2022 December 31, 2023, the Company's assets totaled $994.7 million $1,072.9 million, compared to $958.3 million $994.7 million as of December 31, 2021 December 31, 2022, an increase of 3.8%. 7.9%, primarily due to the loan and deposit growth described below.

Loan Growth Loans

Total loans increased by $64.2 million $47.9 million, or 9.0% 6.2%, as of December 31, 2022 December 31, 2023, compared to December 31, 2021 December 31, 2022. Loan volume increases included during 2023 were driven primarily by growth in the Bank's indirect consumer loans, commercial construction loans, and non-farm non-residential real estate loans. Growth in indirect consumer lending was consistent with continued demand for the products collateralized through the Company's indirect program, including recreational vehicles, campers, boats, horse trailers and cargo trailers. The increase in commercial construction lending (construction, land development and other land loans) was primarily attributable to continued growth in construction fundings on multi-family residential (secured projects. The loan growth during 2023 was partially offset by multi-family and decreases in the residential real estate (including 1-4 family residential properties), commercial real estate (secured by non-farm, non-residential collateral), and multi-family) and commercial and industrial (C&I) portfolios. Growth in these categories, in 2022 was consistent with continued robust commercial economic activity as well as the direct consumer and branch retail consumer demand categories. Loans in the markets in which direct consumer and branch retail categories were expected to decrease as they comprise the Company operates. The growth in these categories was partially offset by reductions in majority of ALC's loans, construction loans and Paycheck Protection Plan (PPP) loans during the year ended December 31, 2022. remaining loan balances.

Asset Quality

The Company's non-performing Nonperforming assets, including loans in non-accrual status and OREO, totaled $3.0 million as of December 31, 2023 compared to $2.3 million as of December 31, 2022, compared to $4.2 million as of December 31, 2021. The reduction increase in nonperforming assets resulted primarily from one commercial real estate loan that moved into nonaccrual status during the year ended December 31, 2022 resulted mostly from the sale third quarter of OREO properties during the period. Reductions in OREO totaled $1.5 million and included the sale of banking centers that were closed by the Company in 2021. 2023. As a percentage of total assets, non-performing nonperforming assets were reduced totaled 0.28% as of December 31, 2023, compared to 0.24% as of December 31, 2022. Non-accrual loans as a percentage of total loans were 0.29% as of December 31, 2023, compared to 0.43% 0.21% as of December 31, 2021 December 31, 2022. As a percentage OREO totaled $0.6 million and 0.7 million as of average loans, net charge-offs increased to 0.30% for the year ended December 31, 2022, compared to 0.16% for the year ended December 31, 2021. The increase in net charge-offs in December 31, 2023 and 2022, resulted from elevated charge-offs in ALC's runoff loan portfolio. respectively.

Investment Securities Deposit Growth

The investment securities portfolio continues to provide the Company with additional liquidity and allows management to fund a portion of loan growth from the maturity and payoff of securities within the portfolio. As of December 31, 2022, the investment securities portfolio, including both the available-for-sale and held-to-maturity portfolios, totaled $132.7 million, compared to $134.3 million as of December 31, 2021. Management monitors its liquidity position, including forecasted expectations related to loan growth, when making determinations about whether to re-invest in the securities portfolio. The investment portfolio is maintained at average durations that are expected to provide monthly cash flows that can be utilized to reinvest in earning assets at current market rates. As of December 31, 2022, the expected average life of investment securities was 3.5 years, compared to 3.7 years as of December 31, 2021. During the fourth quarter of 2022, the Company sold investment securities with principal balances totaling $8.6 million at a net loss of $83 thousand.

The intent of these sales was to effectively prune the investment portfolio and allow for reinvestment in higher earning assets in future periods.

Deposits and Borrowings

Deposits totaled $950.2 million as of December 31, 2023, compared to $870.0 million as of December 31, 2022. The growth in 2023 included an increase of $96.4 million in interest-bearing deposits, partially offset by a decrease of $16.2 million in noninterest-bearing deposits. The shift to interest-bearing deposits is consistent with deposit holders seeking to maximize interest earnings on their accounts amid the rising interest rate environment. The deposit growth in 2023 included growth of $20.2 million in wholesale brokered deposits that were acquired in order to further enhance the Company's liquidity position following the bank failures that began during the first quarter of 2023. As of December 31, 2023, compared to $838.1 million as of December 31, 2021. Core core deposits, which exclude time deposits of $250 thousand or greater, more and all brokered deposits, totaled $819.5 million, or 86.2% of total deposits, compared to $778.1 million, or 89.4% of total deposits, as of December 31, 2022, compared to $775.1 million, or 92.5% of total deposits, as of December 31, 2021. Average deposit costs, including both interest- and noninterest-bearing deposits, totaled 0.40% for 2022, compared to 0.32% for 2021. Given the rising interest rate environment, competition for deposits increased significantly, particularly during the latter portion of 2022. During the third and fourth quarters of 2022, management utilized wholesale funding sources, including brokered deposits and short-term borrowings, as a tool to provide

greater flexibility in managing balance sheet levels and long-term interest expense relative to actual and expected growth in earning assets. As of December 31, 2022, the Company's short-term borrowings totaled $20.0 million, compared to $10.0 million as of December 31, 2021. In addition, as of both December 31, 2022 and 2021, the Company held long-term borrowings of $10.7 million (net of unamortized debt issuance costs) resulting from the issuance of subordinated debt with a 10-year term on October 1, 2021. Interest on the subordinated debt is fixed at 3.50% for the first five years of the term, resetting to a variable interest rate for the last five years of the term. For the year ended December 31, 2022, the Company's funding costs (including interest and non-interest bearing deposits and borrowings) totaled 0.48%, compared to 0.35% for the year ended December 31, 2021.

Shareholders' Equity

Deployment of Funds

Management seeks to deploy earning assets in an efficient manner to maximize net interest income while maintaining appropriate levels of liquidity to protect the safety and soundness of the organization. Management's decisions during 2023, particularly following the bank failures that occurred, were focused on maintaining the Company's strong liquidity position. As part of December 31, 2022, shareholders' equity this focus, management elected to hold higher levels of cash and cash equivalents. Cash and cash equivalents totaled $85.1 million $50.3 million as of December 31, 2023, compared to $90.1 million $30.2 million as of December 31, 2021 December 31, 2022. Investment securities, including both the available-for-sale and held-to-maturity portfolios, totaled $136.7 million as of December 31, 2023, compared to $132.7 million as of December 31, 2022. The decrease expected average life of securities in the investment portfolio was 3.9 years as of December 31, 2023, compared to 3.5 years as of December 31, 2022. Management will continue to evaluate opportunities to invest excess cash balances within the context of anticipated loan and deposit growth and current liquidity needs.

Shareholders' Equity

Shareholders' equity increased by $5.5 million, or 6.4%, as of December 31, 2023, compared to December 31, 2022. The increase in shareholders' equity resulted from increased earnings, net of dividends paid, combined with valuation increases in accumulated other comprehensive loss due to declines in the market value of the Company's available-for-sale investment portfolio as well as repurchases of shares of the Company's common stock that reduced accumulated other comprehensive loss. The increase in shareholders' equity during the year ended December 31, 2022. The market value declines in investment securities available-for-sale were the direct result of the increasing interest rate environment in 2022. No other-than-temporary impairment was recognized in the portfolio as of December 31, 2022. The market value decrease in available-for-sale securities was partially offset by an increase in the market value CECL transition adjustment, which reduced retained earnings by $1.8 million, net of cash flow derivative instruments that hedge certain deposits and borrowings on the Company's balance sheet. tax, as well as a decrease of $1.4 million associated with share repurchases.

Cash Dividends

Cash Dividends

Commensurate with the earnings growth experienced during 2022, the Company increased its quarterly cash dividend in the fourth quarter of 2022 by $0.02 per share. For the year ended December 31, 2022, the The Company declared total cash dividends of totaling $0.20 per share on its common stock during 2023, compared to cash dividends totaling $0.14 per share compared to $0.12 per share for the year ended December 31, 2021. on its common stock during 2022.

Share Repurchases

During 2022, 2023, the Company completed share repurchases totaling 412,400 137,500 shares of its common stock at a weighted average price of $10.87 $10.34 per share. The share repurchases were completed under the Company's existing share repurchase program, which was amended in each of December 2019 and April 2021 to allow the repurchase of additional shares, and the Company's Board of Directors has periodically extended the expiration date of the program, most recently to December 31, 2023 December 31, 2024. As of December 31, 2022 December 31, 2023, a total of 596,813 459,313 shares remained available for repurchase under the program.

Regulatory Capital

During 2022, During 2023, the Bank continued to maintain capital ratios at higher levels than required to be considered a "well-capitalized" institution under applicable banking regulations. As of December 31, 2022 December 31, 2023, the Bank's common equity Tier 1 capital and Tier 1 risk-based capital ratios were each 11.07%, its 10.88%. Its total capital ratio was 12.19% 12.11%, and its Tier 1 leverage ratio was 9.39% 9.36%.

Liquidity

As of December 31, 2022 December 31, 2023, the Company continued to maintain excess funding capacity sufficient to provide adequate liquidity for loan growth, capital expenditures and ongoing operations. The Company benefits from a strong core deposit base, a liquid investment securities portfolio and access to funding from a variety of sources, including federal funds lines, Federal Home Loan Bank FHLB advances, brokered deposits, and brokered deposits. funding capacity with the FRB. In response to heightened liquidity concerns in the banking industry, during 2023 management undertook measures designed to enhance the Company's liquidity position. These procedures included holding higher levels of on-balance sheet cash, as well as enhancing the availability of off-balance sheet borrowing capacity. As part of these efforts, during the third quarter of 2023, the Company completed the establishment of additional borrowing capacity through the FRB's discount window, primarily via the pledging of the majority of the Company's indirect loan portfolio as collateral. Due to these efforts, the Company’s immediate borrowing capacity based on collateral pledged through the discount window increased to $161.7 million as of December 31, 2023, compared to $1.2 million as of December 31, 2022.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income is calculated as the difference between interest and fee income generated from earning assets and the interest expense paid on deposits and borrowed funds. Fluctuations in interest rates, as well as volume and mix changes in earning assets and interest-bearing liabilities, can materially impact net interest income. The Company’s earning assets consist of loans, taxable and tax-exempt investments, Federal Home Loan Bank stock, federal funds sold by the Bank and interest-bearing deposits in banks. Interest-bearing liabilities consist of interest-bearing demand deposits and savings and time deposits, as well as borrowings.

The following table shows the average balances of each principal category of assets, liabilities and shareholders’ equity for the years ended December 31, 2022 December 31, 2023 and 2021. 2022. Additionally, the table provides an analysis of interest revenue or expense associated with each category, along with the accompanying yield or rate percentage. Net interest margin is calculated for each period presented as net interest income divided by average total interest-earning assets.

	Year Ended December 31,						Year Ended December 31,					
	2022			2021			2023			2022		
	Aver age Bala nce	Inte rest	Ann ualiz ed Yield / Rate %	Aver age Bala nce	Inte rest	Ann ualiz ed Yield / Rate %	Average Balance	Interest	Annualized Yield/ Rate %	Average Balance	Interest	Annualized Yield/ Rate %
	(Dollars in Thousands)						(Dollars in Thousands)					
ASSETS												
Interest-earning assets:												
Total loans (Note A)	$ 72 4,6 39	$ 38 ,0 15	5.25 %	$ 68 5,0 10	$ 38 ,2 29	5.58 %						
Total loans (1)							$ 795,446	$ 47,749	6.00 %	$ 724,639	$ 38,015	5.25 %

Taxable investment securities	141,283	2,631	1.86 %	107,141	1,503	1.40 %	127,653	2,858	2.24 %	141,283	2,632	1.86 %
Tax-exempt investment securities	2,342	36	1.54 %	3,370	60	1.78 %	1,042	13	1.25 %	2,342	36	1.54 %
Federal Home Loan Bank stock	1,247	53	4.25 %	928	34	3.66 %	1,264	93	7.36 %	1,247	53	4.25 %
Federal funds sold	584	22	3.77 %	83	—	—	1,841	95	5.16 %	584	22	3.77 %
Interest-bearing deposits in banks	38,379	440	1.15 %	76,972	95	0.12 %	38,111	1,998	5.24 %	38,379	439	1.14 %
Total interest-earning assets	908,474	41,197	4.53 %	873,504	39,921	4.57 %	965,357	52,806	5.47 %	908,474	41,197	4.53 %
Noninterest-earning assets	65,855			66,782			63,765			65,855		
Total	$ 974,329			$ 940,286			$ 1,029,122			$ 974,329		
LIABILITIES AND SHAREHOLDERS' EQUITY												
Interest-bearing liabilities:												
Demand deposits	$ 246,124	$ 638	0.26 %	$ 236,084	$ 553	0.23 %	$ 212,010	$ 777	0.37 %	$ 246,124	$ 638	0.26 %
Savings deposits	208,672	1,204	0.58 %	193,766	599	0.31 %	229,238	5,007	2.18 %	208,672	1,204	0.58 %

Time deposits	212,591	1,540	0.72 %	226,425	1,517	0.67 %	305,848	8,566	2.80 %	212,591	1,540	0.72 %
Total interest-bearing deposits	667,387	3,382	0.51 %	656,275	2,669	0.41 %	747,096	14,350	1.92 %	667,387	3,382	0.51 %
Noninterest-bearing demand deposits	182,032	—	—	172,187	—	—	160,598	—	—	182,032	—	—
Total deposits	849,419	3,382	0.40 %	828,462	2,669	0.32 %	907,694	14,350	1.58 %	849,419	3,382	0.40 %
Borrowings	30,048	874	2.91 %	13,512	281	2.08 %	26,252	1,106	4.21 %	30,048	874	2.91 %
Total funding costs	879,467	4,256	0.48 %	841,974	2,950	0.35 %	933,946	15,456	1.65 %	879,467	4,256	0.48 %
Other noninterest-bearing liabilities	8,977			9,416			9,302			8,977		
Shareholders' equity	85,885			88,896			85,874			85,885		
Total	$ 974,329			$ 940,286			$ 1,029,122			$ 974,329		
Net interest income (Note B)		$ 36,941			$ 36,971							
Net interest income (2)								$ 37,350			$ 36,941	
Net interest margin			4.07 %			4.23 %			3.87 %			4.07 %

Note A (1) — For the purpose of these computations, non-accruing loans are included in the average loan amounts outstanding. Non-accruing loans averaged $1.7 million and $1.8 million for both the years ended December 31, 2022 December 31, 2023 and 2021. 2022, respectively.

Note B (2) — Loan fees are included in the interest amounts presented. Loan fees totaled $0.6 million and $0.9 million for the years ended December 31, 2023 and $1.7 million for 2022 and 2021, December 31, 2022, respectively.

33 36

The following table summarizes the impact of variances in volume and rate of interest-earning assets and interest-bearing liabilities on components of net interest income.

	2022 Compared to 2021 Increase (Decrease) Due to Change In:			2021 Compared to 2020 Increase (Decrease) Due to Change In:			2023 Compared to 2022 Increase (Decrease) Due to Change In:			2022 Compared to 2021 Increase (Decrease) Due to Change In:		
	Volume	Average Rate	Net	Volume	Average Rate	Net	Volume	Average Rate	Net	Volume	Average Rate	Net
	(Dollars in Thousands)						(Dollars in Thousands)					
Interest earned on:												
Total loans	$ 2,212	$ (2,426)	$ (214)	$ 6,145	$ (6,167)	$ (22)	$ 3,715	$ 6,019	$ 9,734	$ 2,212	$ (2,426)	$ (214)
Taxable investments	479	649	1,128	143	(401)	(258)						
Tax-exempt investments	(18)	(6)	(24)	19	(14)	5						
Taxable investment securities							(254)	480	226	479	650	1,129
Tax-exempt investment securities							(20)	(3)	(23)	(18)	(6)	(24)

Federal Home Loan Bank stock	12	7	19	(9)	(8)	(17)	1	39	40	12	7	19
Federal funds	0	22	22	(44)	(1)	(45)						
Federal funds sold							47	26	73	0	22	22
Interest-bearing deposits in banks	(48)	393	345	37	(156)	(119)	(3)	1,562	1,559	(48)	392	344
Total interest-earning assets	2,637	(1,361)	1,276	6,291	(6,747)	(456)	3,486	8,123	11,609	2,637	(1,361)	1,276
Interest expense on:												
Demand deposits	24	61	85	132	(156)	(24)	(88)	227	139	24	61	85
Savings deposits	46	559	605	145	(302)	(157)	119	3,684	3,803	46	559	605
Time deposits	(93)	116	23	(99)	(1,527)	(1,626)	676	6,350	7,026	(93)	116	23
Other borrowings	344	249	593	45	101	146						
Borrowings							(110)	342	232	344	249	593
Total interest-bearing liabilities	321	985	1,306	223	(1,884)	(1,661)	597	10,603	11,200	321	985	1,306
Increase (decrease) in net interest income	$ 2,316	$ (2,346)	$ (30)	$ 6,068	$ (4,863)	$ 1,205	$ 2,889	$ (2,480)	$ 409	$ 2,316	$ (2,346)	$ (30)

Note: Changes attributable to the combined effect of volume and interest rates have been allocated proportionately to the changes due to volume and the changes due to interest rates.

Net interest Interest income for increased by $11.6 million, comparing the year ended December 31, 2022 decreased by $30 thousand compared 2023 to 2022. Of the increase, $8.1 million was attributable to higher average yields on interest-earning assets, while $3.5 million was attributable to growth in average loan volume comparing the two periods. The increase in average yield was attributable to the year ended December 31, 2021. A decrease rise in net market interest income was anticipated by management rates that began in 2022 due to the reduction and continued in ALC's higher yielding loans compared to 2021. As a result of the ALC cessation of business strategy, interest and fees on ALC loans decreased by $4.3 million during the year ended December 31, 2022, compared to the year ended December 31, 2021. In addition, due primarily to the rising interest rate environment, combined with long-term debt issued by the Company in the fourth quarter of 2021, the Company's interest expense increased by $1.3 million, comparing 2022 to 2021. However, the year-over-year reduction 2023. The increase in interest income on ALC loans, combined associated with the loan volume increases was attributable to loan growth during 2023 of $47.9 million, or 6.2%.

The increase in interest expense, income was mostly offset by an increase of $5.6 million in interest and fee income expense of $11.2 million, comparing 2023 to 2022. Of the increase, $10.6 million was attributable to the Bank's other interest-earning asset categories. Revenue growth rise in these categories market interest rates, while $0.6 million was primarily attributable to growth in average balances interest-bearing liabilities, primarily time deposits. During the latter half of loans, 2022 and throughout 2023, the Company focused a portion of its deposit marketing efforts on growth in time deposits of various maturities in an effort to increase the predictability of funding cash flows. Additionally in 2023, the Company utilized wholesale brokered deposits to a lesser larger extent improved yields in order to enhance the Company's on-balance sheet liquidity position. Efforts to enhance the Company's on-balance sheet liquidity were taken primarily as precautionary measures in the wake of liquidity events that impacted the banking industry during 2023.

The rising market interest rate environment has had, and continues to have, a significant impact on the Company's securities investments Company and cash the banking industry in general. Beginning in March 2022 and cash equivalent balances.

As ALC's loan portfolio continues through July 2023, the FRB raised the federal funds rate by a total of 525 basis points. While the Company has generally been positioned to pay down, there will be continued reduction in benefit from the rising interest and fees attributable to ALC's loans. These reductions are expected to put downward pressure on total loan yield and net interest margin in the future. As a result of the changing mix of loans, combined with increased interest expense, rate environment, the Company's net interest margin decreased to 4.07% declined during 2023 as the year ended December 31, 2022, compared to 4.23% for cost of interest-bearing liabilities increased at a faster pace than income earned on interest-earning assets. Further, in connection with the year ended December 31, 2021. However, as discussed liquidity events that have occurred in the Executive Summary under banking industry, competition for deposits has intensified significantly. This increased competition, coupled with the section entitled "Update on Strategic Initiatives," while revenue associated with ALC's loans will volatility of the industry, has introduced additional uncertainty into the market. Should market interest rates continue to decrease, management also expects continued reduction in non-interest expense as ALC's operations wind down, as well as reductions in provision for loan losses as ALC's loans continue to decrease.

It is expected that rise or reduce at significant levels, the Company's net interest income will continue to could be impacted significantly by the interest rate environment. Management's interest rate risk modeling generally indicates that both net interest margin and net interest income would benefit in a rising interest rate environment, specifically with increases up to 200 basis points from December 31, 2022 levels. However, this modeling also indicates that net interest income and margin would decrease in a declining interest rate environment, or in an upward rate environment with increases in excess of 200 basis point from December 31, 2022 levels. The Company's strategy to cease new business development at ALC is expected to reduce average yields on loans in the near term until the ALC portfolio has paid down to nominal levels. Management expects that growth in loan volume with loans of sufficient credit quality will enhance net interest income over time as earning assets are shifted from lower earning cash and federal funds sold balances into loan assets. However, the environment for both loan and deposit generation is highly competitive, particularly in the current rising interest rate environment. Reductions in either loan volume or deposit levels could result in downward pressure on net interest income.

Based on recent statements by Federal Reserve officials, it is expected that the Federal Open Market Committee will continue raising interest rates to address inflationary pressures in the near-term, and, monetary tightening may continue through much of 2023. The level of interest rate increases or decreases is unpredictable and can result in rates rising in an uneven manner that causes unpredictable effects. In addition, higher rates could negatively affect the economy, loan demand and borrowers' financial position.impacted.

Provision for Loan and Lease Credit Losses

The provision for loan and lease credit losses was $0.3 million for the year ended December 31, 2023, compared to $3.3 million for the year ended December 31, 2022. The decrease in 2023 compared to 2022 was primarily the result of the cessation of business strategy at ALC, which has led to significantly reduced net charge-offs as ALC's loans have paid down. Net charge-offs on ALC loans totaled $0.2 million, during the year ended December 31, 2023, compared to $2.0 million for $1.9 million, during the year ended December 31, 2021 December 31, 2022. The increase in provision expense in 2022

While the Company experienced improved charge-off metrics during 2023, compared to 2021 reflected both an increase in 2022, the timing of charge-offs, associated with ALC's loan portfolio, as well as qualitative adjustments applied to the portfolio in response to heightened inflationary trends economic developments, and other economic uncertainties factors that emerged during could impact the year. In management's view, provision for credit losses cannot be fully predicted with certainty. Sustained levels of high inflation, combined with the combination recent rapid rise in market interest rates, could negatively impact the Company's borrowers, which could lead to increased provisions for credit losses in the future.

Effective January 1, 2023, the Company adopted the CECL model to account for credit losses on financial instruments, including loans and leases, unfunded commitments and held-to-maturity securities. The adoption of the ALC business cessation strategy, coupled with deteriorating economic conditions, including elevated inflation levels, increased overall CECL model resulted in a transition adjustment totaling $2.4 million, increasing the Company's allowance for credit risk in ALC's loan portfolio losses on loans and leases by $2.1 million, and establishing an allowance for unfunded commitments of $0.3 million. As of December 31, 2023, the Company's allowance for credit losses was 1.28% of total loans, compared to 1.22% as of December 31, 2022, compared to December 31, 2021. Loan loss provisions recorded by the Company in 2022 included expense of $2.0 million associated with ALC's loans and $1.3 million associated with the Bank's portfolio. While loan loss provisioning at ALC resulted primarily from increased charge-offs and heightened economic risk factors, provisions at the Bank resulted primarily from loan growth. The Company's net charge-offs totaled $2.2 million, or 0.30% of average loans, in 2022, compared to $1.2 million, or 0.16% of average loans, in 2021. Of the $2.2 million in net charge-offs in 2022, $1.9 million was associated ALC's loans, while the remaining $0.3 million was associated with the Bank's portfolio. Of the $1.2 million in net charge-offs in 2021, $0.8 million was associated with ALC's loans, while $0.4 million was associated with the Bank's portfolio.

Management management believes that the allowance for loan credit losses on loans and lease leases, as well as the allowance for credit losses as of December 31, 2022, which was calculated under an incurred loss model, on unfunded commitments, was sufficient to absorb life-of-loan credit losses in the Company's loan portfolio based on circumstances existing as of the balance sheet date. Furthermore, we believe that continued runoff of ALC's direct consumer loans will continue to lead to reduced provisions over time.

However, uncertainty continues to exist related to various economic factors, including, but not limited to, date, combined with reasonable and supportable forecasts, the ultimate impact on the Company's borrowers of inflation, elevated interest levels, supply chain disruption, geopolitical activities, and any future impacts determination of the COVID-19 pandemic. Accordingly, allowance is complex and requires judgment by management will continue to monitor circumstances associated with about the loan portfolio. Should effects of matters that are inherently uncertain. Changing economic circumstances deteriorate, or forecasts, or changes in management's judgments and estimates, could result in additional loan loss provisioning may be required.

Due to its classification as a smaller reporting company by the Securities and Exchange Commission, as of December 31, 2022, the Company was not required to adopt, and had not adopted, the Current Expected Credit Loss (CECL) model to account provision for credit losses. Effective January 1, 2023, the Company adopted the CECL accounting model, and recorded a transition adjustment that increased loan loss reserves by approximately $2.4 million. Of this amount, approximately $0.7 million, or 29%, was associated with ALC's run-off loan portfolio, while approximately $1.7 million, or 71%, was associated with the Bank's loan portfolio. In accordance with CECL transition accounting guidance, the transition adjustment was recorded directly to retained earnings during the first quarter of 2023 and did not impact current period earnings. losses in future periods.

Non-Interest Income

Non-interest income represents fees and income derived from sources other than interest-earning assets. The following table presents the major components of non-interest income for the periods indicated:

	Year Ended December 31,				Year Ended December 31,			
	2022	2021	$ Change	% Change	2023	2022	$ Change	% Change
	(Dollars in Thousands)				(Dollars in Thousands)			
Service charges and other fees on deposit accounts	$ 1,154	$ 1,069	$ 85	8.0 %	$ 1,197	$ 1,154	$ 43	3.7 %
Bank-owned life insurance	451	439	12	2.7 %	471	451	20	4.4 %
Net (loss) gain on sale and prepayment of investment securities	(83)	22	(105)	NM				
Net loss on sale and prepayment of investment securities					—	(83)	83	NM
Gain on sales of premises and equipment and other assets					17	301	(284)	(94.4)%
Lease income	864	830	34	4.1 %	949	864	85	9.8 %
ATM fee income					415	532	(117)	(22.0)%
Other income	1,065	1,161	(96)	(8.3)%	332	232	100	43.1 %
Total non-interest income	$ 3,451	$ 3,521	$ (70)	(2.0)%	$ 3,381	$ 3,451	$ (70)	(2.0)%

NM: Not Meaningful

The Company’s non-interest income decreased by $0.1 million comparing 2023 to 2022, due primarily to gains on the sale of premises and equipment that occurred in 2022, compared but were not repeated in 2023, as well as reductions in ATM fee income. In recent periods, the Company’s sources of non-interest revenue have not fluctuated significantly, with the exception of nonrecurring increases or decreases that have occurred from time to 2021 primarily time due to nonrecurring net gains or losses on sales of investment securities totaling $83 thousand in 2022, compared to a gain of $22 thousand in 2021. During the fourth quarter of 2022, investment securities with principal balances totaling $8.6 million were sold at a net loss of $83 thousand. assets or other nonrecurring sources. The intent of these sales was to effectively prune the investment portfolio and allow for reinvestment in higher earning assets in future periods. In addition to the impact of investment security sales, other income decreased in 2022 compared to 2021 due primarily to reductions in credit insurance revenues associated with FUSB Reinsurance which ceased writing new insurance contracts in 2022.

Certain majority of the Company’s sources of non-interest revenue sources, including gains or losses on income are relatively stable and are not expected to change significantly in the sale of investments and other assets are largely dependent on facts and circumstances at a given point in time, and accordingly, revenues from these sources cannot be forecasted with any certainty. Non-interest near term. However, non-interest revenues earned from service charges and other fees on deposit accounts have generally declined during in recent years based on changes in depositor preferences for liquidity, particularly during the COVID-19 pandemic. a number of reasons, including a changing regulatory environment associated with these types of revenues. Management will continue continues to evaluate opportunities to add new non-interest revenue streams or to and grow existing streams; however, significant growth in non-interest income is not expected in the near term.

Non-Interest Expense

Non-interest expense represents expenses incurred from sources other than interest-bearing liabilities. The following table presents the major components of non-interest expense for the periods indicated:

	Year Ended December 31,				Year Ended December 31,			
	2022	2021	$ Change	% Change	2023	2022	$ Change	% Change
	(Dollars in Thousands)				(Dollars in Thousands)			
Salaries and employee benefits	$ 16,418	$ 19,157	$ (2,739)	(14.3)%	$ 16,076	$ 16,418	$ (342)	(2.1)%
Net occupancy and equipment expense	3,281	4,388	(1,107)	(25.2)%				
Net occupancy and equipment					3,479	3,281	198	6.0%
Computer services	1,639	1,832	(193)	(10.5)%	1,756	1,639	117	7.1%

Insurance expense and assessments	1,250	1,361	(111)	(8.2)%	1,583	1,250	333	26.6 %
Fees for professional services	1,060	1,275	(215)	(16.9)%	1,105	1,060	45	4.2 %
Postage, stationery and supplies	614	802	(188)	(23.4)%	620	614	6	1.0 %
Telephone/data communication	682	903	(221)	(24.5)%	722	682	40	5.9 %
Collection and recoveries					292	261	31	11.9 %
Directors fees					471	479	(8)	(1.7)%
Software amortization					412	460	(48)	(10.4)%
Other real estate/foreclosure expense, net	(331)	(371)	40	(10.8)%	68	(331)	399	(120.5)%
Other	3,459	3,409	50	1.5 %				
Other expense					2,557	2,259	298	13.2 %
Total non-interest expense	$ 28,072	$ 32,756	$ (4,684)	(14.3)%	$ 29,141	$ 28,072	$ 1,069	3.8 %

Non-interest The Company's non-interest expense was increased by 3.8% comparing 2023 to 2022. The majority of the increase resulted from nonrecurring gains on the sale of properties that reduced other real estate/foreclosure expense in 2022, compared but were not repeated in 2023, and an increase in FDIC and state assessments of approximately $0.3 million comparing 2023 to 2021, due primarily 2022. In addition, the Company has experienced increases in other expense categories commensurate with the inflationary environment. Such increases in certain categories of non-interest expense were partially offset by decreases in other categories, most notably salaries and employee benefits, which decreased by 2.1% comparing 2023 to 2022. The reduction in salaries and benefits expense resulted from the impact of the strategic initiatives executed undertaken by the Company beginning in the third quarter of 2021. The initiatives, which included the ALC cessation of business strategy, Bank branch closures and 2021 to, among other operational efficiency efforts at the Bank, led to significant reductions in things, improve the Company's personnel levels, operating efficiency. These initiatives reduced levels of occupancy and equipment expense, and decreases in various other expense categories.

Salaries and employee benefits expense reductions were achieved through the reduction of employee levels, the most notable of which was realized during the third quarter of 2021 following implementation of the ALC business cessation strategy. Further reductions of employee levels were achieved through the Company's ongoing efficiency efforts. As of December 31, 2022, expense profile significantly in 2022 and, in some expense areas such as salaries and benefits, continued to benefit the Company employed 155 full-time equivalent employees (including 149 at during 2023. However, the Bank current inflationary environment and six at ALC), compared to 175 as of December 31, 2021, and 259 as of June 30, 2021 (the quarter-end date immediately prior to execution of the strategic initiatives).

The reduction in occupancy and equipment expense resulted primarily from the termination of the majority of ALC's lease contracts following cessation of business at its branches, as well as the closure of four bank branches in the third quarter of 2021. As of December 31, 2022, all previously existing ALC leases had been terminated except for the ongoing lease of ALC's headquarters office that continues to house the remaining ALC staff. During the year ended December 31, 2022, non-interest expense was also reduced by one-time net gains on the sale of OREO that totaled $0.4 million. The gains were primarily generated by the sale of the Bank's closed branch assets.

Due to the strategic initiatives, additional expense reductions were also realized related to telephone/data communications, computer services, professional services, postage and supplies and various other expense categories, comparing the year ended December 31, 2022 to the year ended December 31, 2021.

Both years presented included certain one-time restructuring charges associated with the ALC cessation of business strategy. These charges included expenses associated with employee severances, termination of leases and technology contracts, fixed asset valuation adjustments, and miscellaneous other expenses. The restructuring charges totaled $0.2 million during the year ended December 31, 2022, compared to $0.9 million during the year ended December 31, 2021. As of December 31, 2022, the majority of estimated restructuring charges associated with the ALC strategy have been incurred. The strategic initiatives are tight labor market is expected to continue to reduce the Company's expense structure in the near term, although the reductions may be offset by inflationary pressures affecting the Company's ongoing operations. One of management's primary focuses continues put upward pressure on non-interest expenses. Accordingly, management will remain focused on efforts to be streamline business simplification and process improvements processes in an effort to continue improving to improve the Company's overall efficiency levels.

36

Provision for Income Taxes

The provision for income taxes was $2.1 million $2.8 million and $1.3 million $2.1 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The Company's effective tax rate was 23.8% 24.7% and 22.3% 23.8%, respectively, for the same periods.

The effective tax rate is impacted by recurring items, such as changes in tax-exempt interest income earned from bank-qualified municipal bonds and loans and the cash surrender value of bank-owned life insurance. Management makes decisions about whether to invest in tax-exempt instruments on a case-by-case basis after considering a number of factors, including investment return, credit quality and the consistency of such investments with the Company's overall strategy. The Company's effective tax rate is expected to fluctuate commensurate with the level of these investments as compared to total pre-tax income.

BALANCE SHEET ANALYSIS

Investment Securities

The investment securities portfolio is used by management to provide liquidity, to generate interest income and for use as collateral for public deposits and wholesale funding. Risk and return can be adjusted by altering the duration, composition and/or balance of the portfolio. The expected average life of securities in the investment portfolio was 3.5 3.9 years and 3.7 3.5 years as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Available-for-sale securities are recorded at estimated fair value, with unrealized gains or losses recognized, net of taxes, in accumulated other comprehensive income or loss, a separate component of shareholders' equity. As of December 31, 2022 December 31, 2023, available-for-sale securities totaled $135.6 million, or 99.2% of the total investment portfolio, compared to $130.8 million, or 98.6% of the total investment portfolio, compared to $130.9 million, or 97.4% of the total investment portfolio, as of December 31, 2021 December 31, 2022. Available-for-sale securities consisted of residential and commercial mortgage-backed securities, U.S. Treasury securities, corporate bonds notes, obligations of U.S. government-sponsored agencies, and obligations of state and political subdivisions.

39

Held-to-maturity securities are recorded at amortized cost and represent securities that the Company both intends and has the ability to hold to maturity. As of December 31, 2022 December 31, 2023, held-to-maturity securities totaled $1.1 million, or 0.8% of the total investment portfolio, compared to $1.9 million, or 1.4% of the total investment portfolio, compared to $3.4 million, or 2.6% of the total investment portfolio, as of December 31, 2021 December 31, 2022. Held-to-maturity securities consisted of commercial mortgage-backed securities, obligations of U.S. government-sponsored agencies and obligations of states and political subdivisions.

Due to decreases in the interest rate environment during the fourth quarter of 2023 compared to 2022, as well as investment purchases in 2023 at higher yields, unrealized losses net of unrealized gains decreased, particularly within the Company's available-for-sale portfolio. Unrealized losses net of unrealized gains in the available-for-sale portfolio totaled $9.3 million as of December 31, 2023, compared to $11.1 million as of December 31, 2022. Unrealized losses net of unrealized gains within the available-for-sale portfolio were recognized, net of tax, in accumulated other comprehensive loss.

As of December 31, 2023, the Company evaluated both the available-for-sale and held-to-maturity portfolios for credit loss in accordance with the revised accounting guidance of ASC 326: *"Financial Instruments - Credit Losses"* ("ASC 326"). Based on these evaluations, management concluded that no credit losses were included in either portfolio and that the unrealized losses in both portfolios resulted from the prevailing interest rate environment.

Investment Securities Maturity Schedule

The following tables summarize the carrying values and weighted average yield of the available-for-sale and held-to-maturity securities portfolios as of December 31, 2022 December 31, 2023, according to contractual maturity. Available-for-sale securities are stated at fair value. Held-to-maturity securities are stated at amortized cost. The calculations of the weighted average yields for each maturity category are based upon yield weighted by the respective costs of the securities.

	Available-for-Sale Stated Maturity as of December 31, 2022								Available-for-Sale Stated Maturity as of December 31, 2023							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in Thousands)								(Dollars in Thousands)							
Investment securities available-for-sale:																
Mortgage-backed securities:																

Residential	$ 6	3.42 %	$ 5,639	2.35 %	$ 37,356	1.81 %	$ 5,227	1.85 %	$ —		$ —		$ 4,948	2.57 %	$ 26,638	1.94 %	$ 13,142	2.77 %
Commercial	6	7.17 %	2,510	1.81 %	3,211	1.92 %	5,967	4.81 %	—	—	3,190	2.46 %	2,769	3.01 %	3,081	2.07 %
Obligations of U.S. government-sponsored agencies									—	—	—	—	7,107	1.58 %	4,174	2.82 %
Obligations of states and political subdivisions	500	3.25 %	512	1.09 %	—	—	1,060	1.09 %	—	—	523	6.49 %	1,035	3.00 %	—	—
Corporate notes	—	—	—	—	15,920	3.48 %	—	—	—	—	—	—	14,957	2.18 %	—	—
U.S. Treasury securities	—	—	48,497	1.58 %	4,384	1.44 %	—	—	12,895	5.18 %	41,106	1.33 %	—	0.00 %	—	—
Total	$ 512	3.29 %	$ 57,158	1.66 %	$ 60,871	2.22 %	$ 12,254	3.23 %	$ 12,895	5.18 %	$ 49,767	2.30 %	$ 52,506	2.62 %	$ 20,397	2.70 %
Total securities with stated maturity							$ 130,795	1.91 %							$ 135,565	2.59 %

	Held-to-Maturity Stated Maturity as of December 31, 2023							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in Thousands)							
Investment securities held-to-maturity:								
Mortgage-backed securities:								
Residential	$ —	—	$ —	0.00 %	$ —	—	$ —	—
Commercial	—	—	101	2.26 %	337	1.28 %	137	2.65 %
Obligations of U.S. government-sponsored agencies	—	—	148	3.18 %	323	3.00 %	—	—
Obligations of states and political subdivisions	—	—	—	—	—	0.00 %	58	3.00 %
Total	$ —	—	$ 249	2.81 %	$ 660	2.12 %	$ 195	2.76 %
Total securities with stated maturity							$ 1,104	2.39 %

	Held-to-Maturity Stated Maturity as of December 31, 2022							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in Thousands)							
Investment securities held-to-maturity:								
Mortgage-backed securities:								
Residential	$ —	—	$ —	—	$ 610	2.29 %	$ —	—
Commercial	—	—	—	—	997	2.25 %	170	1.86 %
Obligations of states and political subdivisions	—	—	—	—	—	0.00 %	85	3.05 %
Total	$ —	—	$ —	—	$ 1,607	2.26 %	$ 255	2.26 %
Total securities with stated maturity							$ 1,862	2.26 %

Condensed Portfolio Maturity Schedule

Maturity Summary as of December 31, 2022 / Maturity Summary as of December 31, 2023	Dollar Amount (2022)	Portfolio Percentage (2022)	Dollar Amount (2023)	Portfolio Percentage (2023)
	(Dollars in Thousands)		(Dollars in Thousands)	
Maturing in three months or less	$ 500	0.4 %	$ 12,895	9.4 %
Maturing after three months to one year	12	0.0 %	—	—
Maturing after one year to three years	35,129	26.5 %	34,254	25.1 %
Maturing after three years to five years	22,030	16.6 %	15,763	11.5 %
Maturing after five years to fifteen years	62,478	47.1 %	53,165	38.9 %
Maturing in more than fifteen years	12,508	9.4 %	20,592	15.1 %
Total	$ 132,657	100.0 %	$ 136,669	100.0 %

Loans and Allowance for Loan Losses Leases

The tables Company's total loan portfolio increased by $47.9 million, or 6.2%, as of December 31, 2023, compared to December 31, 2022. The table below summarize summarizes loan balances by portfolio category at the end of each of the most recent five years as of December 31, 2022 December 31, 2023:

	Year Ended December 31,					Year Ended December 31,				
	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019
	(Dollars in Thousands)					(Dollars in Thousands)				
Real estate loans:										
Construction, land development and other land loans	$ 54,396	$ 67,048	$ 37,282	$ 30,820	$ 42,648	$ 88,140	$ 53,914	$ 67,393	$ 37,377	$ 30,755
Secured by 1-4 family residential properties	88,426	72,727	88,856	104,537	110,756	76,200	87,995	72,670	88,936	104,440
Secured by multi-family residential properties	67,917	46,000	54,326	50,910	23,009	62,397	67,852	46,021	54,421	50,845
Secured by non-farm, non-residential properties	199,965	197,901	184,528	162,981	156,162	213,586	200,156	198,000	184,622	162,916
Commercial and industrial loans	73,561	73,947	81,735	90,957	85,779	60,515	73,546	73,865	81,562	90,954
Consumer loans:										
Direct consumer	10,053	21,689	29,788	38,040	38,583	5,938	9,851	20,090	27,229	34,518

	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019
Branch retail	14,237	25,692	32,094	32,305	28,324	8,670	13,992	24,380	30,176	29,946
Indirect	266,567	205,940	141,514	45,503	40,609	306,345	266,567	205,931	141,521	46,631
Total loans	$ 775,122	$ 710,944	$ 650,123	$ 556,053	$ 525,870	$ 821,791	$ 773,873	$ 708,350	$ 645,844	$ 551,005
Less unearned interest, fees and deferred cost	1,249	2,594	4,279	5,048	5,948					
Allowance for loan losses	9,422	8,320	7,470	5,762	5,055					
Allowance for credit losses						10,507	9,422	8,320	7,470	5,762
Net loans	$ 764,451	$ 700,030	$ 638,374	$ 545,243	$ 514,867	$ 811,284	$ 764,451	$ 700,030	$ 638,374	$ 545,243

Allowance for Credit Losses on Loans and Leases

The tables table below summarize summarizes changes in the allowance for loan credit losses on loans and lease losses leases for each of the most recent five years as of December 31, 2023. For years ended December 31, 2022: and prior, information presented is as determined in accordance with ASC 310, *Receivables*, prior to the adoption of ASC 326:

	Year Ended December 31,					Year Ended December 31,				
	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019
	(Dollars in Thousands)					(Dollars in Thousands)				
Balance at beginning of period	$ 8,320	$ 7,470	$ 5,762	$ 5,055	$ 4,774	$ 9,422	$ 8,320	$ 7,470	$ 5,762	$ 5,055
Impact of adopting CECL accounting guidance						2,123	—	—	—	—
Charge-offs:										

Real estate loans:										
Construction, land development and other loan loans	—	(23)	—	—	—	—	—	(23)	—	—
Secured by 1-4 family residential properties	(40)	(12)	(61)	(101)	(101)	(97)	(40)	(12)	(61)	(101)
Secured by multi-family residential properties	—	—	—	—	—	—	—	—	—	—
Secured by non-farm, non-residential properties	—	—	—	—	—	—	—	—	—	—
Commercial and industrial loans	—	(6)	—	—	(3)	—	—	(6)	—	—
Consumer loans:										
Direct consumer	(1,958)	(1,230)	(1,621)	(2,000)	(2,482)	(571)	(1,958)	(1,230)	(1,621)	(2,000)
Branch retail	(633)	(377)	(374)	(425)	(415)	(445)	(633)	(377)	(374)	(425)
Indirect	(382)	(483)	(152)	(301)	(116)	(932)	(382)	(483)	(152)	(301)
Total charge-offs	(3,013)	(2,131)	(2,208)	(2,827)	(3,117)	(2,045)	(3,013)	(2,131)	(2,208)	(2,827)
Recoveries	807	971	971	820	776	965	807	971	971	820
Net charge-offs	(2,206)	(1,160)	(1,237)	(2,007)	(2,341)	(1,080)	(2,206)	(1,160)	(1,237)	(2,007)
Provision for loan and lease losses	3,308	2,010	2,945	2,714	2,622					
Provision for credit losses						42	3,308	2,010	2,945	2,714
Ending balance	$ 9,422	$ 8,320	$ 7,470	$ 5,762	$ 5,055	$ 10,507	$ 9,422	$ 8,320	$ 7,470	$ 5,762
Ending balance as a percentage of loans	1.22 %	1.17 %	1.16 %	1.05 %	0.97 %	1.28 %	1.22 %	1.17 %	1.16 %	1.05 %
Net charge-offs as a percentage of average loans	0.30 %	0.16 %	0.21 %	0.38 %	0.57 %	0.14 %	0.30 %	0.16 %	0.21 %	0.38 %

The adoption of CECL was most impactful on the Company's consumer indirect loan portfolio due primarily to the extension of the loss estimate period to the estimated life of loans in this category. As of December 31, 2023, the estimated average remaining life of the indirect portfolio was approximately five years. In addition, the Company's portfolios were impacted by current economic forecasts using data provided by the Federal Reserve on inflation, unemployment, and the forecasted movement of interest rates.

Nonperforming Assets Allowance for Credit Losses on Unfunded Lending Commitments

Nonperforming assets at

In connection with the end adoption of the five most recent years CECL accounting model, the Company also recorded an allowance for credit losses on unfunded lending commitments. Unfunded lending commitments are off-balance sheet arrangements that represent unconditional commitments of the Company to lend to a borrower that are unfunded as of December 31, 2022 were as follows: the balance sheet date. These may include unfunded loan commitments, standby letters of credit, and financial guarantees. The CECL accounting guidance requires that an estimate of expected credit loss be measured on commitments in which an entity is exposed to credit risk via a present contractual obligation to extend credit unless the obligation is unconditionally cancellable by the issuer. For the Company, unconditional lending commitments generally include unfunded term loan agreements, home equity lines of credit, lines of credit, and demand deposit account overdraft protection. As of December 31, 2023, the Company's allowance for credit losses on unfunded commitments, which is recorded in other liabilities in the Company's consolidated balance sheets, totaled $0.6 million. No allowance for credit losses on unfunded commitments was recorded by the Company in the four years prior to 2023.

	Year Ended December 31,				
	2022	2021	2020	2019	2018
	(Dollars in Thousands)				
Non-accrual loans	$ 1,651	$ 2,008	$ 3,086	$ 3,723	$ 2,759
Other real estate owned	686	2,149	949	1,078	1,505
Total	$ 2,337	$ 4,157	$ 4,035	$ 4,801	$ 4,264
Nonperforming assets as a percentage of loans and other real estate	0.30 %	0.59 %	0.62 %	0.87 %	0.82 %
Nonperforming assets as a percentage of total assets	0.24 %	0.43 %	0.45 %	0.61 %	0.54 %

Summarized below is information concerning income on those loans with deferred interest or principal payments resulting from deterioration in the financial condition of the borrower.

	December 31,	
	2022	2021
	(Dollars in Thousands)	

Total loans accounted for on a non-accrual basis	$	1,651	$	2,008
Interest income that would have been recorded under original terms		60		52
Interest income reported and recorded during the year		29		30

Allocation of Allowance for Loan Credit Losses on Loans and Lease Losses Leases

While no portion of the allowance is in any way restricted to any individual loan or group of loans and the entire allowance is available to absorb losses from any and all loans, the following table shows an allocation of the allowance for loan and lease credit losses as of December 31, 2023 and 2022. The information presented as of December 31, 2022 is as determined in accordance with ASC 310, *Receivables*, prior to the end adoption of the five years indicated. ASC 326.

	2022			2021			2020			2019			2018	
	Allocation Allowance	% Loans in Each Category		Allocation Allowance	% Loans in Each Category		Allocation Allowance	% Loans in Each Category		Allocation Allowance	% Loans in Each Category		Allocation Allowance	% Loans in Each Category
	(Dollars in Thousands)													
Real estate loans:														
Construction, land development and other land loans	$ 517	7.0 %		$ 628	9.4 %		$ 393	5.7 %		$ 197	5.5 %		$ 241	8.1 %
Secured by 1-4 family residential properties	832	11.4 %		690	10.2 %		639	13.7 %		466	18.8 %		346	21.1 %
Secured by multi-family residential properties	646	8.8 %		437	6.5 %		577	8.4 %		422	9.2 %		128	4.4 %
Secured by non-farm, non-residential properties	1,970	25.8 %		1,958	27.8 %		1,566	28.4 %		964	29.3 %		831	29.7 %
Commercial and industrial loans	919	9.5 %		860	10.4 %		1,008	12.5 %		1,377	16.4 %		1,138	16.3 %
Consumer loans:														
Director consumer	866	1.3 %		1,004	3.1 %		1,202	4.6 %		1,625	6.8 %		1,799	7.3 %
Branch retail	518	1.8 %		304	3.6 %		373	4.9 %		395	5.8 %		427	5.4 %
Indirect	3,154	34.4 %		2,439	29.0 %		1,712	21.8 %		316	8.2 %		145	7.7 %
Total	$ 9,422	100.0 %		$ 8,320	100.0 %		$ 7,470	100.0 %		$ 5,762	100.0 %		$ 5,055	100.0 %

	2023	2022

	Allowance Allocation	Allowance as Percentage of Total Loans	Net Charge-offs as a Percentage of Average Loans	Allocation Allowance	Allowance as Percentage of Total Loans	Net Charge-offs as a Percentage of Average Loans
			(Dollars in Thousands)			
Real estate loans:						
Construction, land development and other land loans	$ 565	0.64 %	—	$ 517	0.96 %	—
Secured by 1-4 family residential properties	591	0.78 %	0.05 %	832	0.95 %	—
Secured by multi-family residential properties	415	0.66 %	—	646	0.95 %	—
Secured by non-farm, non-residential properties	1,425	0.67 %	—	1,970	0.98 %	—
Commercial and industrial loans	513	0.85 %	—	919	1.25 %	—
Consumer loans:						
Direct consumer	64	1.06 %	-0.06 %	866	8.79 %	10.34 %
Branch retail	436	5.03 %	1.82 %	518	3.70 %	2.81 %
Indirect	6,498	2.12 %	0.31 %	3,154	1.18 %	0.13 %
Total	$ 10,507	1.28 %	0.14 %	$ 9,422	1.22 %	0.30 %

Summary of Loan Loss Experience

The following table summarizes the Company’s Company's loan loss experience for each of the two years indicated. presented. The information presented as of December 31, 2022 is as determined in accordance with ASC 310, *Receivables*, prior to the adoption of ASC 326:

	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Balance of allowance for loan and lease losses at beginning of period	$ 8,320	$ 7,470		
Balance of allowance for credit losses at beginning of period			$ 9,422	$ 8,320
Impact of adopting CECL accounting guidance			2,123	—
Charge-offs:				
Real estate loans:				
Construction, land development and other land loans	—	(23)	—	—
Secured by 1-4 family residential properties	(40)	(12)	(97)	(40)
Secured by multi-family residential properties	—	—	—	—
Secured by non-farm, non-residential properties	—	—	—	—
Commercial and industrial loans	—	(6)	—	—
Consumer loans:				
Direct consumer	(1,958)	(1,230)	(571)	(1,958)

Branch retail	(633)	(377)	(445)	(633)
Indirect	(382)	(483)	(932)	(382)
Total charge-offs	(3,013)	(2,131)	(2,045)	(3,013)
Recoveries:				
Real estate loans:				
Construction, land development and other land loans	2	22	—	2
Secured by 1-4 family residential properties	39	14	54	39
Secured by multi-family residential properties	—	—	—	—
Secured by non-farm, non-residential properties	5	5	—	5
Commercial and industrial loans	—	21	—	—
Consumer loans:				
Direct consumer	565	626	619	565
Branch retail	151	215	243	151
Indirect	45	68	49	45
Total recoveries	807	971	965	807
Net charge-offs	(2,206)	(1,160)	(1,080)	(2,206)
Provision for loan and lease losses	3,308	2,010		
Balance of allowance for loan and lease losses at end of period	$ 9,422	$ 8,320		
Ratio of net charge-offs during period to average loans outstanding	0.30%	0.16%		
Provision for credit losses			42	3,308
Balance of allowance for credit losses at end of period			$ 10,507	$ 9,422

Nonperforming Assets

Nonperforming assets at the end of the five most recent years as of December 31, 2023 were as follows:

	Year Ended December 31,				
	2023	2022	2021	2020	2019
	(Dollars in Thousands)				
Non-accrual loans	$ 2,400	$ 1,651	$ 2,008	$ 3,086	$ 3,723
Other real estate owned	602	686	2,149	949	1,078
Total	$ 3,002	$ 2,337	$ 4,157	$ 4,035	$ 4,801

Nonperforming assets as a percentage of total loans and other real estate	0.37 %	0.30 %	0.59 %	0.62 %	0.87 %
Nonperforming assets as a percentage of total assets	0.28 %	0.24 %	0.43 %	0.45 %	0.61 %
Non-accrual loans as a percentage of total loans	0.29 %	0.21 %	0.28 %	0.48 %	0.68 %

The increase in nonperforming assets during 2023 resulted primarily from one commercial real estate loan that moved into non-accrual status during the year.

Summarized below is information concerning income on those loans with deferred interest or principal payments resulting from deterioration in the financial condition of the borrower.

	December 31,	
	2023	2022
	(Dollars in Thousands)	
Total loans accounted for on a non-accrual basis	$ 2,400	$ 1,651
Interest income that would have been recorded under original terms	107	60
Interest income reported and recorded during the year	50	29

Deposits

Total deposits increased by 3.8% Deposits totaled $950.2 million as of December 31, 2023, compared to $870.0 million as of December 31, 2022. The growth in 2023 included an increase of $96.4 million in interest-bearing deposits, partially offset by a decrease of $16.2 million in noninterest-bearing deposits. The shift to interest-bearing deposits is consistent with deposit holders seeking to maximize interest earnings on their accounts amid the rising interest rate environment. The deposit growth in 2023 included growth of $20.2 million in wholesale brokered deposits that were acquired in order to further enhance the Company's liquidity position following the bank failures that began during the first quarter of 2023. As of December 31, 2023, from $838.1 million as of December 31, 2021. Core core deposits, which exclude time deposits of $250 thousand or more provide a relatively stable funding source that supports earning assets. Core and all brokered deposits, totaled $819.5 million, or 86.2% of total deposits, compared to $778.1 million, or 89.4% of total deposits, as of December 31, 2022, compared to $775.1 million, or 92.5% of total deposits, as of December 31, 2021.

Deposits, in particular core Core deposits have historically been the Company's primary source of funding and have enabled the Company to successfully meet both short-term and long-term liquidity needs. Management anticipates that such core deposits will continue to be the Company's primary source of funding in the future. We Management will continue to monitor core deposit levels closely to help ensure an adequate level of funding for the Company's activities. However, various economic and competitive factors could affect this funding source in the future, including increased competition from other financial institutions in deposit gathering, national and local economic conditions, and interest rate policies adopted by the Federal Reserve FRB and other central banks.

Average Daily Amount of Deposits and Rates

The average daily amount of deposits and rates paid on such deposits are summarized for the periods indicated in the following table:

	2022		2021		2023		2022	
	Average Amount	Rate	Average Amount	Rate	Average Amount	Rate	Average Amount	Rate
	(Dollars in Thousands)				(Dollars in Thousands)			
Non-interest-bearing demand deposit accounts	$ 182,032	—	$ 172,187	—	$ 160,598	—	$ 182,032	—
Interest-bearing demand deposit accounts	246,124	0.26 %	236,084	0.23 %	212,010	0.37 %	246,124	0.26 %
Savings deposits	208,672	0.58 %	193,766	0.31 %	229,238	2.18 %	208,672	0.58 %
Time deposits	212,591	0.72 %	226,425	0.67 %	305,848	2.80 %	212,591	0.72 %
Total deposits	$ 849,419	0.40 %	$ 828,462	0.32 %	$ 907,694	1.58 %	$ 849,419	0.40 %
Total interest-bearing deposits	$ 667,387	0.51 %	$ 656,275	0.41 %	$ 747,096	1.92 %	$ 667,387	0.51 %

As of December 31, 2022 and 2021, uninsured demand and savings deposits (deposits in excess of $250 thousand, which is the maximum amount for federal deposit insurance) totaled $148.3 million and $156.9 million, respectively. Maturities of time deposits of greater than $250 thousand, as well as brokered deposits, outstanding as of December 31, 2022 December 31, 2023 and 2021 2022 are summarized as follows: in the following table:

Maturities	December 31,		December 31,	
	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Three months or less	$ 22,024	$ 13,340	$ 12,167	$ 22,024
Over three through six months	1,976	6,794	26,032	1,976
Over six through twelve months	16,553	6,291	24,258	16,553
Over twelve months	52,244	36,576	68,213	52,244
Total	$ 92,797	$ 63,001	$ 130,670	$ 92,797

Maturities of time certificates of deposit of greater than $100 thousand and less than $250 thousand outstanding as of December 31, 2022 December 31, 2023 and 2021 2022 are summarized as follows:

Maturities	December 31,		December 31,	
	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Three months or less	$ 7,971	$ 13,951	$ 7,521	$ 7,971
Over three through six months	5,968	9,993	9,257	5,968
Over six through twelve months	8,834	17,240	32,323	8,834
Over twelve months	45,156	13,944	46,788	45,156
Total	$ 67,929	$ 55,128	$ 95,889	$ 67,929

Other Interest-Bearing Liabilities

Other interest-bearing liabilities consist of federal funds purchased, securities sold under agreements to repurchase, FHLB advances and subordinated debt. These liabilities continue to be utilized debt that are used by the Company as alternative sources of funds. As of December 31, 2022 December 31, 2023, these liabilities represented 4.2% 2.5% of interest-bearing liabilities, compared to 3.0% 4.2% as of December 31, 2021 December 31, 2022. The table below summarizes short- and long-term liabilities and related interest rate data as of and for the years ended December 31, 2023 and 2022.

	Short-Term Borrowings (Maturity Less Than One Year)	Long-Term Borrowings (Maturity One Year or Greater)	Short-Term Borrowings (Maturity Less Than One Year)	Long-Term Borrowings (Maturity One Year or Greater)
	(Dollars in Thousands)		(Dollars in Thousands)	
Other interest-bearing liabilities outstanding at year-end:				
2023			$ 10,000	$ 10,799
2022	$ 20,038	$ 10,726	$ 20,038	$ 10,726
2021	$ 10,046	$ —		
Weighted average interest rate at year-end:				
2023			5.46 %	4.20 %
2022	4.40 %	4.20 %	4.40 %	4.20 %
2021	0.18 %	4.20 %		
Maximum amount outstanding at any month end:				

2023			$ 35,048	$ 10,799
2022	$ 48,095	$ 10,726	$ 48,095	$ 10,726
2021	$ 10,046	$ 10,653		
Average amount outstanding during the year:				
2023			$ 15,438	$ 10,766
2022	$ 19,293	$ 10,689	$ 19,293	$ 10,689
2021	$ 10,028	$ 2,682		
Weighted average interest rate during the year:				
2023			5.12 %	4.20 %
2022	2.44 %	4.20 %	2.44 %	4.20 %
2021	0.17 %	4.20 %		

Shareholders' Equity

The Company has historically placed significant emphasis on maintaining its strong capital base and continues to do so. As of December 31, 2022 December 31, 2023, shareholders' equity totaled $90.6 million, or 8.4% of total assets, compared to $85.1 million, or 8.6% of total assets, compared to $90.1 million, or 9.4% of total assets, as of December 31, 2021 December 31, 2022. The decrease increase in shareholders' equity during 2022 was due primarily to an increase resulted from increased earnings, net of dividends paid, combined with valuation increases in the Company's available-for-sale investment portfolio that reduced accumulated other comprehensive loss associated with unrealized losses on available-for-sale investment securities, loss. The increase in shareholders' equity during the year was partially offset by the CECL transition adjustment which reduced retained earnings by $1.8 million, net of tax, as well as the repurchase of common shares by the Company in accordance with its established share repurchase program.

The increase in unrealized losses within the securities portfolio resulted from significant increases in interest rates during 2022 which reduced the fair value of securities. The reductions in security valuations were partially offset by increases in the fair value of cash flow hedges during the year. Changes in both the fair value of the available-for-sales investment securities portfolio and changes in the fair value of cash flow hedges are recorded (net of tax) in accumulated other comprehensive income (loss). The total impact of these fair value adjustments was to increase the Company's accumulated net loss by $7.0 million (net of tax), comparing December 31, 2022 to December 31, 2021.

During the year ended December 31, 2022 December 31, 2023 the Company completed repurchases of 412,400 137,500 shares of its common stock at a weighted average price of $10.87 $10.34 per share, or $4.5 million $1.4 million in aggregate. The repurchased shares were allocated to treasury stock under the Company's existing share repurchase program that was amended by the Board of Directors in each of December 2019 and April 2021 to allow the repurchase of additional shares. The Board has periodically extended the expiration date of the share repurchase program, most recently to December 31, 2023 December 31, 2024. Share repurchases under the program may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate, subject to applicable regulatory requirements. The repurchase program does not obligate the Company to acquire any particular number of shares and may be suspended at any time at the Company's discretion. As of December 31, 2022 December 31, 2023, 596,813 459,313 shares remained available for repurchase under the program.

The reductions to shareholders' equity as a result of changes in accumulated other comprehensive loss and share repurchases were partially offset by the Company's net income for During the year ended December 31, 2022, less dividends paid to shareholders. Commensurate with the growth in net income in 2022, the Company increased its quarterly cash dividend in the fourth quarter of 2022 by

$0.02 per share. For the year ended December 31, 2022 December 31, 2023, the Company declared total dividends of totaling $0.20 per common share, or approximately $1.2 million in aggregate amount, compared to $0.14 per common share, compared to $0.12 per share for or approximately $0.8 million in aggregate amount, during the year ended December 31, 2021 December 31, 2022. Bancshares' Board of Directors evaluates dividend payments based on the Company's level of earnings and the desire to maintain a strong capital base, as well as regulatory requirements relating to the payment of dividends.

Shareholders' equity is also impacted by share-based awards granted to the Company's employees or non-employee directors. Share-based awards granted to date are governed under the Company's 2013 Incentive Plan. The Company recognizes the cost of services received in exchange for share-based awards based on the grant date fair value of the award, with compensation expense recognized over the awards vesting period. In addition, non-employee directors may elect to defer payment of all or any portion of their director fees under the Company's Non-Employee Deferred Compensation Plan (the "Deferral Plan"). The Deferral Plan permits non-employee directors to invest their directors' fees and to receive the adjusted value of the deferred amounts in cash or shares of the Company's common stock. All deferred fees, whether in the form of cash or shares of common stock, are reflected as compensation expense in the period in which service is rendered by the non-employee director. As of December 31, 2022 and 2021, a total of 114,190 and 117,825 shares of stock, respectively, were deferred in connection with the Deferral Plan. The Company classifies all share-based awards and deferred directors' fees allocated to be paid in shares of stock as additional paid-in capital. The Company may use issued shares or shares of treasury stock to satisfy these obligations when due.

Liquidity and Capital Resources

The asset portion of the balance sheet provides liquidity primarily from the following sources: (1) excess cash and interest-bearing deposits in banks, (2) federal funds sold, (3) principal payments and maturities of loans and (4) principal payments and maturities from the investment portfolio. Loans maturing or repricing in one year or less amounted to $241.2 million as of December 31, 2023 and $212.5 million as of December 31, 2022 and $102.4 million as of December 31, 2021. Investment securities forecasted to mature or reprice in one year or less were estimated to be $7.1 million $12.9 million and $9.5 million $7.1 million of the investment portfolio as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Although some securities in the investment portfolio have legal final maturities exceeding 10 years, a substantial percentage of the portfolio provides monthly principal and interest payments and consists of securities that are readily marketable and easily convertible into cash on short notice. As of December 31, 2022, the The investment securities portfolio had an estimated average life of 3.9 years and 3.5 years. years as of December 31, 2023 and 2022, respectively. However, management does not rely solely upon the investment portfolio to generate cash flows to fund loans, capital expenditures, dividends, debt repayment and other cash requirements. These activities are also funded by cash flows from loan payments, as well as increases in deposits and short-term borrowings.

The liability portion of the balance sheet provides liquidity through interest-bearing and non-interest-bearing deposit accounts, which represent the Company's primary sources of funds. In addition, federal funds purchased, FHLB advances, securities sold under agreements to repurchase and short-term and long-term borrowings are additional sources of available liquidity. Liquidity management involves the continual monitoring of the sources and uses of funds to maintain an acceptable cash position. Long-term liquidity management focuses on considerations related to the total balance sheet structure. The Bank manages the pricing of its deposits to maintain a desired deposit balance.

As of December 31, 2022 and 2021, the The Company had $20.0 million $10.0 million and $10.0 million, respectively, $20.0 million in outstanding short-term borrowings under FHLB advances. advances as of December 31, 2023 and 2022, respectively. In addition, on October 1, 2021, the Company completed a private placement of $11.0 million in aggregate principal amount of fixed-to-floating rate subordinated notes that will mature on October 1, 2031. Net of unamortized debt issuance costs, the subordinated notes were recorded as long-term borrowings totaling $10.8 million and $10.7 million as of both December 31, 2022 December 31, 2023 and 2021. 2022, respectively.

The Company had up to $246.8 million $279.4 million and $237.0 million $246.8 million in remaining unused credit from the FHLB (subject to available collateral) as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. In addition, the Company had $45.0 million $48.0 million and $46.0 million $45.0 million in unused established federal funds lines as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

As of December 31, 2023, the Company also had access to both the FRB's discount window and its Bank Term Funding Program (BTFP), the latter of which was established in 2023 following liquidity events that occurred in the banking industry. Both the discount window and the BTFP allowed borrowing on pledged collateral that includes eligible investment securities and, in certain circumstances, eligible loans. In response to heightened liquidity concerns in the banking industry, during 2023 management undertook measures designed to enhance the Company's liquidity position. These procedures included holding higher levels of on-balance sheet cash, as well as enhancing the availability of off-balance sheet borrowing capacity. As part of these efforts, during the third quarter of 2023, the Company completed the establishment of additional borrowing capacity through the discount window, primarily via the pledging of the majority of the Company's indirect loan portfolio to the FRB as collateral. Due to these efforts, the Company's immediate borrowing capacity based on collateral pledged through the discount window increased to $161.7 million as of December 31, 2023, compared to $1.2 million as of December 31, 2022. The Company believes did not utilize the BTFP which represented a temporary program that these potential funding sources will continue allowed advances to be available. requested through March 11, 2024.

Although the liquidity events that occurred in 2023 strained the banking industry as a whole, the Company's management remains confident in the stability of the Company's core deposit base which has served as the Company's primary funding source for many years. Excluding wholesale brokered deposits, as of December 31, 2023, the Company had over 29 thousand deposit accounts with an average balance of approximately $29.8 thousand per account. Estimated uninsured/uncollateralized deposits (calculated as deposit amounts per deposit holder in excess of $250 thousand, the maximum amount of federal deposit insurance, and excluding deposits secured by pledged assets) totaled $200.3 million, or 21.1% of total deposits, as of December 31, 2023, compared to $148.3 million, or 17.1% of total deposits, as of December 31, 2022.

The table below provides information on the Company's on-balance sheet liquidity, as well as readily available off-balance sheet sources of liquidity as of both December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
	(Dollars in Thousands)	
	(Unaudited)	(Unaudited)
Liquidity from cash and federal funds sold:		
Cash and cash equivalents	$ 50,279	$ 30,152
Federal funds sold	9,475	1,768
Liquidity from cash and federal funds sold	59,754	31,920
Liquidity from pledgable investment securities:		
Investment securities available-for sale, at fair value	135,565	130,795
Investment securities held-to-maturity, at amortized cost	1,104	1,862
Less: securities pledged	(41,375)	(54,717)
Less: estimated collateral value discounts	(11,129)	(7,833)
Liquidity from pledgable investment securities	84,165	70,107
Liquidity from unused lendable collateral (loans) at FHLB	21,696	18,215
Liquidity from unused lendable collateral (loans and securities) at FRB	161,729	1,198
Unsecured lines of credit with banks	48,000	45,000
Total readily available liquidity	$ 375,344	$ 166,440

The table calculates readily available sources of liquidity, including cash and cash equivalents, federal funds sold, and other liquidity sources. Certain of the measures have not been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"); however, management believes that the non-GAAP measures are beneficial to the reader as they enhance the overall understanding of the Company's liquidity position and can be used as a supplement to GAAP-based measures of liquidity. Specifically, liquidity from pledgeable investment securities and total readily available liquidity are non-GAAP measures used by management and regulators to analyze a portion of the Company's liquidity. Pledgeable investment securities are considered by management as a readily available source of liquidity since the Company has the ability to pledge the securities with the FHLB or FRB to obtain immediate funding. Both available-for-sale and held-for-maturity securities may be pledged at fair value with the FHLB and through the FRB discount window. The amounts shown as liquidity from pledgeable investment securities represent total investment securities as recorded on the balance sheet, less reductions for securities already pledged and discounts expected to be taken by the lender to determine collateral value. The non-GAAP financial measures that are discussed in this Annual Report should not be considered in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with GAAP.

Management believes that the Company has adequate sources of liquidity to cover its contractual obligations and commitments over the next twelve months.

Regulatory Capital

The Bank is subject to the revised capital requirements as described in the section captioned "Supervision and Regulation – Capital Adequacy" included in Part I, Item I of this report. Under these requirements, the Bank is subject to minimum risk-based capital and leverage capital requirements, which are administered by the federal banking regulatory agencies. These capital requirements, as defined by federal regulations, involve quantitative and qualitative measures of assets, liabilities and certain off-balance sheet instruments. Failure to meet minimum capital requirements can result in mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements of Bancshares and the Bank, and could impact Bancshares' ability to pay dividends. As of both December 31, 2022 December 31, 2023 and 2021, 2022, the Bank exceeded all applicable minimum capital standards, and met applicable regulatory guidelines to be considered well-capitalized. No significant conditions or events have occurred since December 31, 2022 December 31, 2023 that management believes would affect the Bank's classification as well-capitalized for regulatory purposes.

Refer to the section captioned "Regulatory Capital" included in Note 15, 14, "Shareholders' Equity," in the Notes to the consolidated financial statements for an illustration of the Bank's actual regulatory capital amounts and ratios under regulatory capital standards in effect as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022. Additionally, refer to the section captioned "Dividend Restrictions" included in Note 15 14 for a discussion regarding restrictions that could materially influence the Bank's, and therefore Bancshares', ability to pay dividends.

Asset/Liability Management

Market risk reflects the potential risk of loss arising from adverse changes in interest rates and market prices. The Company has risk management policies and procedures in place to monitor and limit exposure to market risk. The Company's primary market risk is interest rate risk created by core banking activities. Interest rate risk is the potential variability of the Company's income that results from changes in various market interest rates. The Bank's Asset/Liability Committee routinely reassesses the Company's strategies to manage interest rate risk in accordance with policies established by the Company's Board of Directors. A key objective of the asset/liability management program is to quantify, monitor and manage interest rate risk and to assist management in maintaining stability in net interest margin under varying interest rate environments.

As part of interest rate risk management, the Company may use derivative instruments in accordance with policies established by the Board of Directors. Derivative instruments may include the use of interest rate swaps or option products such as caps and floors. In an effort to dampen the Company's risk exposure to downward interest rates, during 2022 and subsequent to December 31, 2022 As of December 31, 2023, the Company terminated certain pay fixed interest rate swaps. During the second quarter of 2022, the Company terminated one held three forward interest rate swap and recorded contracts designated as fair value hedges that were intended to mitigate risk associated with rising interest rates by converting a deferred gain portfolio of $0.3 million. The deferred gain is being accreted fixed rate loans to net interest income over the remaining life of the original term of the swap. a variable rate. As of December 31, 2022, the Bank Company held four forward interest rate swap contracts. The interest rate swap contracts, which were designated as either cash flow hedges or fair value hedges, that were intended to mitigate risk associated with rising interest rates by converting floating interest rate payments to a fixed rate or by converting a pool of fixed rate loans to a variable rate. Subsequent to The net value of all interest rate swap contracts totaled a liability position of $0.1 million as of December 31, 2023, while the net value of all interest rate swap contracts totaled an asset position of $2.3 million as of December 31, 2022, .

In both 2023 and 2022, the Company terminated all four certain interest rate swap contracts that were had previously been in place, as of December 31, 2022 and recorded recording deferred gains totaling $2.2 million. of $2.1 million and $0.3 million in 2023 and 2022, respectively. The deferred gains will be are being accreted to net interest income over the remaining life of the original term of each swap. See Note 17, 16, "Derivative Financial Instruments," in the consolidated financial statements for additional information related to these derivative instruments.

Contractual Obligations

The Company has contractual obligations to make future payments under debt and lease agreements. Long-term debt and operating lease obligations are reflected on the consolidated balance sheets. The Company has not entered into any unconditional purchase obligations or other long-term obligations, other than as included below. These types of obligations are further discussed in Note 10, 9, "Borrowings," and Note 16, 15, "Leases," in the Notes to consolidated financial statements.

Many of the Bank's lending relationships, including those with commercial and consumer customers, contain both funded and unfunded elements. The unfunded component of these commitments is not recorded in the consolidated balance sheets. These commitments are further discussed in Note 20, 18, "Guarantees, Commitments and Contingencies," in the consolidated financial statements.

The following table summarizes the Company's contractual obligations as of December 31, 2022 December 31, 2023:

	Payment Due by Period					Payment Due by Period				
Contractual Obligations	**Total**	**Less than One Year**	**One to Three Years**	**Three to Five Years**	**More than Five Years**	**Total**	**Less than One Year**	**One to Three Years**	**Three to Five Years**	**More than Five Years**
	(Dollars in Thousands)					(Dollars in Thousands)				
Time deposits	$ 252,712	$ 115,494	$ 119,680	$ 17,439	$ 99	$ 328,512	$ 173,648	$ 148,359	$ 6,477	$ 28
Commitments to extend credit	186,169	186,169	—	—	—	141,121	141,121	—	—	—
Subordinated notes (1)	12,540	385	770	385	11,000	12,155	385	770	—	11,000
FHLB advances	20,000	20,000	—	—	—	10,000	10,000	—	—	—
Operating leases	2,146	432	777	699	238	2,499	395	597	577	930
Standby letters of credit	556	556	—	—	—	669	669	—	—	—

Total	474, $ 123	323, $ 036	121,22 $ 7	18,52 $ 3	11,33 $ 7	$ 494,956	$ 326,218	$ 149,726	$ 7,054	$ 11,958

(1) Contractual obligations for the subordinated notes include the contractual fixed interest payments during the first five years of the not well as the final principal payment at the end of the 10-year term of the note. The note is callable by the Company after the first five y If not called, the interest rate becomes variable. Since interest payments under a variable rate cannot be forecasted with certainty, contractual interest during the variable period is not included in the table above.

Off-Balance Sheet Obligations

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its consolidated financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources other than as described in Note 16 15 “Leases,” Note 17 16 “Derivative Financial Instruments” and Note 20 18 “Guarantees, Commitments and Contingencies” in the consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market/Interest Rate Risk Management

The primary purpose of managing interest rate risk is to invest capital effectively and preserve the value created by our core banking business. This is accomplished through the development and implementation of lending, funding, pricing and hedging strategies designed to maximize net interest income performance under varying interest rate environments, subject to liquidity and interest rate risk guidelines. Effective interest rate sensitivity management ensures that both assets and liabilities respond to changes in interest rates within an acceptable timeframe, thereby minimizing the effect of such interest rate movements on short- and long-term net interest margin and net interest income.

Financial simulation models are the primary tools used by the Company’s Asset/Liability Committee to measure interest rate exposure. Using a wide range of scenarios, management is provided with extensive information on the potential impact on net interest income caused by changes in interest rates. In these simulations, assumptions are made about the direction and volatility of interest rates, the slope of the yield curve and the changing composition of the Company’s balance sheet resulting from both strategic plans and customer behavior. Simulation models also incorporate management’s assumptions regarding such factors as loan and deposit growth, pricing, prepayment speeds and spreads between interest rates paid on deposits and charged on loans.

Assessing Short-Term Interest Rate Risk – Net Interest Margin Simulation

On a periodic basis, management simulates how changes in short- and long-term interest rates will impact future profitability, as reflected by changes in the Bank’s net interest margin and net interest income. The tables below depict how, as of December 31, 2022 December 31, 2023, pre-tax net interest margin and net interest income are forecasted to change over timeframes of six months, one year two years and five two years under the 8 6 listed interest rate scenarios. The interest rate scenarios contemplate immediate and parallel shifts in short- and long-term interest rates.

Average Change in Net Interest Margin from Level Interest Rate Forecast (basis points, pre-tax):

	6 Months	1 Year	2 Years	5 Years	1 Year	2 Years
+1%	5	6	8	15	12	10
+2%	1	3	7	23	23	17
+3%	(12)	(10)	(4)	21	30	20
+4%	(23)	(21)	(13)	21		
-1%	(10)	(11)	(13)	(20)	(15)	(11)
-2%	(24)	(27)	(33)	(48)	(32)	(26)
-3%	(42)	(47)	(55)	(75)	(52)	(45)
-4%	(58)	(65)	(76)	(101)		

Cumulative Change in Net Interest Income from Level Interest Rate Forecast (dollars in thousands, pre-tax):

	6 Months	1 Year	2 Years	5 Years	1 Year	2 Years
+1%	$ 265	$ 603	$ 1,634	$ 7,731	$ 1,349	$ 2,069
+2%	68	268	1,434	11,718	2,475	3,645
+3%	(598)	(1,030)	(758)	10,445	3,214	4,382
+4%	(1,160)	(2,114)	(2,525)	10,497		
-1%	(512)	(1,125)	(2,691)	(10,266)	(1,574)	(2,336)
-2%	(1,220)	(2,747)	(6,633)	(24,171)	(3,466)	(5,660)
-3%	(2,094)	(4,670)	(11,008)	(37,846)	(5,617)	(9,680)
-4%	(2,920)	(6,530)	(15,319)	(50,614)		

Item 8. Financial Statements and Supplementary Data.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed 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. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our a that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022 December 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on its assessment and those criteria, management has concluded that we maintained effective internal control over financial reporting as of December 31, 2022 December 31, 2023.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Our As of December 31, 2023, the Company's internal control over financial reporting is was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us, as a non-accelerated filer, to provide only management’s report on internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of First US Bancshares, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of First US Bancshares, Inc. and subsidiaries (the "Company") as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of operations, comprehensive income (loss) income, , changes in shareholders’ equity, and cash flows for each of the two years in the period ended December 31, 2022 December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 December 31, 2023 and

2021, 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022 December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for credit losses effective January 1, 2023 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 326, *Financial Instruments – Credit Losses*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Credit Losses on Loans and Lease Losses Leases

As described in Notes 2 and 5 4 to the consolidated financial statements, the Company's allowance for loan credit losses on loans and lease losses leases ("allowance") reflects the Company's estimation of probable incurred losses in its loan portfolio. The allowance was $9,422,000 $10.5 million on loans and leases of $775 million $821.8 million as of December 31, 2022 and consisted December 31, 2023. As described in Note 2, the Company adopted ASC Topic 326, *Financial Instruments – Credit Losses*, effective January 1, 2023. The Company's method of two components: estimating the allowance includes the use of historic loss rates that are adjusted for loans individually evaluated for impairment (“specific reserve”), reasonable and the allowance for loans collectively evaluated for impairment (“general reserve”).supportable forecasts, as well as other qualitative adjustments.

The general reserve is based on the Company’s recent loss experience, adjusted for qualitative factors. The qualitative factors include consideration of the following: the nature of the loan portfolio, credit concentrations, trends in historical loss experience, current economic conditions and trends, current asset quality trends, and other risks inherent in the portfolio. As disclosed by management, the estimation of the allowance is inherently subjective and involves complex judgment. The use of different assumptions in developing and applying the qualitative factors could result in a materially different amount for the allowance. 52

---

48 The Company measures the allowance on a pool basis when the loans and leases share similar risk characteristics. Loans and leases that do not share risk characteristics are evaluated on an individual basis. Historical loss rates are analyzed for and applied to their respective loan and lease pools over the expected remaining life of the pooled loans and leases. Historical loss rates are adjusted for significant qualitative factors that, in management’s judgment, reflect current conditions on loss recognition. Forecast factors are developed based on information obtained from external sources, as well as consideration of other internal information, and are included in the allowance method for a reasonable and supportable forecast period.

We have determined that the allowance is a critical audit matter. The principal considerations for our determination of Auditing the allowance involved significant judgment and complex review in evaluating management’s estimates, such as the segmentation of loan and lease pools, the remaining life of loans and leases in a critical audit matter is the subjectivity pool, economic conditions, and environmental and forecast factors. The use of the different assumptions that management utilized in developing and applying these estimates could result in a materially different amount for the qualitative factors in the allowance model. Therefore, especially subjective auditor judgment was involved in selecting and conducting audit procedures to evaluate management’s determination and application of the qualitative factors. allowance.

The primary procedures we performed to address this critical audit matter included substantively testing management’s process, including evaluating the judgments and assumptions used, for developing and applying the qualitative factors, which included:

- Evaluation Obtained an understanding and evaluated the appropriateness of the design and operation of the Company’s process for establishing the allowance, including the implementation of the expected credit loss method and the qualitative factor adjustments of the allowance.
- Evaluated the classifications of loans and leases by pools, the estimated life of each pool, and the accuracy of historical loss data used in the allowance calculation.
- Evaluated the reasonableness of management’s assumptions and judgments related to estimating the qualitative and economic forecast adjustments to the historical loss rates, including assessing the basis for the adjustments.
- Tested the completeness and accuracy of data inputs used as a basis for the qualitative factors.
- Evaluation of the reasonableness of management’s judgments related to the qualitative and quantitative assessment of the data used in the determination of the qualitative factors and the resulting allocation to the allowance.
- Evaluating the qualitative factors year over year for directional consistency, testing for reasonableness, and obtaining evidence for

significant changes.

- Testing verified the mathematical accuracy of the allowance calculation, including the application of the qualitative factors. factor adjustments.

/s/ Carr, Riggs & Ingram, LLC

We have served as the Company's auditor since 2008.

Atlanta, Georgia

March 10, 2023 14, 2024

49 53

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share and Per Share Data)

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
ASSETS				
Cash and due from banks	$ 11,844	$ 10,843	$ 12,987	$ 11,844
Interest-bearing deposits in banks	18,308	50,401	37,292	18,308
Total cash and cash equivalents	30,152	61,244	50,279	30,152
Federal funds sold	1,768	82	9,475	1,768
Investment securities available-for-sale, at fair value	130,795	130,883	135,565	130,795
Investment securities held-to-maturity, at amortized cost	1,862	3,436	1,104	1,862
Federal Home Loan Bank stock, at cost	1,359	870	1,201	1,359
Loans, net of allowance for loan and lease losses of $9,422 and $8,320, respectively	764,451	700,030		
Premises and equipment, net of accumulated depreciation of $21,623 and $21,916, respectively	24,439	25,123		
Loans and leases held for investment			821,791	773,873
Less allowance for credit losses on loans and leases			10,507	9,422
Net loans and leases held for investment			811,284	764,451
Premises and equipment, net of accumulated depreciation			24,398	24,439

Cash surrender value of bank-owned life insurance	16,399	16,141	16,702	16,399
Accrued interest receivable	3,011	2,556	3,976	3,011
Goodwill and core deposit intangible, net	7,801	8,069	7,606	7,801
Other real estate owned	686	2,149	602	686
Other assets	11,944	7,719	10,748	11,944
Total assets	$ 994,667	$ 958,302	$ 1,072,940	$ 994,667
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Non-interest-bearing	$ 169,822	$ 174,501	$ 153,591	$ 169,822
Interest-bearing	700,203	663,625	796,600	700,203
Total deposits	870,025	838,126	950,191	870,025
Accrued interest expense	607	224	2,030	607
Other liabilities	8,136	9,189	9,327	8,136
Short-term borrowings	20,038	10,046	10,000	20,038
Long-term borrowings	10,726	10,653	10,799	10,726
Total liabilities	909,532	868,238	982,347	909,532
Shareholders' equity:				
Common stock, par value $0.01 per share, 10,000,000 shares authorized; 7,680,856 and 7,634,918 shares issued, respectively; 5,812,258 and 6,172,378 shares outstanding, respectively	75	75		
Common stock, par value $0.01 per share, 10,000,000 shares authorized; 7,738,201 and 7,680,856 shares issued, respectively; 5,735,075 and 5,812,258 shares outstanding, respectively			75	75
Additional paid-in capital	14,510	14,163	14,972	14,510
Accumulated other comprehensive loss, net of tax	(7,241)	(276)	(6,431)	(7,241)
Retained earnings	104,460	98,428	109,959	104,460
Less treasury stock: 1,868,598 and 1,462,540 shares at cost, respectively	(26,669)	(22,326)		
Less treasury stock: 2,003,126 and 1,868,598 shares at cost, respectively			(27,982)	(26,669)
Total shareholders' equity	85,135	90,064	90,593	85,135
Total liabilities and shareholders' equity	$ 994,667	$ 958,302	$ 1,072,940	$ 994,667

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

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Thousands, Except Per Share Data)

	Year Ended December 31,		Year Ended December 31,	
	2022	**2021**	**2023**	**2022**
Interest income:				
Interest and fees on loans	$ 38,015	$ 38,229	$ 47,749	$ 38,015
Interest on investment securities	3,182	1,692	2,871	2,668
Interest on deposits in banks			1,998	439
Other			188	75
Total interest income	41,197	39,921	52,806	41,197
Interest expense:				
Interest on deposits	3,382	2,669	14,350	3,382
Interest on borrowings	874	281	1,106	874
Total interest expense	4,256	2,950	15,456	4,256
Net interest income	36,941	36,971	37,350	36,941
Provision for loan and lease losses	3,308	2,010		
Net interest income after provision for loan and lease losses	33,633	34,961		
Provision for credit losses			319	3,308
Net interest income after provision for credit losses			37,031	33,633
Non-interest income:				
Service and other charges on deposit accounts	1,154	1,069	1,197	1,154
Net (loss) gain on sales and prepayments of investment securities	(83)	22		
Lease income	864	830	949	864
Other income, net	1,516	1,600	1,235	1,433
Total non-interest income	3,451	3,521	3,381	3,451
Non-interest expense:				
Salaries and employee benefits	16,418	19,157	16,076	16,418

Net occupancy and equipment	3,281	4,388	3,479	3,281
Computer services	1,639	1,832	1,756	1,639
Insurance expense and assessments			1,583	1,250
Fees for professional services	1,060	1,275	1,105	1,060
Other expense	5,674	6,104	5,142	4,424
Total non-interest expense	28,072	32,756	29,141	28,072
Income before income taxes	9,012	5,726	11,271	9,012
Provision for income taxes	2,148	1,275	2,786	2,148
Net income	$ 6,864	$ 4,451	$ 8,485	$ 6,864
Basic net income per share	$ 1.13	$ 0.70	$ 1.42	$ 1.13
Diluted net income per share	$ 1.06	$ 0.66	$ 1.33	$ 1.06
Dividends per share	$ 0.14	$ 0.12	$ 0.20	$ 0.14

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

51 55

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) INCOME

(Dollars in Thousands)

	Year Ended December 31,	
	2022	**2021**
Net income	$ 6,864	$ 4,451
Other comprehensive loss:		
Unrealized holding losses on securities available-for-sale arising during the year, net of tax benefit of $2,844 and $369, respectively	(8,534)	(1,106)
Reclassification adjustment for net losses (gains) on securities available-for-sale realized in net income, net of tax expense (benefit) of $21 and $(6), respectively	62	(16)
Unrealized holding gains on effective cash flow hedge derivatives arising during the year, net of tax expense of $480 and $298, respectively	1,437	898
Reclassification adjustment for net gains on cash flow hedge derivatives realized in net income, net of tax expense of $25 and $0, respectively	70	—
Other comprehensive loss	(6,965)	(224)

Total comprehensive (loss) income	$ (101)	$ 4,227

	Year Ended December 31,	
	2023	2022
Net income	$ 8,485	$ 6,864
Other comprehensive loss:		
Unrealized holding gains (losses) on securities available-for-sale arising during the year, net of tax (expense) benefit of $(438) and $2,844, respectively	1,322	(8,534)
Reclassification adjustment for net losses on securities available-for-sale realized in net income, net of tax expense of $- and $21, respectively	—	62
Unrealized holding (losses) gains on effective cash flow hedge derivatives arising during the year, net of tax benefit (expense) of $18 and $(480), respectively	(50)	1,437
Reclassification adjustments on cash flow hedge derivatives realized in net income, net of tax benefit (expense) of $154 and $(25), respectively	(462)	70
Other comprehensive gain (loss)	810	(6,965)
Total comprehensive income (loss)	$ 9,295	$ (101)

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

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In Thousands, Except Share and Per Share Data)

	Common Stock Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock, at Cost	Total Shareholders’ Equity
Balance, December 31, 2020	6,176,556	$ 75	$ 13,786	$ (52)	$ 94,722	$ (21,853)	86,678
Net income	—	—	—	—	4,451	—	4,451
Net change in fair value of securities available-for-sale, net of tax	—	—	—	(1,122)	—	—	(1,122)
Net change in fair value of derivative instruments, net of tax	—	—	—	898	—	—	898
Dividends declared: $.12 per share	—	—	—	—	(745)	—	(745)

Impact of stock-based compensation plans, net	37,722	—	436	—	—	(7)	429							
Reissuance of treasury stock as compensation	3,848	—	(59)	—	—	59	—							
Treasury stock repurchases	(45,748)	—	—	—	—	(525)	(525)							
Balance, December 31, 2021	6,172,378	$ 75	$ 14,163	$ (276)	$ 98,428	$ (22,326)	$ 90,064	6,172,378	$ 75	$ 14,163	$ (276)	$ 98,428	$ (22,326)	$ 90,064
Net income	—	—	—	—	6,864	—	6,864	—	—	—	—	6,864	—	6,864
Net change in fair value of securities available-for-sale, net of tax	—	—	—	(8,472)	—	—	(8,472)	—	—	—	(8,472)	—	—	(8,472)
Net change in fair value of derivative instruments, net of tax	—	—	—	1,507	—	—	1,507	—	—	—	1,507	—	—	1,507
Dividends declared: $.14 per share	—	—	—	—	(832)	—	(832)	—	—	—	—	(832)	—	(832)

Impact of stock-based compensation plans, net	43,096	—	485	—	—	—	485	43,096	—	485	—	—	—	485
Reissuance of treasury stock as compensation	9,184	—	(138)	—	—	138	—	9,184	—	(138)	—	—	138	—
Treasury stock repurchases	(412,400)	—	—	—	—	(4,481)	(4,481)							
Common stock share repurchases								(412,400)	—	—	—	—	(4,481)	(4,481)
Balance, December 31, 2022	5,812,258	$ 75	$ 14,510	$ (7,241)	$ 104,460	$ (26,669)	$ 85,135	5,812,258	$ 75	$ 14,510	$ (7,241)	$ 104,460	$ (26,669)	$ 85,135
Net income								—	—	—	—	8,485	—	8,485
Impact of adopting current expected credit loss accounting model, net of tax								—	—	—	—	(1,811)	—	(1,811)
Net change in fair value of securities available-for-sale, net of tax								—	—	—	1,322	—	—	1,322

Net change in fair value of derivative instruments, net of tax	—	—	—	(512)	—	—	(512)
Dividends declared: $.20 per share	—	—	—	—	(1,175)	—	(1,175)
Impact of stock-based compensation plans, net	50,935	—	596	—	—	(25)	571
Reissuance of treasury stock as compensation	9,382	—	(134)	—	—	134	—
Common stock share repurchases	(137,500)	—	—	—	—	(1,422)	(1,422)
Balance, December 31, 2023	5,735,075	$ 75	$ 14,972	$ (6,431)	$ 109,959	$ (27,982)	$ 90,593

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

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022

Cash flows from operating activities:				
Net income	$ 6,864	$ 4,451	$ 8,485	$ 6,864
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	1,614	1,692	1,581	1,614
Provision for loan and lease losses	3,308	2,010		
Deferred income tax benefit	(367)	(401)		
Net loss (gain) on sale and prepayment of investment securities	83	(22)		
Cash received in settlement of derivatives contracts	324	—		
Provision for credit losses			319	3,308
Deferred income tax expense (benefit)			133	(367)
Net loss on sale and prepayment of investment securities			—	83
Proceeds from settlement of derivative contracts			2,166	324
Reclassification of unrealized gains on terminated derivative contracts			(1,160)	—
Stock-based compensation expense	485	436	596	485
Net amortization of securities	195	338	28	195
Amortization of intangible assets	268	341	195	268
Net gain on premises and equipment and other real estate	(207)	(53)		
Net loss (gain) on premises and equipment and other real estate			621	(207)
Changes in assets and liabilities:				
(Increase) decrease in accrued interest receivable	(455)	251		
Decrease in other assets	333	1,137		
Increase (decrease) in accrued interest expense	383	(68)		
Decrease in other liabilities	(299)	(287)		
Increase in accrued interest receivable			(965)	(455)
(Increase) decrease in other assets			(1,208)	333
Increase in accrued interest expense			1,423	383
Increase (decrease) in other liabilities			853	(299)
Net cash provided by operating activities	12,529	9,825	13,067	12,529
Cash flows from investing activities:				
Net (increase) decrease in federal funds sold	(1,686)	3		
Net increase in federal funds sold			(7,707)	(1,686)
Purchases of investment securities, available-for-sale	(39,255)	(86,642)	(14,891)	(39,255)
Proceeds from sales of investment securities, available-for-sale	8,531	—	—	8,531
Proceeds from maturities and prepayments of investment securities, available-for-sale	19,250	38,975	11,856	19,250

Proceeds from maturities and prepayments of investment securities, held-to-maturity	1,563	2,957	755	1,563
Net (increase) decrease in Federal Home Loan Bank stock	(489)	265		
Net decrease (increase) in Federal Home Loan Bank stock			158	(489)
Net increase in loans			(49,650)	(69,935)
Proceeds from the sale of premises and equipment and other real estate	3,084	2,061	497	3,084
Net increase in loans	(69,935)	(65,112)		
Purchases of premises and equipment	(1,262)	(822)	(1,464)	(1,262)
Net cash used in investing activities	(80,199)	(108,315)	(60,446)	(80,199)
Cash flows from financing activities:				
Net increase in customer deposits	31,899	55,914	80,166	31,899
Net increase in short-term borrowings	9,992	29		
Net proceeds from long-term borrowings	—	10,653		
Net (decrease) increase in short-term borrowings			(10,038)	9,992
Net share-based compensation transactions	—	(7)	(25)	—
Treasury stock repurchases	(4,481)	(525)		
Repurchases of common stock			(1,422)	(4,481)
Dividends paid	(832)	(745)	(1,175)	(832)
Net cash provided by financing activities	36,578	65,319	67,506	36,578
Net decrease in cash and cash equivalents	(31,092)	(33,171)		
Net increase (decrease) in cash and cash equivalents			20,127	(31,092)
Cash and cash equivalents, beginning of period	61,244	94,415	30,152	61,244
Cash and cash equivalents, end of period	$ 30,152	$ 61,244	$ 50,279	$ 30,152

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

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 2023 AND 2021 2022

1. DESCRIPTION OF BUSINESS

First US Bancshares, Inc., a Delaware corporation ("Bancshares" and, together with its subsidiaries, subsidiary, the "Company"), is a bank holding company formed in 1983 registered under the Bank Holding Company Act of 1956, as amended (the "BHCA"). Bancshares operates one banking subsidiary, First US Bank, an Alabama banking corporation (the "Bank"). Prior to its name change on October 11, 2016, Bancshares was known as United Security Bancshares, Inc. Bancshares and the Bank are headquartered in Birmingham, Alabama.

The Bank conducts a general commercial banking business and offers banking services such as demand, savings, individual retirement account and time deposits, personal and commercial loans, safe deposit box services and remote deposit capture. The Bank operates and serves its customers through 15 full-service banking offices located in Birmingham, Butler, Calera, Centreville, Gilbertown, Grove Hill, Harpersville, Jackson, Thomasville, Tuscaloosa and Woodstock, Alabama; Knoxville and Powell, Tennessee; and Rose Hill, Virginia; as well as loan production offices in Mobile, Alabama and the Chattanooga, Tennessee area. The Bank provides a wide range of commercial banking services to small- and medium-sized businesses, property managers, business executives, professionals and other individuals. The Bank also performs indirect lending through third-party retailers and currently conducts this lending in 12 17 states, including Alabama, Arkansas, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Mississippi, Missouri, Nebraska, North Carolina, Oklahoma, South Carolina, Tennessee, Texas and Virginia. During the third quarter of 2021, the Company closed four banking offices located in Bucksville, Columbiana and south Tuscaloosa, Alabama, as well as Ewing, Virginia.

The Previously, the Bank has had two wholly owned subsidiaries: Acceptance Loan Company, Inc., an Alabama corporation ("ALC"), and FUSB Reinsurance, Inc., an Arizona corporation ("FUSB Reinsurance"). Both ALC and FUSB Reinsurance were dissolved in 2023, after all remaining assets and liabilities of these entities were transferred to the Bank. As used herein, unless the context suggests otherwise, references to the "Company," "we," "us" and "our" refer to Bancshares and the Bank, as well as the Bank, ALC and FUSB Reinsurance (for periods prior to their dissolution), collectively.

The Bank owns all of the stock of ALC. ALC is was a finance company headquartered in Mobile, Alabama. During The Bank will continue to manage the third quarter of 2021, ALC ceased new business development and permanently closed its 20 branch lending locations in Alabama and Mississippi to the public. ALC continues to service its remaining portfolio of loans from its headquarters in Mobile, Alabama. ALC's portfolio, which totaled $

10.5 million as of December 31, 2023, through final resolution. FUSB Reinsurance was designed to reinsure or "underwrite" credit life and credit accident and health certain insurance policies sold to the Bank's Bank's and ALC's ALC's consumer loan customers. FUSB Reinsurance was responsible for the first level of risk on these policies up to a specified maximum amount, while the primary third-party insurer retained the remaining risk. While FUSB Reinsurance underwrote insurance contracts for both the Bank and ALC, in recent years, the majority of contracts were associated with ALC's loans. Due to reduced contract volume, particularly following the cessation of business of ALC, during 2022, management of FUSB Reinsurance began procedures to terminate the entity's activities. During 2022, FUSB Reinsurance ceased writing new insurance contracts, and reached an agreement with a third-party insurance provider to indemnify FUSB Reinsurance for all remaining liabilities associated with previously underwritten insurance policies. As of December 31, 2022, the remaining assets and liabilities of FUSB Reinsurance were transferred to the Bank, and it is anticipated that FUSB Reinsurance will be legally dissolved during 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Bancshares and the Bank and its wholly-owned subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated. The Company consolidates an entity if the Company has a controlling financial interest in the entity.

Use of Estimates

The accounting principles and reporting policies of the Company, and the methods of applying these principles, conform with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with general practices within the financial services industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated balance sheets, and revenues and expenses for the period included in the consolidated statements of operations and of cash flows. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant changes in the near term relate to the accounting for the allowance for loan and lease credit losses, the right-of-use asset and lease liability, the value of other real estate owned ("OREO") and certain collateral-dependent loans, consideration related to goodwill impairment testing and deferred tax asset valuation. In connection with the determination of the allowance for loan credit losses and OREO, management generally obtains independent appraisals for significant properties, evaluates the overall portfolio characteristics and delinquencies and monitors economic conditions.

FIRST US BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, instruments with an original maturity of less than 90 days from issuance and amounts due from banks.

Supplemental disclosures of cash flow information and non-cash transactions related to cash flows for the years ended December 31, 2022 December 31, 2023 and 2021 2022 are as follows:

	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Cash paid during the year for:				
Interest	$ 3,873	$ 3,018	$ 14,033	$ 3,873
Income taxes	2,855	1,375	2,375	2,855
Non-cash transactions:				
Assets acquired in settlement of loans	907	806	1,178	907

Transfers of closed branch assets to OREO	391	1,978	—	391
Reissuance of treasury stock as compensation	138	59	134	138

Revenue Recognition

The Company records revenue when control of the promised products or services is transferred to the customer in an amount that reflects the consideration that the Company expects to be entitled to receive in exchange for those products and services.

Interest Income

The majority of the Company's revenue is generated through interest earned on financial instruments, including loans and investment securities. This revenue is recognized on an accrual basis and calculated through the use of non-discretionary formulas based on written contracts including loan agreements or securities contracts. Loan origination fees are accreted into interest income over the term of the loan.

Service Charges on Deposit Accounts

Service charges on deposit accounts include non-sufficient fund fees, overdraft fees and other service charges. When a depositor presents an item for payment in excess of available funds, non-sufficient funds fees are earned when an item is returned unpaid, and overdraft fees are earned when the Company provides the necessary funds to complete the transaction. The Company generates other service charges by providing depositors with proper safeguard and remittance of funds, as well as by providing optional services such as check imaging or treasury management. Charges for proper safeguard and remittance of funds are recognized monthly as the deposit customer maintains funds in the account, while revenue for optional services are recognized when the customer completes the transaction.

Gains or Losses on the Sale of Investment Securities

Gains or losses on the sale of investment securities are recognized as the sale transaction occurs with the cost of securities sold based on the specific identification method.

Lease Income

The Bank leases certain office facilities to third parties and classifies the leases as operating leases. Lease income is recognized on a monthly basis based on the contractual terms of the lease agreement.

Bank-owned Life Insurance

Bank-owned life insurance income represents income earned from the appreciation of the cash surrender value of insurance contracts held and the proceeds of insurance benefits. The Company recognizes revenue each period in the amount of the appreciation of the cash surrender value of the contracts. Revenue recognized from the proceeds of insurance benefits is recognized at the time the claim is confirmed.

ATM Fee Income

Fee income is generated by allowing the Bank's debit cardholders to withdraw funds from the ATM's of other financial institutions and by allowing non-customers to withdraw funds from the Bank's ATMs. The Bank satisfies performance obligations for each transaction when the withdrawal is processed. The Bank does not direct the activities of the related processing network's service and recognizes revenue on a net basis as the agent in each transaction.

Other Miscellaneous Income

Other miscellaneous income includes mortgage fees, credit insurance income, auto club revenue, wire transfer fees, safe deposit box fee income, check fees and other miscellaneous sources of income. The Company recognizes revenue associated with these sources of income in accordance with the satisfaction of the performance obligation based on the timing of the occurrence of a transaction or when service is provided.

Reinsurance Activities

Before FUSB Reinsurance ceased writing new insurance contracts in 2022, the Company assumed insurance risk related to credit life and credit accident and health insurance written by a non-affiliated insurance company for its customers that choose such coverage through a quota share reinsurance agreement. Assumed premiums on credit life insurance were deferred and earned over the period of insurance coverage using either a pro rata method or the effective yield method, depending on whether the amount of insurance coverage generally remains level or declines. Assumed premiums for accident and health policies were earned on an average of the pro rata and the effective yield methods.

Investment Securities

The investment portfolio consists of debt securities, including U.S. Treasury securities, obligations of U.S. government agencies, municipal bonds, residential and commercial mortgage-backed securities and corporate notes. Securities may be held in one of three portfolios: trading account securities, securities held-to-maturity or securities available-for-sale. Trading account securities are carried at estimated fair value, with unrealized gains and losses included in operations. The Company held no trading account securities as of December 31, 2022 December 31, 2023 or 2021. 2022. Investment securities held-to-maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts. With regard to investment securities held-to-maturity, management has the intent and the Bank Company has the ability to hold such securities until maturity. Investment securities available-for-sale are carried at fair value, with any unrealized gains or losses excluded from operations and reflected, net of tax, as a separate component of shareholders' equity in accumulated other comprehensive income or loss. Investment securities available-for-sale are so classified because management may decide to sell certain securities prior to maturity for liquidity, tax planning or other valid business purposes. When the fair value of a security falls below carrying value, an evaluation must be made to determine whether the unrealized loss is a temporary or other-than-temporary impairment. Impaired securities that are not deemed to be temporarily impaired are written down by a charge to operations to the extent that the impairment is related to credit losses. The amount of impairment related to other factors is recognized in other comprehensive income or loss. The Company uses a systematic methodology to evaluate potential impairment of its investments that considers, among other things, the magnitude and duration of the decline in fair value, the financial health and business outlook of the issuer and the Company's ability and intent to hold the investment until such time as the security recovers its fair value.

Interest earned on investment securities available-for-sale is included in interest income. Amortization of premiums and discounts on investment securities is determined by the interest method and included in interest income. Gains and losses on the sale of investment securities available-for-sale, computed principally on the specific identification method, are shown separately in non-interest income.

The Company also holds Federal Home Loan Bank ("FHLB") stock, which, based on the redemption provision of the FHLB, has no quoted market value and is carried at cost. Dividends earned on FHLB stock are included in interest income.

Loans and Leases Held for Investment

Loans and leases held for investment ("loans") represent financial instruments that the Company has the intent and the ability to hold for the foreseeable future or until maturity or payoff. Loans are reported at amortized cost, net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts, fair value hedge accounting adjustments, and deferred loan fees and costs. Accrued interest receivable on loans and leases is reported separately on the Company's consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

At the time a loan is 90 days delinquent, it is placed on nonaccrual status unless it is well-secured and in process of collection. Interest income is discontinued on all loans on nonaccrual status. Past-due status is based on the contractual terms of the loan. In all cases, loans are moved to nonaccrual status, or charged off at an earlier date, if collection of principal and interest is considered doubtful.

All interest accrued but not received on loans on nonaccrual status is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery methods, until qualifying for return to accrual. Under the cash-basis method, interest income is recorded when the payment is received in cash. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

On January 1, 2023, the Company adopted Accounting Standards Codification *"Financial Instruments - Credit Losses"* ("ASC 326"). ASC 326 replaced the previous "incurred loss" model for measuring credit losses on loans and leases, which required allowances for current known and inherent losses within the loan portfolio, with a current expected credit loss ("CECL") model. The CECL model requires the measurement of all expected credit losses for financial assets measured at amortized cost and certain off-balance-sheet credit exposures based on historical experience, current conditions, and reasonable and supportable forecasts. ASC 326 also requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's loan portfolio. In addition, ASC 326 includes certain changes to the accounting for available-for-sale debt securities, including the requirement to present credit losses as an allowance rather than as a direct write-down, in certain circumstances.

The Company adopted ASC 326 using the modified retrospective method for financial assets measured at amortized cost and off-balance-sheet credit exposures. Upon adoption, the Company recognized an increase in the allowance for credit losses (including both loans and unfunded lending commitments) of $2.4 million, which included an after-tax cumulative effect decrease to retained earnings totaling $1.8 million. Operating results for periods after January 1, 2023 are presented in accordance with ASC 326 while prior period amounts continue to be reported in accordance with previously applicable standards and the accounting policies. The revised accounting policies resulting from the adoption of ASC 326, as well as the accounting policies prior to January 1, 2023, are described below.

Allowance for Credit Losses on Loans and Leases

The allowance for credit losses on loans and leases is a contra-asset valuation account that is deducted from the amortized cost basis of the loans and leases held for investment to present the net amount expected to be collected. Loans are charged off against the allowance when management believes that the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off. The allowance for credit losses on loans and leases is adjusted through the provision for (recovery of) credit losses.

Management estimates the allowance for credit losses by using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for estimation of expected credit losses. Adjustments to historical loss information are made for differences in loan-specific risk characteristics such as changes in economic and business conditions, underwriting standards, portfolio mix, and delinquency level. Considerations related to environmental conditions include reasonable and supportable current and forecasted data related to economic factors such as inflation, unemployment levels, and interest rates.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis and are not included in the collective pool evaluations. For individually evaluated loans, When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty as of 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 estimated selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans and leases, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company, or management has a reasonable expectation at the reporting date that a loan modification will be made to a borrower experiencing financial difficulty.

Allowance for Credit Losses on Unfunded Lending Commitments

The Company estimates expected credit losses on unfunded lending commitments over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The following categories of off-balance sheet credit exposures have been identified: unfunded loan commitments, standby letters of credit, and financial guarantees (collectively, "unfunded lending commitments"). The allowance for credit losses on unfunded lending commitments is adjusted through the provision for (recovery of) credit losses. The estimate may include consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded, as well as reasonable practical expedients or industry practices to assist in the evaluation of estimated funding amounts. Management estimates the allowance balance by using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for estimation of expected credit losses. Adjustments to historical loss information are made for differences in loan-specific risk characteristics such as changes in economic and business conditions, underwriting standards, portfolio mix, and delinquency level. Considerations related to environmental conditions include reasonable and supportable current and forecasted data related to economic factors such as inflation, unemployment levels, and interest rates.

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

Expected credit losses on held-to-maturity debt securities are measured on a collective basis by major security type. Accrued interest receivable on held-to-maturity securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The allowance for credit losses on investment securities held-to-maturity is adjusted through the provision for (recovery of) credit losses.

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

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized 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 debt securities available-for-sale that do not meet the aforementioned criteria, the Company 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 in the rating of the security 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 from 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, 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 other comprehensive income. Changes in the allowance for credit losses are recorded in the provision for (recovery of) credit losses. 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. Accrued interest receivable on available-for-sale debt securities is excluded from the estimate of credit losses.

Allowance for Loan and Lease Losses Prior to January 1, 2023

Prior to the adoption of ASC 326 on January 1, 2023, the allowance for loan and lease losses was calculated pursuant to the provisions of ASC 450-20, *Loss Contingencies* and ASC 310-10-35, *Receivables*. Under this guidance, loans were divided into homogeneous pools and probable losses for each pool were calculated based on historical loss data. The estimated probable losses for each pool also included qualitative adjustments to historical loss information based on environmental factors as of the balance sheet date. The allowance for loan and lease losses was increased by a provision for loan and lease losses, which was charged to expense, and reduced by charge-offs, net of recoveries by portfolio segment.

Investment Impairment Prior to January 1, 2023

Prior to the adoption of ASC 326 on January 1, 2023, impairment of investment securities was measured under ASC 320, *Investments – Debt and Equity Securities*. In accordance with ASC 320, all investment securities were evaluated for impairment individually. An investment security was considered impaired if the fair value of the security as of the balance sheet date was less than amortized cost. For each security determined to be impaired, an evaluation was made as to whether the impairment was other than temporary. The determination of whether a security was other than temporarily impaired required judgment related to whether or not there was intent to sell the security or whether it was more likely than not that the Company would be required to sell the security before recovery of its amortized cost basis. In addition, determinations were made as to whether a credit loss existed for each impaired security by comparing the present value of expected cash flows with the amortized cost basis.

Derivatives and Hedging Activities

The Company uses derivative instruments to minimize unplanned fluctuations in earnings and cash flows caused by interest rate volatility. The Company's interest rate risk management strategy involves modifying the repricing characteristics of certain assets and liabilities so that changes in interest rates do not adversely affect net interest margin and cash flow. Derivative instruments utilized by the Company generally include interest rate swaps, caps and floors, and are carried as assets and/or liabilities at fair value on the Company's consolidated balance sheets. The Company does not use derivatives for trading or speculative purposes and generally enters into transactions that have a qualifying hedge relationship. Depending upon the characteristics of the hedged item, derivatives are classified as either cash flow hedges or fair value hedges. When cash flow or fair value hedging strategies are utilized, the Company specifically identifies the derivative instrument as a hedge and identifies the risk that is being hedged contemporaneously with the execution of the hedge transaction.

Cash flow hedge relationships mitigate exposure to variability of future cash flows or other forecasted transactions. The change in fair value of cash flow hedges is recorded, net of tax, in accumulated other comprehensive income (loss) except for amounts excluded from hedge effectiveness. Amounts excluded from hedge effectiveness are recorded in earnings.

Fair value hedge relationships mitigate exposure to the change in fair value of the hedged risk in an asset, liability, or firm commitment. Gains or losses attributable to the derivative instrument, as well as gains or losses attributable to changes in the fair value of the hedged item are recognized in interest income or interest expense in the same income statement line item with the hedged item in the period in which the change in fair value occurs. To the extent the changes in fair value of the derivative instrument do not offset the changes in the fair value of the hedged item, the difference is recognized in earnings. The corresponding adjustment to the hedged asset or liability is included in the basis of the hedged item, while the corresponding change in the fair value of the derivative instrument is recorded as an adjustment to other assets or other liabilities, as applicable. The Company has entered into certain fair value hedges using the last-of-layer portfolio-layer method, which allows the Company to hedge the interest rate risk of prepayable financial assets by designating as the hedged item a stated amount of a closed portfolio that is not expected to be affected by prepayments, defaults, or other factors impacting the timing and amount of cash flows.

If a hedge relationship is de-designated or if hedge accounting is discontinued because the hedged item no longer exists, or does not meet the definition of a firm commitment, or because it is probable that the forecasted transaction will no longer occur, the derivative instrument will continue to be recorded in other assets or liabilities in the consolidated balance sheets at its estimated fair value, with changes in fair value recognized in non-interest expense. Any asset or liability that was recognized pursuant to a firm commitment is removed from the consolidated balance sheets and recognized in non-interest expense. Gains or losses that were unrecognized and aggregated in accumulated other comprehensive gain (loss) pursuant to a cash flow hedging relationship are recognized immediately in non-interest expense.

The Company may also enter into derivative contracts that are not designated as hedges in order to mitigate economic risks or risks associated with volatility in connection with customer derivative transactions.

Loans and Interest Income

Loans are reported at principal amounts outstanding, adjusted for unearned income, net deferred loan origination fees and costs, purchase premiums and discounts, write-downs and the allowance for loan losses. Loan origination fees, net of certain deferred origination costs, and purchase premiums and discounts are recognized as an adjustment to the yield of the related loans, on an effective yield basis.

Interest on all loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to make payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed against current income unless the collateral for the loan is sufficient to cover the accrued interest. Interest received on non-accrual loans generally is either applied against principal or reported as interest income in accordance with management’s judgment as to the collectability of principal. The policy for interest recognition on impaired loans is consistent with the non-accrual interest recognition policy. Generally, loans are restored to accrual status when the obligation is brought current and the borrower has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is determined based on various components for individually impaired loans and for homogeneous pools of loans and leases. The allowance for loan and lease losses is increased by a provision for loan and lease losses, which is charged to expense, and reduced by charge-offs, net of recoveries by portfolio segment. The methodology for determining charge-offs is consistently applied to each segment. The allowance for loan and lease losses is maintained at a level that, in management’s judgment, is adequate to absorb credit losses inherent in the loan and lease portfolio. The amount of the allowance is based on management’s evaluation of the collectability of the loan and lease portfolio, including the nature of the portfolio, and changes in its risk profile, credit concentrations, historical trends and economic conditions. This evaluation also considers the balance of impaired loans. Losses on individually identified impaired loans are measured based on the present value of expected future cash flows, discounted at each loan’s original effective market interest rate. As a practical expedient, impairment may be measured based on the loan’s observable market price or the fair value of the collateral if the loan is collateral-dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through the provision added to the allowance for loan losses. In general, all loans of $0.5 million or more and, at ALC, any loans of $50 thousand or more that are 90 days or more past due are identified for impairment analysis. One-to-four family residential mortgages and consumer installment loans are subjected to a collective evaluation for impairment, considering delinquency and repossession statistics, loss experience and other factors. Though management believes the allowance for loan and lease losses to be adequate, ultimate losses may vary from estimates. However, estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings during periods in which they become known.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation, and amortization depreciation. Depreciation is generally computed principally by the straight-line method over the estimated useful lives of the assets or the expected lease terms for leasehold improvements, whichever is shorter. Useful lives for all premises and equipment range from three to forty years. years.

Bank Owned Life Insurance

The Company has purchased life insurance policies on certain directors and former executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill and Other Intangible Assets

Goodwill arises from business combinations and is generally determined as the excess of cost over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill is determined to have an indefinite useful life and is not amortized but tested for impairment at least annually or more frequently if events or circumstances exist that indicate that a goodwill impairment test should be performed. The Company performs its annual goodwill impairment test as of October 1st.

1.

Other intangible assets consist of core deposit intangible assets arising from acquisitions. Core deposit intangibles have definite useful lives and are amortized on an accelerated basis over their estimated useful lives. The Company's core deposit intangible assets have estimated useful lives of seven years. In addition, these intangible assets are evaluated for impairment whenever events or circumstances exist that indicate that the carrying amount should be reevaluated.

Other Real Estate Owned (OREO)

OREO consists of properties acquired through a foreclosure or in satisfaction of loans, as well as closed Bank and ALC branches. These properties are carried at net realizable value, less estimated selling costs. Losses arising from the acquisition of properties are charged against the allowance for loan credit losses. Gains or losses realized upon the sale of OREO and additional losses related to subsequent valuation adjustments are determined on a specific property basis and are included as a component of non-interest expense along with carrying costs.

Income Taxes

The Company accounts for income taxes on the accrual basis through the use of the asset and liability method. Under the asset and liability method, deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the consolidated financial statement carrying amounts and the basis of existing assets and liabilities. Deferred tax assets are also recorded for any tax attributes, such as tax credit and net operating loss carryforwards. The net balance of deferred tax assets and liabilities is reported in other assets in the consolidated balance sheets. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company evaluates the realization of deferred tax assets based on all positive and negative evidence available at the balance sheet date. Realization of deferred tax assets is based on the Company's judgments about relevant factors affecting realization, including taxable income within any applicable carryback periods, future projected taxable income, reversal of taxable temporary differences and other tax planning strategies to maximize realization of deferred tax assets. A valuation allowance is recorded for any deferred tax assets that are not "more likely than not" to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit for which there is a greater than 50% likelihood that such amount would be realized upon examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company recognizes interest expense, interest income and penalties related to unrecognized tax benefits within current income tax expense.

Stock-Based Compensation

Compensation expense is recognized for stock options and restricted stock awards issued to employees based on the fair value of these awards at the date of grant. The Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation expense is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation expense is recognized on a straight-line basis over the requisite service period for the entire award. The Company's accounting policy is to recognize compensation expense net of forfeitures.

Treasury Stock

Treasury stock purchases and sales are accounted for using the cost method.

Advertising Costs

Advertising costs for promoting the Company are minimal and expensed as incurred.

Segment Reporting

Management has identified two reportable operating segments of Bancshares: the Bank and ALC. The reportable segments were determined based on the internal management reporting system and comprise Bancshares' and the Bank's significant subsidiaries. Segment results include certain overhead allocations and intercompany transactions that were recorded at current market prices. All intercompany transactions were eliminated in the determination of consolidated balances.

FIRST US BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reclassification

Certain disclosures amounts presented in the notes to the prior period consolidated financial statements and related notes have been reclassified to conform to the 2022 2023 presentation. These reclassifications had no effect on the Company's results of operations, net income, financial position or net cash flow.

Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding (basic shares). Included in basic shares are stock equivalent shares that have been accrued as of the balance sheet date as deferred compensation for members of Bancshares' Board of Directors as well as shares of restricted stock that have been granted pursuant to Bancshares' 2013 Incentive under the Non-Employee Directors' Deferred Compensation Plan (as amended, the "2013 Incentive Plan" defined below and discussed further in Note 12, "Deferred Compensation Plans") previously approved by Bancshares' shareholders. . Diluted net income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding, adjusted for the effect of potentially dilutive stock awards outstanding during the period (dilutive shares). The dilutive shares consist of unexercised nonqualified stock option grants issued to employees and members of Bancshares' Board of Directors pursuant to the 2013 Company's Incentive Plan. Plan (as defined and discussed further in Note 13, "Stock Awards").

The following table reflects weighted average shares used to calculate basic and diluted net income per share for the years ended December 31, 2022 December 31, 2023 and 2021.2022.

	Year Ended December 31,	
	2023	2022
Weighted average shares outstanding	5,851,702	5,969,575
Weighted average director deferred shares	112,857	114,483
Basic shares	5,964,559	6,084,058
Dilutive shares	411,900	419,650
Diluted shares	6,376,459	6,503,708

	Year Ended December 31,	
	2022	2021
Weighted average shares outstanding	5,969,575	6,205,261
Weighted average director deferred shares	114,483	114,096
Basic shares	6,084,058	6,319,357
Dilutive shares	419,650	420,250
Diluted shares	6,503,708	6,739,607

	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022
	(Dollars in Thousands, Except Per Share Data)		(Dollars in Thousands, Except Per Share Data)	
Net income	$ 6,864	$ 4,451	$ 8,485	$ 6,864
Basic net income per share	$ 1.13	$ 0.70	$ 1.42	$ 1.13
Diluted net income per share	$ 1.06	$ 0.66	$ 1.33	$ 1.06

Comprehensive Income

Comprehensive income consists of net income, as well as unrealized holding gains and losses that arise during the period associated with the Company's available-for-sale securities portfolio and the effective portion of cash flow hedge derivatives. In the calculation of comprehensive income, reclassification adjustments are made for gains or losses realized in the statement of operations associated with the sale of available-for-sale securities, settlement of derivative contracts or changes in the fair value of cash flow derivatives.

Segment Reporting

In previous periods, the Company disclosed two reportable operating segments of Bancshares: the Bank and ALC. The reportable operating segments were determined using the internal management reporting system in place during those periods. Due to the legal dissolution of ALC during 2023, management's internal reporting system no longer includes two reportable operating segments as of December 31, 2023. Accordingly, no disclosure of separate reportable operating segments is included in this Annual Report on Form 10-K.

Accounting Policies Recently Adopted

Reference Rate Reform

ASU 2020-04 and ASU 2021-01, "Reference*"Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting."*These ASUs provide optional and temporary relief, in the form of optional expedients and exceptions, for applying GAAP to modifications of contracts, hedging relationships and other transactions affected by reference rate (e.g. LIBOR) reforms. The Historically, the Company utilizes utilized LIBOR, among other indexes, as a reference rate for underwriting certain variable rate loans and interest rate hedging instruments. Management has identified all Since the issuance of this guidance, cessation of U.S. dollar LIBOR was extended to June 30, 2023. Accordingly, in December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, which deferred the sunset date of ASC Topic 848 from December 31, 2022 to December 31, 2024. The amendments in this update provide optional expedients designed to provide relief from accounting analysis and the impacts that may otherwise be required for modifications to agreements necessitated by reference rate reform. The optional expedients provided by the update include guidance related to modifications of contracts within the scope of ASC 310, *Receivables*, and ASC 470, *Debt*, that indicates the modifications should be accounted for by prospectively adjusting the effective interest rate. As of December 31, 2023, the Company had no remaining contracts referencing LIBOR and will continue for which the pricing had not been reset using a different reference rate. Due to monitor risks associated with the discontinuance prospective nature of LIBOR until remediation the implementation of such contracts is complete. Reference rate reform has the revised guidance, the adoption did not had, nor does the Company expect it to have a material effect impact on the Company's consolidated balance sheet, operations or cash flows. financial statements.

Portfolio Layer Hedging Method

ASU 2022-01, *"Fair Value Hedging - Portfolio Layer Method - Derivatives and Hedging (Topic 815)*." In March 2022, the FASB issued ASU 2022-01. The amendments in this standard update expand the current last-of-layer method of hedge accounting that permits only one hedged layer to allow multiple hedged layers of a single closed portfolio. This standard update

is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted ASU 2022-01 on January 1, 2023. The Due to the prospective nature of the implementation of this revised guidance, the adoption of this standard update is did not expected to have a material impact on the Company's consolidated financial statements; however, the impact will be dependent on future hedging activity. statements.

Intangibles and Goodwill

ASU 2017-04,, *"Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment."* Issued in January 2017, ASU 2017-04 simplifies the manner in which an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. In computing the implied fair value of goodwill under Step 2, an entity, prior to the amendments in ASU 2017-04, had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities, including unrecognized assets and liabilities, in accordance with the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. However, under the amendments in ASU 2017-04, an entity should (1) perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, and (2) recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, with the understanding that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, ASU 2017-04 removes the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails such qualitative test, to perform Step 2 of the goodwill impairment test. As originally issued, ASU 2017-04 was effective prospectively for annual, or any interim, goodwill impairment tests in fiscal years beginning after December 15, 2019. On October 16, 2019, the FASB approved a delay in the implementation of ASU 2017-04 by three years for smaller reporting companies, including the Company. The ASU became effective for the Company on January 1, 2023. The adoption of this standard update is did not currently expected to have a material effect on the Company's consolidated financial statements; however, the impact will be dependent on future evaluations of goodwill impairment that will continue to be performed by management on an annual basis. statements.

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Current Expected Credit Loss Accounting Guidance

ASU 2016-13,, *"Financial Instruments – Credit Losses: Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.""* Issued in June 2016, ASU 2016-13 removes removed the thresholds that companies apply entities previously applied to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables and held-to-maturity debt securities. Known as the Current Expected Credit Loss (CECL) model, the revised guidance removes removed all current recognition thresholds under previously used incurred loss models and requires companies required entities to recognize an allowance for lifetime expected credit losses. Credit losses will be immediately recognized through net income; the amount recognized will be based on the current estimate of contractual cash flows not expected to be collected over the financial asset's contractual term. The standard also adds added disclosure requirements intended to enable users of the financial statements to understand credit risk in the portfolio and how management monitors credit quality, management's estimate of expected credit losses, and changes in the estimate of credit losses during the period. In addition, the standard made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities if management does not intend to sell and does not believe that it is more likely than not they will be required to sell. As originally issued, ASU 2016-13 was effective for financial statements issued for fiscal years and for interim periods within those fiscal years beginning after December 15, 2019, with institutions required to apply the changes through a cumulative-effect adjustment to their retained earnings balance as of the beginning of the first reporting period in which the guidance is effective. On October 16, 2019, the FASB approved a delay in the implementation of ASU 2016-13 by three years for smaller reporting companies, including the Company. The standard ASU became effective for the Company on January 1, 2023, and the Company recorded a cumulative-effect transition adjustment that increased loan loss reserves by approximately totaling $2.4 million. In accordance with transition accounting guidance, the transition adjustment was recorded directly million, which included an after-tax cumulative effect decrease to retained earnings during totaling $1.8 million. This adjustment increased the first quarter Company's allowance for credit losses on loans and leases by $2.1 million, and established an allowance for unfunded commitments of 2023 $0.3 million.

The table below summarizes the impact on the allowance for credit losses on loans and will not impact current period earnings. In 2022, leases of the FASB introduced adoption of ASC 326 on January 1, 2023:

	January 1, 2023 Adoption Date								
	Construction, Land Development, and Other	Real Estate 1-4 Family	Real Estate Multi-Family	Non-Farm Non-Residential	Commercial and Industrial	Direct Consumer	Branch Retail	Indirect Consumer	Total
	(Dollars in Thousands)								
Allowance for credit losses on loans and leases:									

Beginning balance, prior to adoption	$ 517	$ 832	$ 646	$ 1,970	$ 919	$ 866	$ 518	$ 3,154	$ 9,422
Impact of adoption	(94)	(39)	(85)	(147)	(20)	47	628	1,833	2,123
Ending balance, after adoption	$ 423	$ 793	$ 561	$ 1,823	$ 899	$ 913	$ 1,146	$ 4,987	$ 11,545

Troubled Debt Restructurings and Vintage Disclosures

ASU 2022-02, *"Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings ("TDRs") and Vintage Disclosures.*" Issued in March 2022, ASU 2022-02 seeks sought to improve the decision usefulness of information provided to investors concerning certain loan refinancings, restructurings and write-offs. The ASU eliminates eliminated the accounting guidance for troubled debt restructurings by creditors that have adopted the CECL accounting model and enhances enhanced the disclosure requirements for loan refinancings and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require disclosure of current-period gross write-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. The Company adopted the amendments of ASU 2022-02 on January 1, 2023, concurrent with the adoption of the CECL accounting model. The amendments of ASU 2022-02 include only changes to certain financial statement disclosures; and, therefore, adoption of ASU 2022-02 is did not expected to have a material impact on the Company's consolidated financial statements or results of operations. statements.

3. RESTRUCTURING CHARGES

Effective September 3, 2021, ALC ceased new business development and permanently closed its 20 branch lending locations in Alabama and Mississippi to the public. The closure of ALC's branches eliminated the majority of ALC's full-time employment positions during the third quarter of 2021. ALC continues to service its remaining portfolio of loans from its headquarters in Mobile, Alabama. The cessation of new business and closure of ALC's branch locations were undertaken by the Company as part of a long-term strategy to reduce expenses, fortify asset quality, and focus the Company's loan growth efforts in other areas, including the Bank's commercial lending and consumer indirect lending efforts.

Total restructuring charges incurred during the years ended December 31, 2022 and 2021 consisted of the following:

	Year Ended December 31, 2022	**Year Ended December 31, 2021**	**Total**
		(Dollars in Thousands)	
Expense Category			
Severance and personnel expenses	$ 108	$ 263	$ 371
Lease termination costs	2	224	226
Fixed asset valuation adjustments	—	239	239
Termination of technology contracts	45	85	130

Other expenses	—	93	93
Total expenses	$ 155	$ 904	$ 1,059

As of December 31, 2022, the majority of restructuring charges associated with the closure of ALC's branches have been incurred.

4. 3. INVESTMENT SECURITIES

Details of investment securities available-for-sale and held-to-maturity as of December 31, 2022 December 31, 2023 and 2021 2022 were as follows:

	Available-for-Sale December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in Thousands)			
Mortgage-backed securities:				
Residential	$ 47,221	$ 580	$ (3,073)	$ 44,728
Commercial	9,446	—	(406)	9,040
Obligations of U.S. government-sponsored agencies	11,849	158	(727)	11,280
Obligations of states and political subdivisions	1,621	—	(63)	1,558
Corporate notes	17,757	—	(2,800)	14,957
U.S. Treasury securities	56,999	—	(2,997)	54,002
Total	$ 144,893	$ 738	$ (10,066)	$ 135,565

	Held-to-Maturity December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in Thousands)			
Mortgage-backed securities:				
Commercial	$ 575	$ —	$ (22)	$ 553
Obligations of U.S. government-sponsored agencies	471	—	(34)	437
Obligations of states and political subdivisions	58	—	(7)	51
Total	$ 1,104	$ —	$ (63)	$ 1,041

	Available-for-Sale December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in Thousands)			

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-backed securities:				
Residential	$ 47,659	$ 2	$ (3,704)	$ 43,957
Commercial	12,169	4	(480)	11,693
Obligations of U.S. government-sponsored agencies	5,116	—	(846)	4,270
Obligations of states and political subdivisions	2,166	—	(94)	2,072
Corporate notes	17,817	2	(1,898)	15,921
U.S. Treasury securities	56,956	—	(4,074)	52,882
Total	$ 141,883	$ 8	$ (11,096)	$ 130,795

	Held-to-Maturity			
	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in Thousands)			
Mortgage-backed securities:				
Commercial	$ 1,167	$ —	$ (41)	$ 1,126
Obligations of U.S. government-sponsored agencies	610	—	(40)	570
Obligations of states and political subdivisions	85	—	(12)	73
Total	$ 1,862	$ —	$ (93)	$ 1,769

	Available-for-Sale			
	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in Thousands)			
Mortgage-backed securities:				
Residential	$ 46,020	$ 450	$ (242)	$ 46,228

Commercial	24,647	371	(47)	24,971
Obligations of U.S. government-sponsored agencies	5,207	—	(15)	5,192
Obligations of states and political subdivisions	4,247	80	(10)	4,317
Corporate notes	15,458	76	(52)	15,482
U.S. Treasury securities	35,097	—	(404)	34,693
Total	$ 130,676	$ 977	$ (770)	$ 130,883

	Held-to-Maturity				Held-to-Maturity			
	December 31, 2021				December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in Thousands)				(Dollars in Thousands)			
Mortgage-backed securities:								
Commercial	$ 2,115	$ 29	$ —	$ 2,144	$ 1,167	$ —	$ (41)	$ 1,126
Obligations of U.S. government-sponsored agencies	768	10	—	778	610	—	(40)	570
Obligations of states and political subdivisions	553	2	—	555	85	—	(12)	73
Total	$ 3,436	$ 41	$ —	$ 3,477	$ 1,862	$ —	$ (93)	$ 1,769

The scheduled maturities of investment securities available-for-sale and held-to-maturity as of December 31, 2022 December 31, 2023 are presented in the following table:

	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
	(Dollars in Thousands)				(Dollars in Thousands)			
Maturing within one year	$ 511	$ 511	$ —	$ —	$ 12,994	$ 12,895	$ —	$ —
Maturing after one to five years	61,068	57,159	—	—	53,070	49,767	249	241
Maturing after five to ten years	67,309	60,872	1,606	1,536	58,413	52,506	660	620
Maturing after ten years	12,995	12,253	256	233	20,416	20,397	195	180

Total	$ 141,883	$ 130,795	$ 1,862	$ 1,769	$ 144,893	$ 135,565	$ 1,104	$ 1,041

For purposes of the maturity table, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the weighted-average contractual maturities of underlying collateral. The mortgage-backed securities generally mature earlier than their weighted-average contractual maturities because of principal prepayments.

The following table reflects gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2022 December 31, 2023 and 2021. 2022:

	Available-for-Sale				Available-for-Sale			
	December 31, 2022				December 31, 2023			
	Less than 12 Months		12 Months or More		Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in Thousands)				(Dollars in Thousands)			
Mortgage-backed securities:								
Residential	$ 19,876	$ (952)	$ 23,903	$ (2,752)	$ 94	$ (1)	$ 35,584	$ (3,072)
Commercial	9,720	(357)	1,247	(123)	600	(5)	8,408	(401)
Obligations of U.S. government-sponsored agencies	—	—	4,270	(846)	—	—	4,367	(727)
Obligations of states and political subdivisions	1,559	(41)	512	(53)	—	—	1,558	(63)
Corporate notes	6,845	(898)	8,075	(1,000)	771	(229)	14,186	(2,571)
U.S. Treasury securities	21,240	(698)	31,642	(3,376)	—	—	54,002	(2,997)
Total	$ 59,240	$ (2,946)	$ 69,649	$ (8,150)	$ 1,465	$ (235)	$ 118,105	$ (9,831)

	Held-to-Maturity

	December 31, 2022			
	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in Thousands)			
Mortgage-backed securities:				
Commercial	$ 1,125	$ (41)	$ —	$ —
Obligations of U.S. government-sponsored agencies	215	(7)	356	(33)
Obligations of states and political subdivisions	73	(12)	—	—
Total	$ 1,413	$ (60)	$ 356	$ (33)

	Available-for-Sale			
	December 31, 2021			
	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in Thousands)			
Mortgage-backed securities:				
Residential	$ 31,346	$ (240)	$ 253	$ (2)
Commercial	2,245	(12)	2,970	(35)
Obligations of U.S. government-sponsored agencies	4,987	(13)	194	(2)
Obligations of states and political subdivisions	561	(10)	—	—
Corporate notes	9,092	(52)	—	—
U.S. Treasury securities	34,692	(404)	—	—
Total	$ 82,923	$ (731)	$ 3,417	$ (39)

70

There were no held-to-maturity securities in an unrealized loss position as of December 31, 2021.

Due to the increasing interest rate environment during the year ended December 31, 2022, gross

	Held-to-Maturity
	December 31, 2023

	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in Thousands)			
Mortgage-backed securities:				
Commercial	$ —	$ —	$ 553	$ (22)
Obligations of U.S. government-sponsored agencies	—	—	436	(34)
Obligations of states and political subdivisions	—	—	52	(7)
Total	$ —	$ —	$ 1,041	$ (63)

	Available-for-Sale			
	December 31, 2022			
	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in Thousands)			
Mortgage-backed securities:				
Residential	$ 19,876	$ (952)	$ 23,903	$ (2,752)
Commercial	9,720	(357)	1,247	(123)
Obligations of U.S. government-sponsored agencies	—	—	4,270	(846)
Obligations of states and political subdivisions	1,559	(41)	512	(53)
Corporate notes	6,845	(898)	8,075	(1,000)
U.S. Treasury securities	21,240	(698)	31,642	(3,376)
Total	$ 59,240	$ (2,946)	$ 69,649	$ (8,150)

	Held-to-Maturity			
	December 31, 2022			
	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in Thousands)			
Mortgage-backed securities:				
Commercial	$ 1,125	$ (41)	$ —	$ —
Obligations of U.S. government-sponsored agencies	215	(7)	356	(33)
Obligations of states and political subdivisions	73	(12)	—	—
Total	$ 1,413	$ (60)	$ 356	$ (33)

Available-for-Sale Considerations

For any securities classified as available-for-sale that are in an unrealized losses increased, particularly within the Company's available-for-sale portfolio. Management evaluates securities for other-than-temporary impairment no less frequently than quarterly and more frequently when economic or market concerns warrant such evaluation. Consideration is given to: (i) the length of time and the extent to which fair value has been less than cost; (ii) the financial condition and near-term prospects loss position as of the issuer; (iii) balance sheet date, the Company assesses whether the Company or not it intends to sell the securities; and (iv) whether it is more likely than not that the Company security, or more-likely-than-not will be required to sell the securities security, before recovery of their its amortized cost bases. basis which would require a write-down to fair value through net income.

As of December 31, 2023, 108 available-for-sale debt securities had been in a loss position for more than 12 months, and three available-for-sale debt securities had been in a loss position for less than 12 months. As of December 31, 2022, 38 available-for-sale debt securities had been in a loss position for more than 12 months, and 86 available-for-sale debt securities had been in a loss position for less than 12 months. As The increase in the number of December 31, 2021, ten debt securities had been in a loss position for more greater than 12 months was due to the sustained higher interest rate environment during the years ended December 31, 2023 and 32 debt securities had been in a loss position for less than 12 months. 2022. As of both December 31, 2022 December 31, 2023, the Company had the current intent and 2021, ability to retain its investments for a period of time that management believes to be sufficient to allow for any anticipated recovery of fair value. As of December 31, 2023, the losses for all available-for-sale securities were considered to be a direct result of the effect that the prevailing interest rate environment had on the value of debt securities and were not related to the creditworthiness of the issuers. Further, Accordingly, no allowance for credit losses was considered necessary related to available-for-sale securities as of December 31, 2023. Furthermore, the Company has the current intent and ability to retain its investments in the issuers for a period of time that management believes to be sufficient to allow for any anticipated recovery in fair value. The Company did not not recognize any other-than-temporary impairments as of December 31, 2022, in accordance with accounting guidance before the adoption of ASC 326.

Held-to-Maturity Considerations

Effective January 1, 2023, the Company adopted the CECL accounting model to evaluate credit losses in the held-to-maturity investment portfolio. Each quarter, management evaluates the portfolio on a collective basis by major security type to determine whether an allowance for credit losses is needed. Qualitative factors are used in the Company's credit loss assessments, including current and 2021. forecasted economic conditions, the characteristics of the debt issuer, and the historic ability of the issuer to make contractual principal and interest payments. Specifically, with regard to mortgage-backed securities or obligations of U.S. government sponsored agencies thereof, it is expected that the securities will not be settled at prices less than the amortized cost bases of the securities as such securities are either backed by the full faith and credit of the U.S. government or the agency. With regard to obligations of states and political subdivisions, management considers issuer bond ratings, historical loss rates for given bond ratings, and whether the issuers continue to make timely principal and interest payments under contractual terms of the securities. Based on these evaluations, no allowance for credit losses was recorded by the Company for the held-to-maturity investment portfolio upon adoption of the CECL accounting model or as of December 31, 2023. Furthermore, the Company did not recognize any other-than-temporary impairments as of December 31, 2022, in accordance with accounting guidance before the adoption of ASC 326.

Pledged Securities

Investment securities with a carrying value of $54.7 41.4 million and $52.2 54.7 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively, were pledged to secure public deposits and for other purposes.

5. 4. LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES LEASES

Portfolio Segments

The Company has divided the loan portfolio into the following portfolio segments based on risk characteristics:

Construction, land development and other land loans – Commercial construction, land and land development loans include loans for the development of residential housing projects, loans for the development of commercial and industrial use property, loans for the purchase and improvement of raw land and loans primarily for agricultural production that are secured by farmland. These loans are secured in whole or in part by the underlying real estate collateral and are generally guaranteed by the principals of the borrowing entity.

Secured by 1-4 family residential properties – These loans include conventional mortgage loans on one-to-four family residential properties. The properties may serve as the borrower's primary residence, vacation home or investment property. Also included in this portfolio are home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their home.

Secured by multi-family residential properties – This portfolio segment includes mortgage loans secured by apartment buildings.

Secured by non-farm, non-residential properties – This portfolio segment includes real estate loans secured by commercial and industrial properties, office or mixed-use facilities, strip shopping centers or other commercial property. These loans are generally guaranteed by the principals of the borrowing entity.

Commercial and industrial loans and leases – This portfolio segment includes loans and leases to commercial customers for use in the normal course of business. These credits may be loans, lines of credit and leases to financially strong borrowers, secured by inventories, equipment or receivables, and are generally guaranteed by the principals of the borrowing entity.

Direct consumer – This portfolio segment includes a variety of secured and unsecured personal loans, including automobile loans, loans for household and personal purposes and all other direct consumer installment loans.

Branch retail – This portfolio segment includes loans secured by collateral purchased by consumers at retail stores with whom ALC had an established relationship through its branch network to provide financing for the retail products sold if applicable underwriting standards were met. The collateral securing these loans generally includes personal property items such as furniture, ATVs and home appliances.

Indirect consumer – This portfolio segment includes loans secured by collateral purchased by consumers at retail stores with whom the Company has an established relationship to provide financing for the retail products sold if applicable underwriting standards are met. The collateral securing these loans generally includes recreational vehicles, campers, boats, horse trailers and cargo trailers.

As of December 31, 2022 December 31, 2023 and 2021, 2022, the composition of the loan portfolio by reporting segment and portfolio segment was as follows:

	December 31, 2022				
	Bank	ALC	Total	December 31, 2023	December 31, 2022
	(Dollars in Thousands)			(Dollars in Thousands)	
Real estate loans:					
Construction, land development and other land loans	$ 54,396	$ —	$ 54,396	$ 88,140	$ 53,914
Secured by 1-4 family residential properties	86,946	1,480	88,426	76,200	87,995
Secured by multi-family residential properties	67,917	—	67,917	62,397	67,852
Secured by non-farm, non-residential properties	199,965	—	199,965	213,586	200,156
Commercial and industrial loans (1)	73,561	—	73,561	60,515	73,546
Consumer loans:					
Direct consumer	5,145	4,908	10,053		
Direct				5,938	9,851
Branch retail	—	14,237	14,237	8,670	13,992
Indirect	266,567	—	266,567	306,345	266,567
Total loans	754,497	20,625	775,122	821,791	773,873
Less: Unearned interest, fees and deferred cost	799	450	1,249		
Allowance for loan losses	8,057	1,365	9,422		
Allowance for credit losses				10,507	9,422
Net loans	$ 745,641	$ 18,810	$ 764,451	$ 811,284	$ 764,451

	December 31, 2021

	Bank	ALC	Total
	(Dollars in Thousands)		
Real estate loans:			
Construction, land development and other land loans	$ 67,048	$ —	$ 67,048
Secured by 1-4 family residential properties	70,439	2,288	72,727
Secured by multi-family residential properties	46,000	—	46,000
Secured by non-farm, non-residential properties	197,901	—	197,901
Commercial and industrial loans (1)	73,947	—	73,947
Consumer loans:			
Direct consumer	5,972	15,717	21,689
Branch retail	—	25,692	25,692
Indirect	205,940	—	205,940
Total loans	667,247	43,697	710,944
Less: Unearned interest, fees and deferred cost	(324)	2,918	2,594
Allowance for loan losses	7,038	1,282	8,320
Net loans	$ 660,533	$ 39,497	$ 700,030

(1) Includes equipment financing leases, totaling $12.6 million and PPP loans. As of December 31, 2022 and 2021, equipment financing leases totaled $10.3 million as of December 31, 2023 and $11.0 million, respectively. As of December 31, 2022 and 2021, PPP loans totaled $6 thousand and $1.7 million, 2022, respectively.

The Company makes commercial, real estate and installment loans to its customers. Although the Company has a diversified loan portfolio, 53.0 53.6% and 54.0 53.0%% of the portfolio was concentrated in loans secured by real estate as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Loans with a carrying value of $68.2 98.6 million and $66.6 100.2 million were pledged as collateral to secure FHLB Federal Home Loan Bank ("FHLB") borrowings as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. In addition, loans with a carrying value of $294.4 million were pledged to secure borrowings with the Federal Reserve Bank ("FRB") as of December 31, 2023. No loans were pledged to the FRB as of December 31, 2022. Measures were undertaken by management in 2023 to pledge loans to the FRB in order to provide additional borrowing capacity to the Company in response to heightened liquidity concerns in the banking industry.

Related Party Loans

In the ordinary course of business, the Bank makes loans to certain officers and directors of the Company, including companies with which they are associated. These loans are made on the same terms as those prevailing for comparable transactions with unrelated parties. Management believes that such loans do not represent more than a normal risk of collectability, nor do they present other unfavorable features. The aggregate balances of such related party loans and commitments as of December 31, 2022 December 31, 2023 and 2021 2022 were $0.2 1.4 million and $0.3 0.2 million, respectively. During the year ended December 31, 2022 December 31, 2023, a line of credit agreement with a related party with an available balance of $0.1 million expired and was not renewed at the direction of the borrower. During the year ended December 31, 2023, there were new loans of $no 1.3 new

loans million to these parties, and norepayments made by active related parties were $0.1 million. parties. During the year ended December 31, 2021 December 31, 2022, there were no new loans to these parties, and repayments by active related parties were $0.1 million.

Allowance for Loan Credit Losses

Effective January 1, 2023, the Company adopted the CECL model to account for credit losses on financial instruments, including loans and Lease leases held for investment, as well as off-balance sheet credit exposures including unfunded lending commitments. In accordance with the CECL accounting guidance, the Company recorded a cumulative-effect adjustment totaling $2.4 million, of which $1.8 million (net of tax) was recorded through retained earnings upon adoption of the model. This amount included estimates for credit losses associated with both loan and lease receivables, as well as unfunded lending commitments. Prospectively, following the date of adoption, all adjustments for credit losses are required to be recorded as a provision for (recovery of) credit losses in the Company's consolidated statement of operations.

Allowance for Credit Losses on Loans and Leases

The following tables present Determining the appropriateness of the allowance for credit losses on loans and leases is complex and requires judgment by management about the effects of matters that are inherently uncertain. In future periods, evaluations of the overall loan portfolio, or particular segments of the portfolio, in the context of factors and forecasts then prevailing, may result in significant changes in the allowance for and credit loss expense in those future periods. The level of the allowance is influenced by loan and lease volumes and mix, historical credit loss experience, average remaining life of portfolio segments, asset quality characteristics, delinquency status, and other conditions including reasonable and supportable forecasts of economic conditions and qualitative adjustment factors based on management's understanding of various attributes that could impact life-of-loan losses as of the balance sheet date. The methodology to estimate losses includes two basic components: (1) an asset-specific component for individual loans that do not share similar risk characteristics with other loans, and (2) a pooled component for estimated expected credit losses for loans that share similar risk characteristics.

Loans that do not share risk characteristics with other loans are evaluated on an individual basis. The process for determining whether a loan should be evaluated on an individual basis begins with a determination of credit rating. All loans graded substandard or worse with a total commitment of $0.5 million or more are evaluated on an individual basis. At management's discretion, other loans may be evaluated, including loans less than $0.5 million, if management determines that the loans exhibit unique risk characteristics. For loans individually evaluated, the allowance is based primarily on the fair value of the underlying collateral, less any costs to sell, as applicable, utilizing independent third-party appraisals, and assessment of borrower guarantees. The fair value is compared to the amortized cost basis of the loan to determine if an allowance for credit losses should be recognized.

For estimating the component of the allowance for credit losses that share similar risk characteristics, loans are segregated into pooled loan categories that share risk characteristics. Loans are designated into pooled categories based on product types, business lines, collateral, and other risk characteristics. For all pooled loan categories, the Company uses a loss-rate methodology to calculate estimated life-of-loan and lease credit losses. This methodology focuses on historical credit loss rates applied over the estimated weighted average remaining life of each loan pool, adjusted by qualitative factors, to estimate life-of-loan losses for each pool. The qualitative factors utilized include, among others, reasonable and supportable forecasts of economic data, including inflation and unemployment levels, as well as interest rates.

The Company's cumulative-effect adjustment upon the adoption of CECL increased the Company's allowance for credit losses on loans and leases by $2.1 million. Subsequent to January 1, 2023, the Company recorded additional increases to the allowance for credit losses on loans and leases totaling $42 thousand which were included in the provision for credit losses in the Company's consolidated statement of operations during the years year ended December 31, 2022 and 2021 and the related loan balances by loan type as of December 31, 2022 and 2021: December 31, 2023.

	As of and for the Year Ended December 31, 2022								
	Construction, Land Development, and Other	1-4 Family	Real Estate Multi-Family	Non-Farm Non-Residential	Commercial and Industrial	Direct Consumer	Branch Retail	Indirect	Total
	(Dollars in Thousands)								
Allowance for loan and lease losses:									
Beginning balance	$ 628	$ 690	$ 437	$ 1,958	$ 860	$ 1,004	$ 304	$ 2,439	$ 8,320
Charge-offs	—	(40)	—	—	—	(1,958)	(633)	(382)	(3,013)
Recoveries	2	39	—	5	0	565	151	45	807
Provision	(113)	143	209	7	59	1,255	696	1,052	3,308
Ending balance	$ 517	$ 832	$ 646	$ 1,970	$ 919	$ 866	$ 518	$ 3,154	$ 9,422
Ending balance of allowance attributable to loans:									
Individually evaluated for impairment	$ —	$ 7	$ —	$ —	$ 252	$ —	$ —	$ —	$ 259
Collectively evaluated for impairment	517	825	646	1,970	667	866	518	3,154	9,163
Total allowance for loan and lease losses	$ 517	$ 832	$ 646	$ 1,970	$ 919	$ 866	$ 518	$ 3,154	$ 9,422
Ending balance of loans receivable:									
Individually evaluated for impairment	$ —	$ 582	$ —	$ 2,492	$ 2,429	$ 18	$ —	$ —	$ 5,521

Collectively evaluated for impairment	54,396	87,844	67,917	197,473	71,132	10,035	14,237	266,567	769,601
Total loans receivable	$ 54,396	$ 88,426	$ 67,917	$ 199,965	$ 73,561	$ 10,053	$ 14,237	$ 266,567	$ 775,122

	As of and for the Year Ended December 31, 2021								
	Construction, Land Development, and Other	**1-4 Family**	**Real Estate Multi-Family**	**Non-Farm Non-Residential**	**Commercial and Industrial**	**Direct Consumer**	**Branch Retail**	**Indirect**	**Total**
	(Dollars in Thousands)								
Allowance for loan and lease losses:									
Beginning balance	$ 393	$ 639	$ 577	$ 1,566	$ 1,008	$ 1,202	$ 373	$ 1,712	$ 7,470
Charge-offs	(23)	(12)	—	—	(6)	(1,230)	(377)	(483)	(2,131)
Recoveries	22	14	—	5	21	626	215	68	971
Provision	236	49	(140)	387	(163)	406	93	1,142	2,010
Ending balance	$ 628	$ 690	$ 437	$ 1,958	$ 860	$ 1,004	$ 304	$ 2,439	$ 8,320
Ending balance of allowance attributable to loans:									
Individually evaluated for impairment	$ —	$ 10	$ —	$ —	$ 57	$ —	$ —	$ —	$ 67
Collectively evaluated for impairment	628	680	437	1,958	803	1,004	304	2,439	8,253
Total allowance for loan and lease losses	$ 628	$ 690	$ 437	$ 1,958	$ 860	$ 1,004	$ 304	$ 2,439	$ 8,320
Ending balance of loans receivable:									
Individually evaluated for impairment	$ —	$ 646	$ —	$ 1,051	$ 880	$ 21	$ —	$ —	$ 2,598
Collectively evaluated for impairment	67,048	72,081	46,000	196,850	73,067	21,668	25,692	205,940	708,346
Total loans receivable	$ 67,048	$ 72,727	$ 46,000	$ 197,901	$ 73,947	$ 21,689	$ 25,692	$ 205,940	$ 710,944

The following tables present changes in the allowance for credit losses on loans and leases by portfolio segment during the year ended December 31, 2023:

	As of and for the Year Ended December 31, 2023								
	Construction, Land Development, and Other	Real Estate 1-4 Family	Real Estate Multi-Family	Non-Farm Non-Residential	Commercial and Industrial	Direct Consumer	Branch Retail	Indirect Consumer	Total
	(Dollars in Thousands)								
Allowance for credit losses:									
Beginning balance, prior to the adoption of ASC 326	$ 517	$ 832	$ 646	$ 1,970	$ 919	$ 866	$ 518	$ 3,154	$ 9,422
Impact of adopting ASC 326	(94)	(39)	(85)	(147)	(20)	47	628	1,833	2,123
Charge-offs	—	(97)	—	—	—	(571)	(445)	(932)	(2,045)
Recoveries	—	54	—	—	—	619	243	49	965
Provision for (recovery of) credit losses	142	(159)	(146)	(398)	(386)	(897)	(508)	2,394	42
Ending balance	$ 565	$ 591	$ 415	$ 1,425	$ 513	$ 64	$ 436	$ 6,498	$ 10,507

The following table presents changes in the allowance for loan and lease losses by portfolio segment during the year ended December 31, 2022, as determined in accordance with ASC 310, prior to the adoption of ASC 326.

	As of and for the Year Ended December 31, 2022								
	Construction, Land Development, and Other	Real Estate 1-4 Family	Real Estate Multi-Family	Non-Farm Non-Residential	Commercial and Industrial	Direct Consumer	Branch Retail	Indirect Consumer	Total
	(Dollars in Thousands)								
Allowance for loan and lease losses:									
Beginning balance	$ 628	$ 690	$ 437	$ 1,958	$ 860	$ 1,004	$ 304	$ 2,439	$ 8,320
Charge-offs	—	(40)	—	—	—	(1,958)	(633)	(382)	(3,013)
Recoveries	2	39	—	5	0	565	151	45	807
Provision for (recovery of) loan and lease losses	(113)	143	209	7	59	1,255	696	1,052	3,308
Ending balance	$ 517	$ 832	$ 646	$ 1,970	$ 919	$ 866	$ 518	$ 3,154	$ 9,422

The following table details the allowance for loan and lease losses and recorded investment in loans by loan classification and by impairment evaluation as of December 31, 2022, as determined in accordance with ASC 310, prior to the adoption of ASC 326:

	As of the Year Ended December 31, 2022								
	Construction, Land Development, and Other	Real Estate 1-4 Family	Real Estate Multi-Family	Non-Farm Non-Residential	Commercial and Industrial	Direct Consumer	Branch Retail	Indirect Consumer	Total
	(Dollars in Thousands)								
Ending balance of allowance attributable to loans:									
Individually evaluated for impairment	$ —	$ 7	$ —	$ —	$ 252	$ —	$ —	$ —	$ 259
Collectively evaluated for impairment	517	825	646	1,970	667	886	518	3,154	$ 9,183
Total allowance for loan and lease losses	$ 517	$ 832	$ 646	$ 1,970	$ 919	$ 886	$ 518	$ 3,154	$ 9,442
Ending balance of loans receivable:									
Individually evaluated for impairment	$ —	$ 582	$ —	$ 2,492	$ 2,429	$ 18	$ —	$ —	$ 5,521
Collectively evaluated for impairment	53,914	87,413	67,852	197,664	71,117	9,833	13,992	266,567	768,352
Total loans receivable	$ 53,914	$ 87,995	$ 67,852	$ 200,156	$ 73,546	$ 9,851	$ 13,992	$ 266,567	$ 773,873

The following table presents impaired loans as of December 31, 2022 as determined under ASC 310 prior to the adoption of ASC 326. Impaired loans generally included nonaccrual loans and other loans deemed to be impaired but that continued to accrue interest. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the related loan agreement.

Presented are the carrying amount, unpaid principal balance and related allowance of impaired loans as of December 31, 2022 by portfolio segment:

	December 31, 2022

	Carrying Amount	Unpaid Principal Balance	Related Allowances
	(Dollars in Thousands)		
Impaired loans with no related allowance recorded			
Loans secured by real estate			
Construction, land development and other land loans	$ —	$ —	$ —
Secured by 1-4 family residential properties	568	568	—
Secured by multi-family residential properties	—	—	—
Secured by non-farm, non-residential properties	2,492	2,492	—
Commercial and industrial	2,076	2,076	—
Direct consumer	18	18	—
Total impaired loans with no related allowance recorded	$ 5,154	$ 5,154	$ —
Impaired loans with an allowance recorded			
Loans secured by real estate			
Construction, land development and other land loans	$ —	$ —	$ —
Secured by 1-4 family residential properties	14	14	7
Secured by multi-family residential properties	—	—	—
Secured by non-farm, non-residential properties	—	—	—
Commercial and industrial	353	353	252
Direct consumer	—	—	—
Total impaired loans with an allowance recorded	$ 367	$ 367	$ 259
Total impaired loans			
Loans secured by real estate			
Construction, land development and other land loans	$ —	$ —	$ —
Secured by 1-4 family residential properties	582	582	7
Secured by multi-family residential properties	—	—	—
Secured by non-farm, non-residential properties	2,492	2,492	—
Commercial and industrial	2,429	2,429	252
Direct consumer	18	18	—
Total impaired loans	$ 5,521	$ 5,521	$ 259

Allowance for Credit Losses on Unfunded Lending Commitments

Unfunded lending commitments are off-balance sheet arrangements that represent unconditional commitments of the Company to lend to a borrower that are unfunded as of the balance sheet date. These may include unfunded loan commitments, standby letters of credit, and financial guarantees. The CECL accounting guidance requires that an estimate of expected credit loss be measured on commitments in which an entity is exposed to credit risk via a present contractual obligation to extend credit unless the obligation is unconditionally cancellable by the issuer. For the Company, unconditional lending commitments generally include unfunded term loan agreements, home equity lines of credit, lines of credit, and demand deposit account overdraft protection.

The Company’s cumulative-effect adjustment upon the adoption of CECL included a reserve for unfunded commitments of $0.3 million. Subsequent to January 1, 2023, the Company recorded additional increases to the reserve for unfunded commitments totaling $0.3 million which were included in the provision for credit losses in the Company's consolidated

statement of operations during the year ended December 31, 2023. As of December 31, 2023, the reserve, which is recorded in other liabilities on the Company’s consolidated balance sheets, totaled $0.6 million. No reserve for unfunded commitments was recorded by the Company as of December 31, 2022.

Credit Quality Indicators

The Company utilizes a credit grading system that provides a uniform framework for establishing and monitoring credit risk in the loan portfolio. Under this system, construction, land, multi-family real estate, other commercial real estate, and commercial and industrial loans are graded based on pre-determined risk metrics and categorized into one of nine risk grades. These risk grades can be summarized into categories described as pass, special mention, substandard, doubtful and loss, as described in further detail below.

- Pass (Risk Grades 1-5): Loans in this category include obligations in which the probability of default is considered low.
- Special Mention (Risk Grade 6): Loans in this category exhibit potential credit weaknesses or downward trends deserving management’s close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repaymen prospects for the asset or in the Company’s credit position at some future date. Special mention loans are not adversely class and do not expose the Company to sufficient risk to warrant adverse classification. Although a special mention asset has a hig probability of default than pass-rated categories, its default is not imminent.
- Substandard (Risk Grade 7): Loans in this category have defined weaknesses that jeopardize the orderly liquidation of debt. A substandard loan is inadequately protected by the current worth and paying capacity of the obligor or by the collateral pledgec any. Normal repayment from the borrower is in jeopardy, although no loss of principal is envisioned. There is a distinct possibi that a partial loss of interest and/or principal will occur if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified as substandard.
- Doubtful (Risk Grade 8): Loans classified as doubtful have all of the weaknesses found in substandard loans, with the added characteristic that the weaknesses make collection of debt in full, based on currently existing facts, conditions and values, higl questionable or improbable. Serious problems exist such that partial loss of principal is likely; however, because of certain important, reasonably specific pending factors that may work to strengthen the assets, the loans’ classification as estimated lc is deferred until a more exact status may be determined. Such pending factors may include proposed merger, acquisition or liquidation procedures, capital injection, perfection of liens on additional collateral and refinancing plans. Loans classified as doubtful may include loans to borrowers that have demonstrated a history of failing to live up to agreements. The Company di have any loans classified as Doubtful (Risk Grade 8) as of December 31, 2022 December 31, 2023 or 2021. 2022.
- Loss (Risk Grade 9): Loans are classified in this category when borrowers are deemed incapable of repayment of unsecured Loans to such borrowers are considered uncollectable and of such little value that continuance as active assets of the Compa not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather that it is

prudent to defer writing off these assets, even though partial recovery may be realized in the future. The Company did not hav any loans classified as Loss (Risk Grade 9) as of December 31, 2022 December 31, 2023 or 2021. 2022.

Because residential real estate and consumer loans are more uniform in nature, each loan is categorized into one of two risk grades, depending on whether the loan is considered to be performing or nonperforming. Performing loans are loans that are paying principal and interest in accordance with a contractual agreement. Nonperforming loans are loans that have demonstrated characteristics that indicate a probability of loss.

The tables below illustrate the carrying amount of loans by credit quality indicator as of December 31, 2022: 77

	December 31, 2022			
	Pass 1-5	Special Mention 6	Substandard 7	Total
	(Dollars in Thousands)			
Loans secured by real estate:				
Construction, land development and other land loans	$ 54,396	$ —	$ —	$ 54,396
Secured by multi-family residential properties	67,917	—	—	67,917
Secured by non-farm, non-residential properties	196,813	651	2,501	199,965
Commercial and industrial loans	70,515	—	3,046	73,561
Total	$ 389,641	$ 651	$ 5,547	$ 395,839
As a percentage of total loans	98.43 %	0.17 %	1.40 %	100.00 %

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	December 31, 2022		
	Performing	Nonperforming	Total
	(Dollars in Thousands)		
Loans secured by real estate:			
Secured by 1-4 family residential properties	$ 87,302	$ 1,124	$ 88,426
Consumer loans:			
Direct consumer	10,007	46	10,053
Branch retail	14,205	32	14,237
Indirect	266,496	71	266,567
Total	$ 378,010	$ 1,273	$ 379,283
As a percentage of total loans	99.66 %	0.34 %	100.00 %

The tables below illustrate the carrying amount of loans by credit quality indicator and year of origination as of December 31, 2023:

		December 31, 2023						
		Loans at Amortized Cost Basis by Origination Year						
		2023	2022	2021	2020	2019	Prior	Total
		(Dollars in Thousands)						
Commercial:								
Construction, land development and other land loans	Pass	$ 7,913	$ 37,068	$ 41,800	$ 804	$ —	$ 555	$ 88,140
	Special Mention	—	—	—	—	—	—	—
	Substandard	—	—	—	—	—	—	—
	Doubtful	—	—	—	—	—	—	—
	Loss	—	—	—	—	—	—	—
	Subtotal	$ 7,913	$ 37,068	$ 41,800	$ 804	$ —	$ 555	$ 88,140
	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Secured by multi-family residential properties	Pass	$ 407	$ 29,683	$ 5,950	$ 5,676	$ 7,063	$ 13,618	$ 62,397
	Special Mention	—	—	—	—	—	—	—
	Substandard	—	—	—	—	—	—	—
	Doubtful	—	—	—	—	—	—	—
	Loss	—	—	—	—	—	—	—
	Subtotal	$ 407	$ 29,683	$ 5,950	$ 5,676	$ 7,063	$ 13,618	$ 62,397
	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Secured by non-farm, non-residential properties	Pass	$ 26,521	$ 36,141	$ 23,551	$ 56,404	$ 18,127	$ 46,261	$ 207,005
	Special Mention	—	532	1,776	344	—	1,448	4,100
	Substandard	—	—	—	152	—	2,329	2,481
	Doubtful	—	—	—	—	—	—	—
	Loss	—	—	—	—	—	—	—

	Subtotal	$ 26,521	$ 36,673	$ 25,327	$ 56,900	$ 18,127	$ 50,038	$ 213,586
	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial and industrial loans and leases	Pass	$ 10,948	$ 6,187	$ 14,586	$ 2,593	$ 1,565	$ 22,614	$ 58,493
	Special Mention	—	159	782	174	38	—	1,153
	Substandard	—	116	191	59	260	243	869
	Doubtful	—	—	—	—	—	—	—
	Loss	—	—	—	—	—	—	—
	Subtotal	$ 10,948	$ 6,462	$ 15,559	$ 2,826	$ 1,863	$ 22,857	$ 60,515
	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total commercial	Pass	$ 45,789	$ 109,079	$ 85,887	$ 65,477	$ 26,755	$ 83,048	$ 416,035
	Special Mention	—	691	2,558	518	38	1,448	5,253
	Substandard	—	116	191	211	260	2,572	3,350
	Doubtful	—	—	—	—	—	—	—
	Loss	—	—	—	—	—	—	—
		$ 45,789	$ 109,886	$ 88,636	$ 66,206	$ 27,053	$ 87,068	$ 424,638
	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —

	December 31, 2023
	Loans at Amortized Cost Basis by Origination Year

		2023	2022	2021	2020	2019	Prior	Total
		(Dollars in Thousands)						
Consumer:								
Secured by 1-4 family residential properties	Performing	$ 4,230	$ 20,172	$ 14,986	$ 6,675	$ 8,950	$ 20,334	$ 75,347
	Non-performing	—	—	—	—	—	853	853
	Subtotal	$ 4,230	$ 20,172	$ 14,986	$ 6,675	$ 8,950	$ 21,187	$ 76,200
	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 97	$ 97
Direct	Performing	$ 2,383	$ 1,157	$ 1,485	$ 575	$ 225	$ 113	$ 5,938
	Non-performing	—	—	—	—	—	—	—
	Subtotal	$ 2,383	$ 1,157	$ 1,485	$ 575	$ 225	$ 113	$ 5,938
	Current period gross charge-offs	$ 2	$ 5	$ 316	$ 118	$ 42	$ 88	$ 571
Branch retail	Performing	$ —	$ —	$ 2,160	$ 2,696	$ 1,572	$ 2,242	$ 8,670
	Non-performing	—	—	—	—	—	—	—
	Subtotal	$ —	$ —	$ 2,160	$ 2,696	$ 1,572	$ 2,242	$ 8,670
	Current period gross charge-offs	$ —	$ —	$ 108	$ 140	$ 57	$ 140	$ 445
Indirect	Performing	$ 88,688	$ 89,376	$ 66,147	$ 50,883	$ 5,485	$ 5,712	$ 306,291
	Non-performing	—	—	54	—	—	—	54
	Subtotal	$ 88,688	$ 89,376	$ 66,201	$ 50,883	$ 5,485	$ 5,712	$ 306,345
	Current period gross charge-offs	$ 6	$ 235	$ 332	$ 270	$ 39	$ 50	$ 932
Total consumer	Performing	$ 95,301	$ 110,705	$ 84,778	$ 60,829	$ 16,232	$ 28,401	$ 396,246
	Non-performing	—	—	54	—	—	853	907
		$ 95,301	$ 110,705	$ 84,832	$ 60,829	$ 16,232	$ 29,254	$ 397,153

Current period gross charge-offs	$ 8	$ 240	$ 756	$ 528	$ 138	$ 375	$ 2,045

The tables below illustrate the carrying amount of loans by credit quality indicator as of December 31, 2021: December 31, 2022, presented in accordance with ASC 310, prior to the adoption of ASC 326.

	December 31, 2021				December 31, 2022			
	Pass 1-5	Special Mention 6	Substandard 7	Total	Pass 1-5	Special Mention 6	Substandard 7	Total
	(Dollars in Thousands)				(Dollars in Thousands)			
Loans secured by real estate:								
Construction, land development and other land loans	$ 67,046	$ —	$ 2	$ 67,048	$ 53,914	$ —	$ —	$ 53,914
Secured by multi-family residential properties	43,472	2,528	—	46,000	67,852	—	—	67,852
Secured by non-farm, non-residential properties	189,425	7,442	1,034	197,901	197,004	651	2,501	200,156
Commercial and industrial loans	72,116	333	1,498	73,947	70,500	—	3,046	73,546
Total	$ 372,059	$ 10,303	$ 2,534	$ 384,896	$ 389,270	$ 651	$ 5,547	$ 395,468
As a percentage of total loans	96.66 %	2.68 %	0.66 %	100.00 %	98.43 %	0.17 %	1.40 %	100.00 %

	December 31, 2021		
	Performing	Nonperforming	Total
	(Dollars in Thousands)		
Loans secured by real estate:			
Secured by 1-4 family residential properties	$ 71,526	$ 1,201	$ 72,727
Consumer loans:			
Direct consumer	20,939	750	21,689
Branch retail	25,486	206	25,692
Indirect	205,940	—	205,940
Total	$ 323,891	$ 2,157	$ 326,048
As a percentage of total loans	99.34 %	0.66 %	100.00 %

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	December 31, 2022		
	Performing	Nonperforming	Total
	(Dollars in Thousands)		
Loans secured by real estate:			
Secured by 1-4 family residential properties	$ 86,871	$ 1,124	$ 87,995
Consumer loans:			
Direct	9,805	46	9,851
Branch retail	13,960	32	13,992
Indirect	266,496	71	266,567
Total	$ 377,132	$ 1,273	$ 378,405
As a percentage of total loans	99.66 %	0.34 %	100.00 %

The following table provides an aging analysis of past due loans by class as of December 31, 2023:

	As of December 31, 2023						
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days And Accruing
	(Dollars in Thousands)						
Loans secured by real estate:							
Construction, land development and other land loans	$ —	$ —	$ —	$ —	$ 88,140	$ 88,140	$ —
Secured by 1-4 family residential properties	820	177	23	1,020	75,180	76,200	—
Secured by multi-family residential properties	—	—	—	—	62,397	62,397	—
Secured by non-farm, non-residential properties	—	—	1,302	1,302	212,284	213,586	—
Commercial and industrial loans	89	34	147	270	60,245	60,515	—

	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days And Accruing
Consumer loans:							
Direct	42	—	—	42	5,896	5,938	—
Branch retail	39	1	—	40	8,630	8,670	
Indirect	316	33	54	403	305,942	306,345	—
Total	$ 1,306	$ 245	$ 1,526	$ 3,077	$ 818,714	$ 821,791	$ —
As a percentage of total loans	0.15 %	0.03 %	0.19 %	0.37 %	99.63 %	100.00 %	

The following table provides an aging analysis of past due loans by class as of December 31, 2022:

	As of December 31, 2022							As of December 31, 2022						
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days And Accruing	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days And Accruing
	(Dollars in Thousands)							(Dollars in Thousands)						
Loans secured by real estate:														
Construction, land development and other land loans	$ —	$ —	$ —	$ —	$ 54,396	$ 54,396	$ —	$ —	$ —	$ —	$ —	$ 53,914	$ 53,914	$ —
Secured by 1-4 family residential properties	800	87	78	965	87,461	88,426	—	801	87	78	966	87,029	87,995	—
Secured by multi-family residential properties	—	—	—	—	67,917	67,917	—	—	—	—	—	67,852	67,852	—

Secured by non-farm, non-residential properties	137	—	—	137	199,828	199,965	—	137	—	—	137	200,019	200,156	—
Commercial and industrial loans	61	—	300	361	73,200	73,561	—	61	—	300	361	73,185	73,546	—
Consumer loans:														
Direct consumer	250	49	30	329	9,724	10,053	—							
Direct								251	50	30	331	9,520	9,851	—
Branch retail	257	85	32	374	13,863	14,237		258	85	32	375	13,617	13,992	
Indirect	186	55	71	312	266,255	266,567	—	186	55	71	312	266,255	266,567	—
Total	$ 1,691	$ 276	$ 511	$ 2,478	$ 772,644	$ 775,122	$ —	$ 1,694	$ 277	$ 511	$ 2,482	$ 771,391	$ 773,873	$ —
As a percentage of total loans	0.21 %	0.04 %	0.07 %	0.32 %	99.68 %	100.00 %		0.21 %	0.04 %	0.07 %	0.32 %	99.68 %	100.00 %	

The following table provides an aging analysis of past due loans by class as of December 31, 2021: 80

	As of December 31, 2021						
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days And Accruing
	(Dollars in Thousands)						
Loans secured by real estate:							

Construction, land development and other land loans	$ —	$ —	$ —	$ —	$ 67,048	$ 67,048	$ —
Secured by 1-4 family residential properties	349	23	20	392	72,335	72,727	—
Secured by multi-family residential properties	—	—	—	—	46,000	46,000	—
Secured by non-farm, non-residential properties	403	—	—	403	197,498	197,901	—
Commercial and industrial loans	54	—	234	288	73,659	73,947	—
Consumer loans:							
Direct consumer	652	589	730	1,971	19,718	21,689	—
Branch retail	377	182	206	765	24,927	25,692	
Indirect	43	14	—	57	205,883	205,940	—
Total	$ 1,878	$ 808	$ 1,190	$ 3,876	$ 707,068	$ 710,944	$ —
As a percentage of total loans	0.27 %	0.11 %	0.17 %	0.55 %	99.45 %	100.00 %	

The table below presents the amortized cost of loans on nonaccrual status and loans past due 90 days or more and still accruing interest as of December 31, 2023. Also presented is the balance of loans on nonaccrual status at December 31, 2023 for which there was no related allowance for credit losses recorded.

	Loans on Non-Accrual Status December 31, 2023 (Dollars in Thousands)		
	Total nonaccrual loans	**Nonaccrual loans with no allowance for credit losses**	**Loans past due 90 days or more and still accruing**
Loans secured by real estate:			
Construction, land development and other land loans	$ —	$ —	$ —
Secured by 1-4 family residential properties	891	462	—
Secured by multi-family residential properties	—	—	—
Secured by non-farm, non-residential properties	1,302	1,314	—
Commercial and industrial loans	152	77	—

Consumer loans:			
Direct	—	—	—
Branch retail	—	—	—
Indirect	55	—	—
Total loans	$ 2,400	$ 1,853	$ —

The following table provides an analysis of non-accruing nonaccruing loans by class portfolio segment as of December 31, 2022 and 2021: , presented in accordance with ASC 310, prior to the adoption of ASC 326.

	Loans on Non-Accrual Status	
	December 31, 2022	**December 31, 2021**
	(Dollars in Thousands)	
Loans secured by real estate:		
Construction, land development and other land loans	$ —	$ 2
Secured by 1-4 family residential properties	914	780
Secured by multi-family residential properties	—	—
Secured by non-farm, non-residential properties	—	—
Commercial and industrial loans	605	277
Consumer loans:		
Direct consumer	29	743
Branch retail	32	206
Indirect	71	—
Total loans	$ 1,651	$ 2,008

	Loans on Non-Accrual Status
	December 31, 2022
	(Dollars in Thousands)
Loans secured by real estate:	
Construction, land development and other land loans	$ —
Secured by 1-4 family residential properties	914
Secured by multi-family residential properties	—
Secured by non-farm, non-residential properties	—
Commercial and industrial loans	605
Consumer loans:	
Direct	29
Branch retail	32
Indirect	71
Total loans	$ 1,651

Impaired Loans 81

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the related loan agreement. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the liquidation of the collateral at the Bank. All loans of $0.5 million or more that have a credit quality risk grade of seven or above are identified for impairment analysis. At management's discretion, additional loans may be impaired based on homogeneous factors such as changes in the nature and volume of the portfolio, portfolio quality, adequacy of the underlying collateral value, loan concentrations, historical charge-off trends and economic conditions that may affect the borrower's ability to pay. At ALC, all loans of $50 thousand or more that are 90 days or more past due are identified for impairment analysis. As of both December 31, 2022 and 2021, there were $0.1 million of impaired loans with no related allowance recorded at ALC. Impaired loans, or portions thereof, are charged off when deemed uncollectable.

As The following table presents the amortized cost basis of December 31, 2022 collateral dependent loans as of December 31, 2023, the carrying amount of the Company's impaired which loans consisted of the following: are individually evaluated to determine credit losses:

	December 31, 2022			December 31, 2023		
	Carrying Amount	Unpaid Principal Balance	Related Allowances	Real Estate	Other	Total
	(Dollars in Thousands)			(Dollars in Thousands)		
Impaired loans with no related allowance recorded						
Loans secured by real estate						
Construction, land development and other land loans	$ —	$ —	$ —	$ —	$ —	$ —

Secured by 1-4 family residential properties	568	568	—	485	—	485
Secured by multi-family residential properties	—	—	—	—	—	—
Secured by non-farm, non-residential properties	2,492	2,492	—	2,333	—	2,333
Commercial and industrial	2,076	2,076	—	—	112	112
Direct consumer	18	18	—	—	—	—
Total impaired loans with no related allowance recorded	$ 5,154	$ 5,154	$ —			
Impaired loans with an allowance recorded						
Loans secured by real estate						
Construction, land development and other land loans	$ —	$ —	$ —			
Secured by 1-4 family residential properties	14	14	7			
Secured by multi-family residential properties	—	—	—			
Secured by non-farm, non-residential properties	—	—	—			
Commercial and industrial	353	353	252			
Direct consumer	—	—	—			
Total impaired loans with an allowance recorded	$ 367	$ 367	$ 259			
Total impaired loans						
Loans secured by real estate						
Construction, land development and other land loans	$ —	$ —	$ —			
Secured by 1-4 family residential properties	582	582	7			
Secured by multi-family residential properties	—	—	—			
Secured by non-farm, non-residential properties	2,492	2,492	—			
Commercial and industrial	2,429	2,429	252			
Direct consumer	18	18	—			
Total impaired loans	$ 5,521	$ 5,521	$ 259			
Total loans individually evaluated				$ 2,818	$ 112	$ 2,930

 The following table details the average recorded investment and the amount of interest income recognized and received for the year ended December 31, 2022, respectively, related to impaired loans as determined under ASC 310 prior to the adoption of ASC 326:

As of December 31, 2021, the carrying amount of the Company's impaired loans consisted of the following:

	December 31, 2021			Year Ended December 31, 2022		
	Carrying Amount	**Unpaid Principal Balance**	**Related Allowances**	**Average Recorded Investment**	**Interest Income Recognized**	**Interest Income Received**
	(Dollars in Thousands)			(Dollars in Thousands)		
Impaired loans with no related allowance recorded						
Loans secured by real estate						
Construction, land development and other land loans	$ —	$ —	$ —	$ 87	$ —	$ —
Secured by 1-4 family residential properties	630	630	—	614	14	6
Secured by multi-family residential properties	—	—	—	—	—	—
Secured by non-farm, non-residential properties	1,051	1,051	—	1,529	49	48
Commercial and industrial	823	823	—	1,279	8	5
Direct consumer	21	21	—	19	1	1
Total impaired loans with no related allowance recorded	$ 2,525	$ 2,525	$ —			
Impaired loans with an allowance recorded						
Loans secured by real estate						
Construction, land development and other land loans	$ —	$ —	$ —			
Secured by 1-4 family residential properties	16	16	10			
Secured by multi-family residential properties	—	—	—			
Secured by non-farm, non-residential properties	—	—	—			
Commercial and industrial	57	57	57			
Direct consumer	—	—	—			
Total impaired loans with an allowance recorded	$ 73	$ 73	$ 67			
Total impaired loans						
Loans secured by real estate						

Construction, land development and other land loans	$ —	$ —	$ —			
Secured by 1-4 family residential properties	646	646	10			
Secured by multi-family residential properties	—	—	—			
Secured by non-farm, non-residential properties	1,051	1,051	—			
Commercial and industrial	880	880	57			
Direct consumer	21	21	—			
Total impaired loans	$ 2,598	$ 2,598	$ 67			
Total				$ 3,528	$ 72	$ 60

The average net Loan Modifications Made to Borrowers Experiencing Financial Difficulty

From time to time, the Company may modify the terms of loan agreements with borrowers that are experiencing financial difficulties. Modification of the terms of such loans typically include one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in impaired loans and interest income recognized and received on impaired loans during the years ended December 31, 2022 and 2021 was as follows: loan. No modifications in 2023 resulted in the permanent reduction of the recorded investment in the loan.

	Year Ended December 31, 2022		
	Average Recorded Investment	Interest Income Recognized	Interest Income Received
	(Dollars in Thousands)		
Loans secured by real estate			
Construction, land development and other land loans	$ 87	$ —	$ —
Secured by 1-4 family residential properties	614	14	6
Secured by multi-family residential properties	—	—	—
Secured by non-farm, non-residential properties	1,529	49	48
Commercial and industrial	1,279	8	5
Direct consumer	19	1	1
Total	$ 3,528	$ 72	$ 60

 During the year ended December 31, 2023, the Company did not modify any loans to borrowers experiencing financial difficulty, and there were no payment defaults on loans that were modified in the previous twelve months.

Year Ended December 31, 2021

	Year Ended December 31, 2022		
	Average Recorded Investment	Interest Income Recognized	Interest Income Received
	(Dollars in Thousands)		
Loans secured by real estate			
Construction, land development and other land loans	$ —	$ —	$ —
Secured by 1-4 family residential properties	773	31	31
Secured by multi-family residential properties	—	—	—
Secured by non-farm, non-residential properties	2,377	140	108
Commercial and industrial	637	61	40
Direct consumer	22	9	2
Total	$ 3,809	$ 241	$ 181

Loans on which the accrual of interest has been discontinued totaled $1.7 million and $2.0 million as of December 31, 2022 and 2021, respectively. If interest on those loans had been accrued, there would have been $60 thousand and $52 thousand of interest accrued for the years ended December 31, 2022 and 2021, respectively. Interest income related to these loans for the years ended December 31, 2022 and 2021 was $29 thousand and $30 thousand, respectively.

Troubled Debt Restructurings Prior to the Adoption of ASC 326

Troubled debt restructurings include loans with respect to which concessions have been granted to borrowers that generally would not have otherwise been considered had the borrowers not been experiencing financial difficulty. The concessions granted may include payment schedule modifications, interest rate reductions, maturity date extensions, modifications of note structure, principal balance reductions or some combination of these concessions. There were no loans modified with concessions granted during the years year ended December 31, 2022 or 2021.. Restructured loans may involve loans remaining on non-accrual, moving to non-accrual or continuing on accrual status, depending on the individual facts and circumstances of the borrower. Non-accrual restructured loans are included with all other non-accrual loans. In addition, all accruing restructured loans are reported as troubled debt restructurings. Generally, restructured loans remain on non-accrual until the customer has attained a sustained period of repayment performance under the modified loan

terms (generally a minimum of six months). However, performance prior to the restructuring, or significant events that coincide with the restructuring, are considered in assessing whether the borrower can meet the new terms and whether the loan should be returned to or maintained on non-accrual status. If the borrower's ability to meet the revised payment schedule is not reasonably assured, then the loan remains on non-accrual. As of both December 31, 2022 and 2021, , the Company did not have any non-accruing loans that were previously restructured and that remained on non-accrual status. For both of the years year ended December 31, 2022 and 2021, , the Company had no loans that were restored to accrual status based on a sustained period of repayment performance.

The following table provides as of December 31, 2022 and 2021, the number of loans remaining in each loan category that the Company had previously modified in a troubled debt restructuring, as well as the pre- and post-modification principal balance as of each date. December 31, 2022, as determined under ASC 310 prior to the adoption of ASC 326.

	December 31, 2022			December 31, 2021			December 31, 2022		
	Number of Loans	Pre-Modification Outstanding Principal Balance	Post-Modification Principal Balance	Number of Loans	Pre-Modification Outstanding Principal Balance	Post-Modification Principal Balance	Number of Loans	Pre-Modification Outstanding Principal Balance	Post-Modification Principal Balance
	(Dollars in Thousands)						(Dollars in Thousands)		
Loans secured by real estate:									
Secured by 1-4 family residential properties	1	23	12	1	23	12	1	$ 23	$ 12
Secured by non-farm, non-residential properties	2	621	612	2	621	617	2	621	612
Commercial loans	1	71	22	1	71	31	1	71	22
Total	4	$ 715	$ 646	4	$ 715	$ 660	4	$ 715	$ 646

As of December 31, 2022 and 2021, no loans that previously had been modified in a troubled debt restructuring had defaulted subsequent to modification.

Restructured loan modifications primarily included maturity date extensions and payment schedule modifications. There were no modifications to principal balances of the loans that were restructured. Accordingly, there was no impact on the Company's allowance for loan losses resulting from the modifications.

All loans with a principal balance of $0.5 million or more that have been modified in a troubled debt restructuring are considered impaired and evaluated individually for impairment. The nature and extent of impairment of restructured loans, including those that have experienced a subsequent payment default, are considered in the determination of an appropriate level of allowance for loan losses. This evaluation resulted in an allowance for loan losses attributable to such restructured loans of $6 thousand and $7 thousand as of December 31, 2022 and 2021, respectively.

6. 5. OTHER REAL ESTATE OWNED AND REPOSSESSED ASSETS

Other Real Estate Owned

Other real estate and certain other assets acquired in foreclosure are reported at the net realizable value of the property, less estimated costs to sell. The following table summarizes foreclosed property activity during the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Beginning balance	$ 2,149	$ 949	$ 686	$ 2,149
Additions (1)	411	1,981	—	411
Sales proceeds	(2,232)	(1,205)	(15)	(2,232)
Gross gains	386	491	1	386
Gross losses	(27)	—	(6)	(27)
Net gains	359	491	(5)	359
Impairment	(1)	(67)	(64)	(1)
Ending balance	$ 686	$ 2,149	$ 602	$ 686

(1) Additions to other real estate owned ("OREO") may include transfers from loans, transfers from closed Bank and ALC branche and capitalized improvements to existing OREO properties.

Valuation adjustments are recorded in other non-interest expense and are primarily post-foreclosure write-downs that are a the result of continued declining property values based on updated appraisals or other indications of value, such as offers to purchase. Net realizable value less estimated costs to sell of foreclosed residential real estate held by the Company was $20 zero thousand and $151 20.0 thousand as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. In addition, the Company did not hold any consumer mortgage loans collateralized by residential real estate that were in the process of foreclosure as of both December 31, 2022 December 31, 2023 and 2021. 2022.

Repossessed Assets

In addition to the other real estate and other assets acquired in foreclosure, the Company also acquires assets through the repossession of the underlying collateral of loans in default. The following table summarizes repossessed asset activity during the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Beginning balance	$ 154	$ 245	$ 83	$ 154
Transfers from loans	887	803	1,178	887
Sales proceeds	(506)	(798)	(453)	(506)
Gross gains	—	—	—	—
Gross losses	(452)	(96)	(535)	(452)
Net losses	(452)	(96)	(535)	(452)
Impairment	—	—	—	—
Ending balance	$ 83	$ 154	$ 273	$ 83

Repossessed assets are included in Other Assets other assets in the Company's consolidated balance sheet. sheets.

7. 6. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company recorded $7.4 million of goodwill as a result of its acquisition of The Peoples Bank ("TPB") in 2018. Goodwill impairment was neither indicated nor recorded during the years ended December 31, 2022 or 2021.

Goodwill is tested for impairment annually, or more often if circumstances warrant. If, as a result of impairment testing, it is determined that the implied fair value of goodwill is lower than its carrying amount, impairment is indicated, and goodwill must

be written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements. Goodwill totaled

$7.4 million as of both December 31, 2022 December 31, 2023 and 2021.2022. Goodwill impairment was neither indicated nor recorded during the years ended December 31, 2023 or 2022.

Core deposit premiums are amortized over a seven-year period and are periodically evaluated, at least annually, as to the recoverability of their carrying value. CoreNo write-downs of core deposit premiums of $2.0 million were recorded by the Company during 2018 as part of the TPB acquisition. years ended December 31, 2023 and 2022.

The Company's goodwill and other intangibles intangible assets (carrying basis and accumulated amortization) as of December 31, 2022 December 31, 2023 and 2022 were as follows:

	December 31, 2022 (Dollars in Thousands)	December 31, 2021 (Dollars in Thousands)	December 31, 2023 (Dollars in Thousands)	December 31, 2022 (Dollars in Thousands)
Goodwill	$ 7,435	$ 7,435	$ 7,435	$ 7,435
Core deposit intangible:				
Core deposit intangible assets:				
Gross carrying amount	2,048	2,048	2,048	2,048
Accumulated amortization	(1,682)	(1,414)	(1,877)	(1,682)
Core deposit intangible, net	366	634	171	366
Total	$ 7,801	$ 8,069	$ 7,606	$ 7,801

The Company's estimated remaining amortization expense on intangible assets as of December 31, 2022 December 31, 2023 was as follows:

	Amortization Expense (Dollars in Thousands)	Amortization Expense (Dollars in Thousands)
2023	195	
2024	122	122
2025	49	49
Total	$ 366	$ 171

The net carrying amount of the Company's core deposit assets is not considered recoverable if it exceeds the sum of the undiscounted cash flows expected to result from use and eventual disposition. That assessment is based on the carrying amount of the intangible assets subject to amortization at the date on which it is tested for recoverability. Intangible assets subject to amortization are tested by the Company for recoverability whenever events or changes in circumstances indicate that its the carrying amount may not be recoverable.

8. 7. PREMISES AND EQUIPMENT

Premises and equipment and applicable depreciable lives are summarized as follows:

December 31,	December 31,

	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Land	$ 5,390	$ 5,486	$ 5,390	$ 5,390
Premises (40 years)	24,880	25,924		
Furniture, fixtures and equipment (3-7 years)	15,792	15,629		
Premises			24,798	24,880
Furniture, fixtures and equipment			16,065	15,792
Construction in progress			159	—
Total cost of premises and equipment	46,062	47,039	46,412	46,062
Less accumulated depreciation	(21,623)	(21,916)	(22,014)	(21,623)
Total premises and equipment, net	$ 24,439	$ 25,123	$ 24,398	$ 24,439

Depreciation expense of $1.6 million and $1.7 million was recorded in 2022 both 2023 and 2021, respectively. 2022.

78 85

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. 8. DEPOSITS

As of December 31, 2022 December 31, 2023, the scheduled maturities of the Company's time deposits were as follows:

	(Dollars in Thousands)	(Dollars in Thousands)
2023	$ 115,494	
2024	56,104	$ 173,298
2025	63,576	129,099
2026	13,274	19,610
2027	4,264	3,801
2028 and after		2,704
Total	$ 252,712	$ 328,512

Time deposits greater than $250 thousand totaled $29.5 48.0 million and $31.0 29.5 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Included in deposits, the Company held brokered certificates of deposit totaling $82.7 million as of December 31, 2023 and $62.5 million as of December 31, 2022 and $32.0 million as of December 31, 2021. Deposits from related parties held by the Company totaled $4.1 4.9 million and $4.2 4.1 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

10. 9. BORROWINGS

Short-Term Borrowings

Short-term borrowings may consist of federal funds purchased, securities sold under repurchase agreements, and short-term FHLB advances with original maturities of one year or less.

- Federal funds purchased, which represent unsecured lines of credit that generally mature within one to four days, are available to the Bank through arrangements with correspondent banks and the Federal Reserve. FRB. As of both December 31, 2022 December 31, 2023 and 2021, 2022, there were no federal funds purchased outstanding.

- Securities sold under repurchase agreements, which are secured borrowings, generally are reflected at the amount of cash received in connection with the transaction. The Bank may be required to provide additional collateral based on the fair value of the underlying securities. The Bank monitors the fair value of the underlying securities on a daily basis. Securities sold under repurchase agreements as of December 31, 2022 December 31, 2023 and 2021 2022 totaledzero and $38 thousand and $46 thousand, respectively.

- Short-term FHLB advances are secured borrowings available to the Bank as an alternative funding source. As of December 31, 2022 December 31, 2023 and 2021, 2022, the Bank had $20.0 10.0 million and $10.0 20.0 million in outstanding FHLB advances with original maturities of less than one year, respectively.

Long-Term Borrowings

FHLB Advances

The Company may use FHLB advances with original maturities of more than one year as an alternative to funding sources with similar maturities, such as certificates of deposit or other deposit programs. These advances generally offer more attractive rates than other mid-term financing options. They are also flexible, allowing the Company to quickly obtain the necessary maturities and rates that best suit its overall asset/liability strategy. FHLB advances with an original maturity of more than one year are classified as long-term. As of both December 31, 2022 December 31, 2023 and 2021, 2022, the Company did not have any long-term FHLB advances outstanding.

Subordinated Debt

On October 1, 2021, the Company completed a private placement of $11.0 million in aggregate principal amount of fixed-to-floating rate subordinated notes that will mature on October 1, 2031 (the “Notes”). The Notes bear interest at a rate of 3.50% per annum for the first five years; then the interest rate will be reset quarterly to a benchmark interest rate per annum which, subject to certain conditions provided in the Notes, will be equal to the then current three-month term Secured Overnight Financing Rate ("SOFR") plus 275 basis points. The Company has used and expects to continue to use, the net proceeds for general corporate purposes, which may include the repurchase of the Company's common stock, and to support organic growth plans, including the maintenance of capital ratios. Following receipt of the net proceeds of the Notes, the Company invested $5.0 million into capital surplus of the Bank. As Net of both December 31, 2022 and 2021, unamortized debt issuance costs, the Notes were recorded as long-term borrowings totaling $10.8 million and $10.7 million, net as of unamortized debt issuance costs. December 31, 2023 and 2022, respectively.

	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Balance at year-end	$ 10,726	$ 10,653	$ 10,799	$ 10,726
Average balance during the year	$ 10,689	$ 2,682	$ 10,766	$ 10,689
Maximum month-end balance during the year	$ 10,726	$ 10,653	$ 10,799	$ 10,726
Average rate paid during the year, including amortization of debt issuance costs	4.20 %	4.20 %	4.20 %	4.20 %
Weighted average remaining maturity (in years)	8.75	9.75	7.75	8.75

Available Credit

As an additional funding source, the Company has available unused lines of credit with correspondent banks, the Federal Reserve and the FHLB. Certain of these funding sources are subject to underlying collateral availability. As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company's available unused lines of credit consisted of the following:

Available Unused Lines of Credit	Collateral Requirements	December 31, 2022 2023	December 31, 2021 2022
Correspondent banks	None	$45.048.0 million	$45.0 million
Federal Reserve (discount window)	Subject to collateral	$15.0 million	$15.0 million
FHLB advances (1)	Subject to collateral	$246.8279.4 million	$246.8 million
FRB 237.0 (2)	Subject to collateral	$161.7 million	$1.2 million

(1) These amounts represent the total remaining credit the Company has from the FHLB, but this credit can only be utilized to the extent that underlying collateral exists. Assets The total lendable collateral value of assets pledged (including loans and

investment securities) associated with FHLB advances and letters of credit totaled $68.2 61.7 million and $66.6 68.2 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The Company's collateral exposure with the FHLB in the form of advances and letters of credit was $50.0 40.0 million and $40.0 50.0 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively, leaving an excess of collateral of $18.2 21.7 million and $26.6 18.2 million available to utilize for additional credit as of the respective dates. The Company also has the ability to pledge additional assets to increase the availability of borrowings.

(2) As of December 31, 2023, the Company had access to both the FRB's discount window and its Bank Term Funding Program (BTFP), the latter of which was established during the first quarter of 2023 in response to the liquidity events that occurred in the banking industry. Both the discount window and the BTFP allowed borrowing on pledged collateral that includes eligible investment securities and, in certain circumstances, eligible loans; however, advances under the BTFP could only be requested until March 11, 2024. In response to the heightened liquidity concerns in the banking industry, in 2023, the Company completed the establishment of additional borrowing capacity through the discount window, primarily via the pledging of the majority of the Company's indirect loan portfolio as collateral. The discount window allows borrowing under 90-day terms The amounts shown in the table represent the Company's unused borrowing capacity as of the applicable date based on collateral pledged to the FRB's discount window. No collateral was pledged by the Company under the BTFP as of December 31, 2023.

11. 10. INCOME TAXES

The consolidated provisions for income taxes for the years ended December 31, 2022 December 31, 2023 and 2021 2022 were as follows:

	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Federal				
Current	$ 2,025	$ 1,522	$ 2,121	$ 2,025
Deferred	(291)	(527)	70	(291)
Total federal	1,734	995	2,191	1,734
State				
Current	490	154	532	490
Deferred	(76)	126	63	(76)
Total state	414	280	595	414
Total	$ 2,148	$ 1,275	$ 2,786	$ 2,148

The consolidated tax expense differed from the amount computed by applying the Company’s federal statutory income tax rate of 21.0% in 2022 2023 and 2021 2022 as described in the following table:

	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Income tax expense at federal statutory rate	$ 1,892	$ 1,202	$ 2,368	$ 1,892
Increase (decrease) resulting from:				
Tax-exempt interest	(76)	(88)	(55)	(76)
Bank-owned life insurance	(62)	(62)	(64)	(62)
State income tax expense, net of federal income taxes	329	169	406	329
Apportionment and state rate changes			13	(6)
Other	65	54	118	71
Total	$ 2,148	$ 1,275	$ 2,786	$ 2,148

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2022 December 31, 2023 and 2021 2022 are presented below:

	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Deferred tax assets:				
Allowance for loan losses	$ 2,333	$ 2,065		
Allowance for credit losses			$ 2,719	$ 2,333
Deferred compensation	895	947	817	895
Deferred commissions and fees	407	243	372	407
Unrealized loss on securities available-for-sale	2,715	—	2,332	2,715
Unrealized loss on cash flow hedges	—	144		
Other	905	862	1,000	905
Total gross deferred tax assets	7,255	4,261	7,240	7,255
Deferred tax liabilities:				
Premises and equipment	1,288	1,248	1,284	1,288
Core deposit intangible	91	158	42	91
Limited partnerships	94	87	96	94
Unrealized gain on securities available-for-sale	—	52		
Unrealized gain on cash flow hedges	301	—	188	301
Other	341	266	288	341
Total gross deferred tax liabilities	2,115	1,811	1,898	2,115
Net deferred tax asset, included in other assets	$ 5,140	$ 2,450	$ 5,342	$ 5,140

The Company did not have any federal or state net operating loss carryforwards as of December 31, 2022 December 31, 2023 or December 31, 2021 December 31, 2022. The Company files income tax returns with the federal government and several states. The majority of its income is attributable to the states of Alabama and Tennessee. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service and the states in which it filed for the years ended December 31, 2014 2020 through 2022 2023.

As of December 31, 2022 December 31, 2023, the Company had no unrecognized tax benefits related to federal or state income tax matters and does not anticipate any material increase or decrease in unrecognized tax benefits relative to any tax positions taken prior to December 31, 2022 December 31, 2023. As of December 31, 2022 December 31, 2023, the Company had accrued no interest and no penalties related to uncertain tax positions.

12. 11. EMPLOYEE BENEFIT PLANS

The Company sponsors a 401(k) Plan (the "401(k) Plan"). The 401(k) Plan allows participants to defer a portion of their compensation on a pre-tax basis, subject to the statutory annual contribution limit. For 2022 2023 and 2021, 2022, the Company made "safe harbor" contributions on behalf of participants in the form of a match that was equal to 100% of each participant's elective deferrals, up to a maximum of 4% of the participant's eligible compensation. The 401(k) Plan also allows the Company to make discretionary matching contributions on behalf of participants equal to 2% of each participant's elective deferrals. No discretionary match was made in 2022 2023 or 2021. 2022. The Company's matching contributions to the 401(k) Plan totaled $0.4 million in 2022 both 2023 and 0.5 million 2021.

FIRST US BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2022.

Participants can elect to invest up to 20% of incoming contributions (measured at the time of investment) in the 401(k) Plan in the form of Company stock. The 401(k) Plan held 184,987 170,910 and 238,514 184,987 shares of Company stock as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. These shares are allocated to participants in the 401(k) Plan and, accordingly, are included in the earnings per share calculations.

13. 12. DEFERRED COMPENSATION PLANS

The Company has entered into separate supplemental retirement compensation benefits agreements with certain non-employee directors and former executive officers. These agreements are structured as nonqualified retirement plans for federal income tax purposes. The Company's obligation under these agreements is accrued as deferred compensation in accordance with the terms of the individual contracts over the required service period to the date the employee is eligible to receive benefits. The Company's deferred compensation obligation under these agreements totaled $3.1 2.9 million and $3.2 3.1 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Non-employee directors may elect to defer payment of all or any portion of their Bancshares and Bank director fees under Bancshares' Non-Employee Directors' Deferred Compensation Plan (the "Deferral Plan"). The Deferral Plan permits non-employee directors to invest their directors' fees and to receive the adjusted value of the deferred amounts in cash and/or shares of Bancshares' common stock. Neither Bancshares nor the Bank makes any contribution to participants' accounts under the Deferral Plan. As of December 31, 2022 December 31, 2023 and 2021, 2022, a total of 114,190 113,042 shares and 117,825 114,190 shares of Bancshares common stock, respectively, were deferred in connection with the Deferral Plan. All deferred fees, whether in the form of cash or shares of Bancshares common stock, are reflected as compensation expense in the period earned. The Company classifies all deferred directors' fees allocated to be paid in shares as additional paid-in capital. The Company may use issued shares or shares of treasury stock to satisfy these obligations when due.

14. 13. STOCK AWARDS

In accordance with 2013, Bancshares' shareholders authorized the Company, under the direction of the Compensation Committee of the Board of Directors, to provide share-based compensation awards to eligible employees, directors and consultants of the Company and its affiliates pursuant to the 2013 Incentive Plan. Available award types included stock options, stock appreciation rights, restricted stock and restricted stock units, and performance share awards. The 2013 Incentive Plan, as amended in 2019, expired in March 2023. In April 2023, Bancshares' shareholders approved the 2023 Incentive Plan, which authorizes the Compensation Committee to grant substantially the same types of share-based awards to eligible employees, directors and consultants. Collectively, the 2013 Incentive Plan stock awards, including stock options and restricted stock, have been granted the 2023 Incentive Plan are herein referred to certain employees and non-employee directors. Shares as the Company's "Incentive Plan." In accordance with the Incentive Plan, shares of common stock available for distribution issuance pursuant to satisfy the grants may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares reacquired by the Company in any manner. Since the origination of the Incentive Plan, through December 31, 2023, only stock options and restricted stock have been granted. Stock-based compensation expense related to stock awards totaled $0.4 0.5 million and $0.3 0.4 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Stock Options

Stock option awards have been granted with an exercise price equal to the market price of the Company's common stock on the date of the grant and have vesting periods ranging from one to three years, with 10-year contractual terms. The Company recognizes the cost of services received in exchange for stock option awards based on the grant date fair value of the award, with compensation expense recognized on a straight-line basis over the award's vesting period. The fair value of outstanding awards was determined using the Black-Scholes option pricing model at the date of grant. The Company did not grant any stock option awards during the years ended December 31, 2022 December 31, 2023 and 2021.

The following table summarizes the Company's stock option activity for the periods presented.

	Year Ended				Year Ended			
	December 31, 2022		December 31, 2021		December 31, 2023		December 31, 2022	
	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price
Options:								
Outstanding, beginning of year	420,250	$ 9.79	421,000	$ 9.79	419,650	$ 9.79	420,250	$ 9.79
Granted	—	—	—	—	—	—	—	—
Exercised	—	—	750	8.23	500	8.00	—	—
Forfeited	600	10.86	—	—	7,250	10.82	600	10.86
Options outstanding, end of year	419,650	$ 9.79	420,250	$ 9.79	411,900	$ 9.77	419,650	$ 9.79
Options exercisable, end of year	416,249	$ 9.77	395,678	$ 9.74	411,900	$ 9.77	416,249	$ 9.77

The aggregate intrinsic value of stock options outstanding (calculated as the amount by which the market value of underlying stock exceeds the exercise price of the option) was approximately $0.5 million as of December 31, 2023 and $0.1 million as of December 31, 2022 and $0.6 million as of December 31, 2021.

Restricted Stock

During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, 45,935 57,300 shares and 38,430 45,938 shares, respectively, of restricted stock were granted. Awards granted to employees had a three-year vesting period, while awards granted to non-employee directors had a one-year vesting period. The Company recognizes the cost of services received in exchange for restricted stock awards based on the grant date closing price of the stock, with compensation expense recognized on a straight-line basis over the award's vesting period.

15. 14. SHAREHOLDERS' EQUITY

Dividends are paid at the discretion of the Company's Board of Directors, based on the Company's operating performance and financial position, including earnings, capital and liquidity. Dividends from the Bank are the Company's primary source of funds for the payment of dividends to shareholders. In addition, federal and state regulatory agencies have the authority to prevent the Company from paying a dividend to shareholders. During the year ended December 31, 2022 December 31, 2023, the Company declared dividends totaling $1.2 million, or $0.20 per share, compared to $0.8 million, or $0.14 per share, compared to $0.7 million, or $0.12 per share, during the year ended December 31, 2021 December 31, 2022.

90

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Regulatory Capital

The Bank is subject to the revised capital requirements as described in the section captioned "Supervision and Regulation – Capital Adequacy" included in Part I, Item I of this report. Under these requirements, the Bank is subject to minimum risk-based capital and leverage capital requirements, which are administered by the federal bank regulatory agencies. These capital requirements, as defined by federal regulations, involve quantitative and qualitative measures of assets, liabilities and certain off-balance sheet instruments. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements of the Bank and Bancshares, and could impact Bancshares' ability to pay dividends. The Bank's minimum risk-based capital requirements include the fully implemented capital conservation buffer of 2.50%. As of both December 31, 2022 December 31, 2023 and 2021, 2022, the Bank exceeded all applicable minimum capital standards. In addition, the Bank met applicable regulatory guidelines to be considered well-capitalized as of both December 31, 2022 December 31, 2023 and 2021. 2022. To be categorized in this manner, the Bank maintained common equity Tier 1 risk-based capital, Tier 1 risk-based capital, total risk-based capital and Tier 1 leverage ratios as set forth in the tables below. In addition, the Bank was not subject to any written agreement, order, capital directive or prompt corrective action directive issued by its primary federal regulator to meet and maintain a specific level for any capital measures.

83

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following tables provide the Bank's actual regulatory capital amounts and ratios under regulatory capital standards in effect (Basel III) at December 31, 2022 December 31, 2023 and 2021: 2022:

	2022			2023		
	Actual Regulatory Capital	Minimum	To Be Well	Actual Regulatory Capital	Minimum	To Be Well

	Amount	Ratio	Requirement	Capitalized	Amount	Ratio	Requirement	Capitalized
	(Dollars in Thousands)				(Dollars in Thousands)			
Common equity Tier 1 capital (to risk-weighted assets)	$ 92,853	11.07 %	7.00 %	6.50 %	$ 98,220	10.88 %	7.00 %	6.50 %
Tier 1 capital (to risk-weighted assets)	92,853	11.07 %	8.50 %	8.00 %	98,220	10.88 %	8.50 %	8.00 %
Total capital (to risk-weighted assets)	102,275	12.19 %	10.50 %	10.00 %	109,296	12.11 %	10.50 %	10.00 %
Tier 1 leverage (to average assets)	92,853	9.39 %	4.00 %	5.00 %	98,220	9.36 %	4.00 %	5.00 %

	2021				2022			
	Actual Regulatory Capital		Minimum	To Be Well	Actual Regulatory Capital		Minimum	To Be Well
	Amount	Ratio	Requirement	Capitalized	Amount	Ratio	Requirement	Capitalized
	(Dollars in Thousands)				(Dollars in Thousands)			
Common equity Tier 1 capital (to risk-weighted assets)	$ 87,379	11.36 %	7.00 %	6.50 %	$ 92,853	11.07 %	7.00 %	6.50 %
Tier 1 capital (to risk-weighted assets)	87,379	11.36 %	8.50 %	8.00 %	92,853	11.07 %	8.50 %	8.00 %
Total capital (to risk-weighted assets)	95,699	12.44 %	10.50 %	10.00 %	102,275	12.19 %	10.50 %	10.00 %
Tier 1 leverage (to average assets)	87,379	9.17 %	4.00 %	5.00 %	92,853	9.39 %	4.00 %	5.00 %

No significant conditions or events have occurred since December 31, 2022 December 31, 2023 that management believes have affected the Bank's classification as "well-capitalized." Because of the size of the Company's balance sheet, there is currently no requirement for separate reporting of capital amounts and ratios for Bancshares. Accordingly, such amounts and ratios are not included.

Under the FDIC's final rule establishing the methodology for calculating deposit insurance assessments for banks with less than $10 billion in assets, the rate is determined based on a number of factors, including the bank's CAMELS ratings, leverage ratio, net income, non-performing loan ratios, OREO ratios, core deposit ratios, one-year organic asset growth and a loan mix index. The CAMELS rating system is a supervisory rating system developed to classify a bank's overall condition by taking into account capital adequacy, assets, management capability, earnings, liquidity and sensitivity to market and interest rate risk. The loan mix index component of the assessment model requires banks to calculate each of their loan categories as a percentage of assets and then multiply each category by a standardized historical charge-off rate percentage provided by the FDIC, with a higher index leading to a higher assessment rate. The rule implements maximum assessment rates for institutions with a composite CAMELS rating of 1 or 2 and minimum rates for institutions with a rating of 3, 4 or 5.

Dividend Restrictions

Under Delaware law, dividends may be paid only out of “surplus,” defined as an amount equal to the present fair value of the total assets of the corporation, minus the present fair value of the total liabilities of the corporation, minus the capital of the corporation. In the event that there is no surplus, dividends may be paid out of the net profits of the corporation for the fiscal year in which the dividend is declared and/or the immediately preceding fiscal year. Dividends may not be paid, however, out of net profits of the corporation if the capital represented by the issued and outstanding stock of all classes having a preference on the distribution of assets is impaired. Further, the Federal Reserve permits bank holding companies to pay dividends only out of current earnings and only if future retained earnings would be consistent with the company’s capital, asset quality and financial condition.

Since it has no significant independent sources of income, Bancshares’ ability to pay dividends depends on its ability to receive dividends from the Bank. Under Alabama law, a state-chartered bank must annually transfer to surplus at least 10% of its “net earnings” (defined as the remainder of all earnings from current operations plus actual recoveries on loans and investments and other assets, less all current operating expenses, actual losses, accrued dividends on preferred stock and all federal, state and local taxes) until the bank’s surplus is at least 20% of its capital. Until the bank’s surplus reaches this level, a bank may not declare a dividend in excess of 90% of its net earnings. Once a bank’s surplus equals or exceeds 20% of its capital, if the total of all dividends declared by the bank in a calendar year will exceed the sum of its net earnings for that year and its retained net earnings for the preceding two years (less any required transfers to surplus), then the bank must obtain prior written approval from the Superintendent of the Alabama State Banking Department. The bank may not pay any dividends or make any withdrawals or transfers from surplus without the prior written approval of the Superintendent. The FDIC prohibits the payment of cash dividends if (1) as a result of such payment, the bank would be undercapitalized or (2) the bank is in default with respect to any assessment due to the FDIC, including a deposit insurance assessment. These restrictions could materially influence the Bank’s, and therefore Bancshares’, ability to pay dividends.

FIRST US BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. 15. LEASES

The Bank and ALC are Company is involved in a number of operating leases, primarily for branch locations. Branch leases have remaining lease terms ranging from two years one year to six nine years, some of which include options to extend the leases for up to five years, and some of which include an option to terminate the lease within one year. The Bank also leases certain office facilities to third parties and classifies these leases as operating leases.

The following table provides a summary of the components of lease income and expense, as well as the reporting location in the Consolidated Statements of Operations for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

	Location	Year Ended December 31, 2022	Year Ended December 31, 2021	Location	Year Ended December 31, 2023	Year Ended December 31, 2022
		(Dollars in Thousands)			(Dollars in Thousands)	
Operating lease income (1)				Lease income	$ 949	$ 864
Operating lease expense (1) (2)	Net occupancy and equipment	$ 434	$ 999	Net occupancy and equipment	$ 460	$ 434
Operating lease income (2)	Lease income	$ 864	$ 830			

(1) Includes short-term lease costs. For the years ended December 31, 2022 and 2021, short-term lease costs were nominal in amount.

(2) Operating lease income includes rental income from owned properties.

(2) Includes short-term lease costs. For the years ended December 31, 2023 and 2022, short-term lease costs were nominal in amount.

The following table provides supplemental lease information for operating leases on the Consolidated Balance Sheet Sheets as of December 31, 2022: December 31, 2023 and 2022:

	Location	December 31, 2022	December 31, 2021	Location	December 31, 2023	December 31, 2022
		(Dollars in Thousands)	(Dollars in Thousands)		(Dollars in Thousands)	(Dollars in Thousands)
Operating lease right-of-use assets	Other assets	$ 1,883	$ 2,245	Other assets	$ 2,019	$ 1,883
Operating lease liabilities	Other liabilities	$ 1,961	$ 2,317	Other liabilities	$ 2,055	$ 1,961

Weighted-average remaining lease term (in years)	5.03	5.90	6.37	5.03
Weighted-average discount rate	3.30 %	3.29 %	4.10 %	3.30 %

The following table provides supplemental lease information for the Consolidated Statements of Cash Flows for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

	Year Ended		Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 427	$ 859	$ 455	$ 427

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table is a schedule of remaining future minimum lease payments for operating leases that had an initial or remaining non-cancellable lease term in excess of one year as of December 31, 2022 December 31, 2023:

	Minimum Rental Payments (Dollars in Thousands)	Minimum Rental Payments (Dollars in Thousands)
2023	$ 432	
2024	438	$ 395
2025	339	295

2026	346	302
2027	353	308
2028 and thereafter	238	
2028		269
2029 and thereafter		930
Total future minimum lease payments	$ 2,146	$ 2,499
Less: Imputed interest	185	444
Total	$ 1,961	$ 2,055

17. 16. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of certain balance sheet assets and liabilities. In the normal course of business, the Company also uses derivative financial instruments to add stability to interest income or expense and to manage its exposure to movements in interest rates. The Company does not use derivatives for trading or speculative purposes and only enters into transactions that have a qualifying hedge relationship. The Company's hedging strategies involving interest rate derivatives are classified as either cash flow hedges or fair value hedges, depending upon the rate characteristic of the hedged item.

Cash Flow Active Hedges

The Bank has In June 2023, the Company entered intothree forward interest rate swap contracts on certain variable-rate money market deposit accounts (indexed to the Federal Funds effective rate's daily weighted average). The money market account balances are expected to exceed the notional amount for the duration a pool of fixed rate indirect consumer loans. Each of the hedges and the rates on these deposits are anticipated to move closely with changes in one-month LIBOR, or three hedge contracts has a comparable benchmark interest rate. These interest rate swaps were designated as derivative instruments in cash flow hedges with the objective of converting the floating interest payments to a fixed rate. Under the swap arrangements, the Bank pays a fixed interest rate and receives a variable interest rate based on one-month LIBOR, or a comparable benchmark interest rate, on the $10.0 million notional amount, with monthly net settlements.

Fair Value Hedges

The Bank has entered into forward interest rate swap contracts on fixed rate commercial real estate loans. amount. The interest rate swaps were designated as derivative instruments in fair value hedges with the objective of effectively converting pools a pool of fixed rate assets indirect consumer loans to a variable rate throughout the hedge durations. durations in accordance with the portfolio layer method. Under the contractual arrangements, for each swap, arrangements, the Bank Company pays a fixed interest rate and receives a variable interest rate based on one-month LIBOR, or a comparable benchmark interest rate, the Secured Overnight Financing Rate (SOFR), on the notional amount, amounts, with monthly net settlements. The Bank recognized no gains or losses on the fair value hedges during the years ended December 31, 2022 and 2021.

Hedges Terminated Hedges in 2023

Cash Flow Hedge Terminated in 2022

During In February 2023, the second quarter of 2022, the Bank Company voluntarily terminated a forwardfour interest rate swap contract on a variable FHLB advance that was agreements each with notional amounts of $10.0 million, or an aggregate amount of $40.0 million. Two of the swaps were previously designated as a cash flow hedge. hedges, while two were previously designated as fair value hedges. The termination of the swap cash flow hedges resulted in a net deferred unrealized gain of totaling $0.3 1.1 million which will remain million. The unrealized gain was initially recorded in accumulated other comprehensive income, net of tax, and be is being reclassified into earnings to reduce interest expense over the original term terms of the interest rate swap contract. During contracts. The termination of the year ended December 31, 2022, a fair value hedges resulted in an unrealized gain of totaling $70 1.0 thousand, net million which is being reclassified to increase interest income over the original terms of income taxes, was reclassified from other comprehensive income (loss) related to the terminated contract. There were no gains or losses reclassified from other comprehensive income (loss) related to cash flow hedges for the year ended December 31, 2021.swap contracts.

Hedges Terminated Subsequent to December 31, 2022 93

Subsequent to December 31, 2022, Hedge Terminated in 2022

In May 2022, the Company voluntarily terminated all fourone interest rate swap contracts that were agreement with a notional amount of $10.0 million. The swap was previously designated as a cash flow hedge. The termination resulted in place as a net unrealized gain of December 31, 2022 $0.3 million. The unrealized gain was initially recorded in accumulated other comprehensive income, net of tax, and recorded deferred gains totaling $2.2 million associated with the terminations. The purpose of the terminations was is being reclassified to partially mitigate reduce interest rate risk in downward interest rate scenarios. The deferred gains will be accreted to net interest income expense over the remaining life of the original term of each swap. the swap contract.

Presentation

The Company has elected to offset derivative fair value amounts under master netting agreements, given that all of the Company's hedges are with the same counterparty.

The following table reflects the notional amount and fair value of derivative instruments included on the Company's Consolidated Balance Sheets on a net basis as of December 31, 2022 December 31, 2023 and 2021. 2022.

	As of December 31, 2022	As of December 31, 2021	As of December 31, 2023	As of December 31, 2022

	Notional Amount	Estimated Fair Value Gain (Loss) (1)	Notional Amount	Estimated Fair Value Gain (Loss) (1)	Notional Amount	Estimated Fair Value Gain (Loss) (1)	Notional Amount	Estimated Fair Value Gain (Loss) (1)
	(Dollars in Thousands)				(Dollars in Thousands)			
Derivatives designated as hedging instruments:								
Fair value hedges:								
Interest rate swaps related to fixed rate commercial real estate loans	$ 20,000	$ 1,101	$ 20,000	$ (198)	$ —	$ —	$ 20,000	$ 1,101
Interest rate swaps related to fixed rate indirect consumer loans					30,000	(119)		—
Total fair value hedges		1,101		(198)		(119)		1,101
Cash flow hedges:								
Interest rate swaps related to variable-rate money market deposit accounts	20,000	1,205	20,000	(472)	—	—	20,000	1,205
Interest rate swaps related to FHLB advances	—	—	10,000	(104)				
Total cash flow hedges		1,205		(576)		—		1,205
Total hedges designated as hedging instruments, net		$ 2,306		$ (774)		$ (119)		$ 2,306

(1) Derivatives in a gain position are recorded as other assets and derivatives in a loss position are recorded as other liabilities in the consolidated balance sheets.

The Company has elected following table presents the last-of-layer method with respect net effects of derivative hedging instruments on the Company's Consolidated Statements of Operations for the years ended December 31, 2023 and 2022. The effects, which include the reclassification of unrealized gains on terminated swap contracts, are presented as either an increase or decrease to both of its fair value hedges. This approach allows income before income taxes in the Company to designate as the hedged item a stated amount relevant caption of the assets that are not expected to be affected by prepayments, defaults and other factors affecting the timing and amount Company's Consolidated Statements of cash flows. Relative to the identified pools of loans, this represents the last dollar amount of the designated commercial loans, which is equivalent to the notional amounts of the derivative instruments. Operations.

Location in the	Year Ended December 31,

	Consolidated Statements of Operations	2023	2022
		(Dollars in Thousands)	
Interest income	Interest and fees on loans	$ 869	$ 75
Interest expense	Interest on deposits	496	(5)
Interest expense	Interest on short-term borrowings	144	56
	Net increase to income before income taxes	$ 1,509	$ 126

The following amounts were recorded on the balance sheet related to cumulative basis adjustments for fair value hedges: 94

Location in the Consolidated Balance Sheet in Which the Hedged Item is Included	Carrying Amount of the Hedged Assets	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets
	December 31, 2022	
	(Dollars in Thousands)	
Loans and leases, net of allowance for loan and lease losses (1)	$ 32,233	$ 1,101

---

(1) These amounts include the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. As of December 31, 2022, the amortized cost basis of the closed portfolios used in these hedging relationships was $33.3 million, the cumulative basis adjustments associated with these hedging relationships were $1.1 million, and the amounts of the designated hedged items were $20 million.

The following table presents the effect of hedging derivative instruments on the Company's Consolidated Statements of Operations.

	Location in the Consolidated Statements of Operations	Year Ended December 31, 2022	Year Ended December 31, 2021
		(Dollars in Thousands)	
Interest income	Interest and fees on loans	$ 75	$ (253)
Interest expense	Interest on deposits	56	(127)
Interest expense	Interest on short-term borrowings	(5)	(333)
	Net increase (decrease) to income before income taxes	$ 126	$ (713)

18. 17. SEGMENT REPORTING

In the tables below, information is disclosed for the two reportable operating segments of Bancshares: the Bank and ALC. The reportable segments were determined using the internal management reporting system. These segments comprise Bancshares' and the Bank's significant subsidiaries. The accounting policies for each segment are the same as those described in Note 2, "Summary of Significant Accounting Policies." The segment results include certain overhead allocations and intercompany transactions that were recorded at current market prices. All intercompany transactions have been eliminated to determine the consolidated balances. The parent company and FUSB Reinsurance are included in the "All Other" column. The results for the two reportable segments of the Company are included in the tables below:

	2022				
	Bank	ALC	All Other	Eliminations	Consolidated
	(Dollars in Thousands)				
Total interest income	$ 37,510	$ 4,716	$ 5	$ (1,034)	$ 41,197
Total interest expense	3,803	1,029	458	(1,034)	4,256
Net interest income	33,707	3,687	(453)	—	36,941
Provision for loan and lease losses	1,338	1,970	—	—	3,308
Net interest income after provision	32,369	1,717	(453)	—	33,633
Total non-interest income	3,535	204	8,091	(8,379)	3,451
Total non-interest expense	25,278	1,751	1,238	(195)	28,072
Income (loss) before income taxes	10,626	170	6,400	(8,184)	9,012
Provision for income taxes	2,475	45	(372)	—	2,148
Net income (loss)	$ 8,151	$ 125	$ 6,772	$ (8,184)	$ 6,864
Other significant items:					
Total assets	$ 998,727	$ 19,772	$ 101,072	$ (124,904)	$ 994,667
Total investment securities	132,657	—	—	—	132,657
Total loans, net	763,941	18,810	—	(18,300)	764,451
Goodwill and core deposit intangible, net	7,801	—	—	—	7,801
Investment in subsidiaries	—	—	93,414	(93,414)	—
Fixed asset additions	1,262	—	—	—	1,262
Depreciation and amortization expense	1,579	35	—	—	1,614
Total interest income from external customers	36,481	4,716	—	—	41,197
Total interest income from affiliates	1,029	—	5	(1,034)	—

	2021				
	Bank	ALC	All Other	Eliminations	Consolidated
	(Dollars in Thousands)				

Total interest income	$ 32,537	$ 9,019	$ 7	$ (1,642)	$ 39,921
Total interest expense	2,842	1,635	115	(1,642)	2,950
Net interest income	29,695	7,384	(108)	—	36,971
Provision for loan and lease losses	1,515	495	—	—	2,010
Net interest income after provision	28,180	6,889	(108)	—	34,961
Total non-interest income	3,206	576	5,697	(5,958)	3,521
Total non-interest expense	25,188	6,599	1,421	(452)	32,756
Income (loss) before income taxes	6,198	866	4,168	(5,506)	5,726
Provision for income taxes	1,305	221	(251)	—	1,275
Net income (loss)	$ 4,893	$ 645	$ 4,419	$ (5,506)	$ 4,451
Other significant items:					
Total assets	$ 961,572	$ 40,924	$ 106,247	$ (150,441)	$ 958,302
Total investment securities	134,238	—	81	—	134,319
Total loans, net	699,600	39,499	—	(39,069)	700,030
Goodwill and core deposit intangible, net	8,069	—	—	—	8,069
Investment in subsidiaries	—	—	95,172	(95,172)	—
Fixed asset additions	816	6	—	—	822
Depreciation and amortization expense	1,613	79	—	—	1,692
Total interest income from external customers	30,902	9,019	—	—	39,921
Total interest income from affiliates	1,635	—	7	(1,642)	—

On September 3, 2021, the Company announced that, effective immediately, ALC had ceased new business development and permanently closed its 20 branch lending locations in Alabama and Mississippi to the public. See Note 3 for additional discussion.

19. OTHER OPERATING INCOME AND EXPENSE

Other operating income for the years ended December 31, 2022 December 31, 2023 and 2021 2022 consisted of the following:

	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Bank-owned life insurance	$ 451	$ 439	$ 471	$ 451
Credit insurance commissions and fees	$ (93)	$ 192		
ATM fee income	532	577	415	532
Mortgage fees from secondary market	17	23		
Wire transfer fees	52	64		
Net loss on sale and prepayment of investment securities			—	(83)
Gain on sales of premises and equipment and other assets	301	19	17	301
Other income	256	286	332	232
Total	$ 1,516	$ 1,600	$ 1,235	$ 1,433

Other operating expense for the years ended December 31, 2022 December 31, 2023 and 2021 2022 consisted of the following:

	Year Ended December 31,	
	2022	2021
	(Dollars in Thousands)	
Postage, stationery and supplies	$ 614	$ 802
Telephone/data communication	682	903
Advertising and marketing	189	167
Travel and business development	225	147
Collection and recoveries	261	168
Other services	323	322
Insurance expense	566	635
FDIC insurance and state assessments	684	726
Loss on sales of premises and equipment and other assets	69	150
Core deposit intangible amortization	268	341
Other real estate/foreclosure expense, net	(331)	(371)
Other expense	2,124	2,114
Total	$ 5,674	$ 6,104

	Year Ended December 31,	
	2023	2022
	(Dollars in Thousands)	
Postage, stationery and supplies	$ 620	$ 614
Telephone/data communication	722	682
Collection and recoveries	292	261
Directors fees	471	479
Software amortization	412	460
Other real estate/foreclosure expense, net	68	(331)
Other expense	2,557	2,259
Total	$ 5,142	$ 4,424

20. 18. GUARANTEES, COMMITMENTS AND CONTINGENCIES

Credit

The Bank’s exposure to credit loss in the event of nonperformance by the other party for commitments to make loans and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making these commitments as it does for on-balance sheet instruments. For interest rate swap transactions and commitments to purchase or sell securities for forward delivery, the contract or notional amounts do not represent exposure to credit loss. The Bank controls the credit risk of these derivative instruments through credit approvals, limits and monitoring procedures. Certain derivative contracts have credit risk for the carrying value plus the amount to replace such contracts in the event of counterparty default. All of the Bank's financial instruments are held for risk management and not for trading purposes. During the years ended December 31, 2022 and 2021, there were no

credit losses associated with derivative contracts.

In the normal course of business, there are outstanding commitments and contingent liabilities, such as commitments to extend credit, letters of credit and other commitments, others, that are not included in the consolidated financial statements. The financial instruments involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the financial statements. A summary of these commitments and contingent liabilities is presented below:

	December 31,				December 31,			
	2022		2021		2023		2022	
	(Dollars in Thousands)				(Dollars in Thousands)			
Standby letters of credit	$	—	$	—	$	—	$	—
Standby performance letters of credit	$	556	$	582	$	669	$	556
Commitments to extend credit	$	186,169	$	164,247	$	141,121	$	186,169

Standby letters of credit and standby performance letters of credit are contingent commitments issued by the Bank generally to guarantee the performance of a customer to a third party. The Bank has recourse against the customer for any amount that it is required to pay to a third party under a standby letter of credit or standby performance letter of credit. Revenues are recognized over the lives of the standby letters of credit and standby performance letters of credit. As of December 31, 2022 December 31, 2023 and 2021, December 31, 2022, the potential amounts of future payments that the Bank could be required to make under its standby letters of credit and standby performance letters of credit, which represent the Bank's total credit risk in these categories, are included in the table above.

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

 In accordance with the adoption of ASC 326 on January 1, 2023, the Company recorded an allowance for credit losses on unfunded lending commitments of $0.3 million. The allowance, which is included in other liabilities in the Company's balance sheet, totaled $0.6 million as of December 31, 2023. Additional discussion related to the calculation of the allowance for credit losses on unfunded lending commitments is included in Note 4, "Loans and Leases".

Self-Insurance

The Company is self-insured for a significant portion of employee health benefits. However, the Company maintains stop-loss coverage with third-party insurers to limit the Company's individual claim and total exposure related to self-insurance. The Company estimates accrued a liability for the ultimate costs to settle known claims, as well as claims incurred but not yet reported, as of the balance sheet date. The Company's recorded estimated liability for self-insurance is based on the insurance companies' companies' incurred loss estimates and management's judgment, including assumptions and evaluation of factors related to the frequency and severity of claims, the Company's claims development history and the Company's claims settlement practices. The assessment of loss contingencies and self-insurance reserves is a highly subjective process that requires judgments about future events. Contingencies are reviewed at least quarterly to determine the adequacy of self-insurance accruals. Self-insurance accruals totaled $0.2 million as of both December 31, 2022 December 31, 2023 and 2021. December 31, 2022. The ultimate settlement of loss contingencies and self-insurance reserves may differ significantly from amounts accrued in the Company's consolidated financial statements.

Litigation

The Company is party to certain ordinary course litigation from time to time, and the Company intends to vigorously defend itself in all such litigation. In the opinion of the Company, based on review and consultation with legal counsel, the outcome of such ordinary course litigation should not have a material adverse effect on the Company's consolidated financial statements or results of operations.

21. 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company follows a uniform framework for estimating and classifying the fair value of financial instruments. The assumptions used in the estimation of the fair value of the Company's financial instruments are detailed below. The following disclosures should not be considered a representation of the liquidation value of the Company, but rather represent a good-faith estimate of the increase or decrease in value of financial instruments held by the Company since purchase, origination or issuance.

Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. In determining fair value, the Company uses various methods, including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair value. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 — Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange or Nasdaq. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

- Level 2 — Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

- Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The Company rarely transfers assets and liabilities measured at fair value between Level 1 and Level 2 measurements. Trading account assets and securities available-for-sale may be periodically transferred to or from Level 3 valuation based on management's conclusion regarding the best method of pricing for an individual security. Such transfers are accounted for as if they occurred at the beginning of a reporting period. There were no such transfers during the years ended December 31, 2022 December 31, 2023 or 2021. 2022.

Fair Value Measurements on a Recurring Basis

Securities Available-for-Sale

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange-traded equities. U.S. Treasury securities. Level 2 securities include U.S. Treasury and government sponsored agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset-backed and other securities. Level 2 fair values are obtained from quoted prices of securities with similar characteristics. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Interest Rate Derivative Agreements

Interest rate derivative agreements are used by the Company to mitigate risk associated with changes in interest rates. The fair value of these agreements is based on information obtained from third-party financial institutions. This information is periodically evaluated by the Company and, as necessary, corroborated against other third-party valuations. The Company classifies these derivative assets within Level 2 of the valuation hierarchy.

The following table presents assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 December 31, 2023 and 2021. 2022.

	Fair Value Measurements as of December 31, 2022 Using				Fair Value Measurements as of December 31, 2023 Using			
	Totals At December 31, 2022	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals At December 31, 2023	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)				(Dollars in Thousands)			
Investment securities, available-for-sale								
Mortgage-backed securities:								
Residential	$ 43,957	$ —	$ 43,957	$ —	$ 44,728	$ —	$ 44,728	$ —
Commercial	11,693	—	11,693	—	9,040	—	9,040	—
Obligations of U.S. government-sponsored agencies	4,270	—	4,270	—	11,280	—	11,280	—
Obligations of states and political subdivisions	2,072	—	2,072	—	1,558	—	1,558	—
Corporate notes	15,921		14,921	1,000	14,957		14,957	—
U.S. Treasury securities	52,882	52,882	—	—	54,002	54,002	—	—
Other assets - derivatives	2,306	—	2,306	—				

Other liabilities - derivatives	119	—	119	—

	Fair Value Measurements as of December 31, 2021 Using			
	Totals At December 31, 2021	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)			
Investment securities, available-for-sale				
Mortgage-backed securities:				
Residential	$ 46,228	$ —	$ 46,228	$ —
Commercial	24,971	—	24,971	—
Obligations of U.S. government-sponsored agencies	5,192	—	5,182	10
Obligations of states and political subdivisions	4,317	—	4,317	—
Corporate notes	15,482		15,482	—
U.S. Treasury securities	34,693	34,693	—	—
Other liabilities - derivatives	774	—	774	—

97

92

	Fair Value Measurements as of December 31, 2022 Using			
	Totals At December 31, 2022	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)			
Investment securities, available-for-sale				
Mortgage-backed securities:				

Residential	$ 43,957	$ —	$ 43,957	$ —
Commercial	11,693	—	11,693	—
Obligations of U.S. government-sponsored agencies	4,270	—	4,270	—
Obligations of states and political subdivisions	2,072	—	2,072	—
Corporate notes	15,921		14,921	1,000
U.S. Treasury securities	52,882	52,882	—	—
Other assets - derivatives	2,306	—	2,306	—

Fair Value Measurements on a Non-recurring Basis

Impaired Loans

Loans that are considered impaired are loans for which, when, based on current information and events, it is probable that the Company will be unable to collect all principal and interest payments due under the contractual terms of the loan agreement. Impaired These loans can be measured based are evaluated separately in accordance with the Company’s policies for calculating the allowance for credit losses on the present value of expected payments using the loan’s original effective rate as the discount rate, the loan’s observable market price or the fair value of the collateral less estimated selling cost if the loan is collateral-dependent. For the Company, the loans and leases. The fair value of impaired loans with specific allocations of the allowance for credit losses on loans and leases is primarily measured typically based on the value of the collateral securing the loans (typically recent real estate). The Company determines the fair value of the collateral based on independent appraisals performed by qualified licensed appraisers. The estate appraisals. These appraisals may include utilize a single valuation approach or a combination of approaches including comparable sales and the income approaches. approach. Adjustments are routinely made in the appraisal process by independent appraisers to adjust for differences between the comparable sales and income data available. Appraised values are discounted by management for estimated costs to sell and may be discounted further based on management’s knowledge of the collateral, changes in market conditions since the most recent appraisal and/or management’s knowledge of the borrower and the borrower’s business. Such discounts by management adjustments are subjective usually significant and are typically significant unobservable result in Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower’s financial statements, or aging reports, adjusted or discounted based on management’s historical knowledge of the borrower’s business, resulting in a Level 3 fair value classification. Impaired loans are evaluated by management on a quarterly basis for additional impairment at least quarterly and are adjusted accordingly.

OREO and Other Assets Held-for-Sale

OREO consists of properties obtained through foreclosure or in satisfaction of loans and is recorded at net realizable value, less estimated cost to sell. Estimates of fair value are generally based on third-party appraisals of the property and are classified within Level 3 of the fair value hierarchy. The appraisals are sometimes discounted based on management’s knowledge of the property and/or changes in market conditions from the date of the most recent appraisal. Such discounts are typically significant unobservable inputs for determining fair value.

As of both December 31, 2022 December 31, 2023 and 2021, 2022, included within OREO were certain assets that were formerly included as premises and equipment but have been removed from service, and as of the balance sheet date, were designated as assets to be disposed of by sale. These include assets associated with branches of the Bank and ALC that have been closed. When an asset is designated as held-for-sale, the Company ceases depreciation of the asset, and the asset is recorded at the lower of its carrying amount or fair value less estimated cost to sell. Estimates of fair value are generally based on third-party appraisals of the property and are classified within Level 3 of the fair value hierarchy. The appraisals are sometimes discounted based on management's knowledge of the property and/or changes in market conditions from the date of the most recent appraisal. Such discounts are typically unobservable inputs for determining fair value.

The following table presents the balances of impaired loans, OREO and other assets held-for-sale measured at fair value on a non-recurring basis as of December 31, 2022 December 31, 2023 and 2021: 2022:

	Fair Value Measurements as of December 31, 2022 Using				Fair Value Measurements as of December 31, 2023 Using			
	Totals At December 31, 2022	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals At December 31, 2023	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)				(Dollars in Thousands)			
Impaired loans	$ 108	$ —	$ —	$ 108	$ 51	$ —	$ —	$ 51
OREO and other assets held-for-sale	686	—	—	686	602	—	—	602

	Fair Value Measurements as of December 31, 2021 Using	Fair Value Measurements as of December 31, 2022 Using

	Totals At December 31, 2021	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals At December 31, 2022	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)				(Dollars in Thousands)			
Impaired loans	$ 6	$ —	$ —	$ 6	$ 108	$ —	$ —	$ 108
OREO and other assets held-for-sale	2,149	—	—	2,149	686	—	—	686

Non-recurring Fair Value Measurements Using Significant Unobservable Inputs

The following table presents tables present information regarding assets and liabilities measured at fair value using significant unobservable inputs (Level 3) as of December 31, 2022. December 31, 2023 and 2022. The table includes the valuation techniques and the significant unobservable inputs utilized. The range of each unobservable input and the weighted average within the range utilized as of December 31, 2022 December 31, 2023 and 2022 are both included. Following the table tables is a description of the valuation technique and the sensitivity of the technique to changes in the significant unobservable input.

Level 3 Significant Unobservable Input Assumptions	Level 3 Significant Unobservable Input Assumptions

	Fair Value December 31, 2022	Valuation Technique	Unobservable Input	Quantitative Range of Unobservable Inputs (Weighted Average)	Fair Value December 31, 2023	Valuation Technique	Unobservable Input	Quantitative Range of Unobservable Inputs (Weighted Average)
	(Dollars in Thousands)				(Dollars in Thousands)			
Non-recurring fair value measurements:								

Impaired loans	$	108	Multiple data points, including discount to appraised value of collateral based on recent market activity	Appraisal comparability adjustment (discount)	9%-10%	(9.5)%	$51	Multiple data points, including discount to appraised value of collateral based on recent market activity	Appraisal comparability adjustment (discount)	9%-10%	9.5%
OREO and other assets held-for-sale	$	686	Discount to appraised value of property based on recent market activity for sales of similar properties	Appraisal comparability adjustment (discount)	9%-10%	(9.5)%	$602	Discount to appraised value of property based on recent market activity for sales of similar properties	Appraisal comparability adjustment (discount)	9%-10%	9.5%

	Level 3 Significant Unobservable Input Assumptions			
	Fair Value December 31, 2022	**Valuation Technique**	**Unobservable Input**	**Quantitative Range of Unobservable Inputs (Weighted Average)**
	(Dollars in Thousands)			
Non-recurring fair value measurements:				

Impaired loans	$108	Multiple data points, including discount to appraised value of collateral based on recent market activity	Appraisal comparability adjustment (discount)	9%-10%	(9.5)%
OREO and other assets held-for-sale	$686	Discount to appraised value of property based on recent market activity for sales of similar properties	Appraisal comparability adjustment (discount)	9%-10%	(9.5)%

Impaired loans

Impaired loans are valued based on multiple data points indicating the fair value for each loan. The primary data point is the appraisal value of the underlying collateral, to which a discount is applied. Management establishes this discount or comparability adjustment based on recent sales of similar property types. As liquidity in the market increases or decreases, the comparability adjustment and the resulting asset valuation are impacted.

OREO

OREO under a binding contract for sale is valued based on contract price. If no sales contract is pending for a specific property, management establishes a comparability adjustment to the appraised value based on historical activity, considering proceeds for properties sold versus the corresponding appraised value. Increases or decreases in realization for properties sold impact the comparability adjustment for similar assets remaining on the balance sheet.

Other Assets Held-for-Sale

Assets designated as held-for-sale that are under a binding contract are valued based on the contract price. If no sales contract is pending for a specific property, management establishes a comparability adjustment to the appraised value based on historical activity, considering proceeds for properties sold versus the corresponding appraised value. Increases or decreases in realization for properties sold impact the comparability adjustment for similar assets remaining on the balance sheet. There were no other assets held for sale as of December 31, 2023.

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash, due from banks and federal funds sold: The carrying amount of cash, due from banks and federal funds sold approximates fair value.

Federal Home Loan Bank stock: Based on the redemption provision of the FHLB, the stock has no quoted market value and is carried at cost.

Investment securities: Fair values of investment securities are based on quoted market prices where available. If quoted market prices are not available, estimated fair values are based on market prices of comparable instruments.

Derivative instruments: The fair value of derivative instruments is based on information obtained from a third-party financial institution. This information is periodically evaluated by the Company and, as necessary, corroborated against other third-party information.

Accrued interest receivable and payable: The carrying amount of accrued interest approximates fair value.

Loans, net: The fair value of loans is estimated on an exit price basis incorporating contractual cash flow, prepayment discount spreads, credit loss and liquidity premiums.

Demand and savings deposits: The fair values of demand deposits are equal to the carrying value of such deposits. Demand deposits include non-interest-bearing demand deposits, savings accounts, NOW accounts and money market demand accounts.

Time deposits: The fair values of relatively short-term time deposits are equal to their carrying values. Discounted cash flows are used to value long-term time deposits. The discount rate used is based on interest rates currently offered by the Company on comparable deposits as to amount and term.

Short-term borrowings: These borrowings may consist of federal funds purchased, securities sold under agreements to repurchase and the floating rate borrowings from the FHLB account. Due to the short-term nature of these borrowings, fair values approximate carrying values.

Long-term borrowings: The fair value of this debt is estimated using discounted cash flows based on the Company's current incremental borrowing rate for similar types of borrowing arrangements as of the determination date.

Off-balance sheet instruments: The carrying amount of commitments to extend credit and standby letters of credit approximates fair value. The carrying amount of the off-balance sheet financial instruments is based on fees currently charged to enter into such agreements.

The estimated fair value and related carrying or notional amounts, as well as the level within the fair value hierarchy, of the Company's financial instruments as of December 31, 2022 December 31, 2023 and 2021 2022 were as follows:

	December 31, 2022					December 31, 2023				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
	(Dollars in Thousands)					(Dollars in Thousands)				
Assets:										
Cash and cash equivalents	$ 30,152	$ 30,152	$ 30,152	$ —	$ —	$ 50,279	$ 50,279	$ 50,279	$ —	$ —
Investment securities available-for-sale	130,795	130,795	52,882	76,913	1,000	135,565	135,565	54,002	81,563	—
Investment securities held-to-maturity	1,862	1,769	—	1,769	—	1,104	1,041	—	1,041	—
Federal funds sold	1,768	1,768	—	1,768	—	9,475	9,475	—	9,475	—
Federal Home Loan Bank stock	1,359	1,359	—	—	1,359	1,201	1,201	—	—	1,201
Loans, net of allowance for loan losses	764,451	730,961	—	—	730,961					
Loans, net of allowance for credit losses						811,284	773,800	—	—	773,800
Liabilities:										
Deposits	870,025	788,161	—	788,161	—	950,191	882,746	—	882,746	—
Short-term borrowings	20,038	20,038	—	20,038	—	10,000	10,000	—	10,000	—
Long-term borrowings	10,726	9,702		9,702		10,799	9,814		9,814	
Other assets - derivatives	2,306	2,306	—	2,306	—					
Other liabilities - derivatives						119	119	—	119	—

	December 31, 2021	December 31, 2022

	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
	(Dollars in Thousands)					(Dollars in Thousands)				
Assets:										
Cash and cash equivalents	$ 61,244	$ 61,244	$ 61,244	$ —	$ —	$ 30,152	$ 30,152	$ 30,152	$ —	$ —
Investment securities available-for-sale	130,883	130,883	34,612	96,260	11	130,795	130,795	52,882	76,913	1,000
Investment securities held-to-maturity	3,436	3,477	—	3,477	—	1,862	1,769	—	1,769	—
Federal funds sold	82	82	—	82	—	1,768	1,768	—	1,768	—
Federal Home Loan Bank stock	870	870	—	—	870	1,359	1,359	—	—	1,359
Loans, net of allowance for loan losses	700,030	694,744	—	—	694,744	764,451	730,961	—	—	730,961
Other assets - derivatives						2,306	2,306	—	2,306	—
Liabilities:										
Deposits	838,126	837,439	—	837,439	—	870,025	788,161	—	788,161	—
Short-term borrowings	10,046	10,046	—	10,046	—	20,038	20,038	—	220,038	—
Long-term borrowings	10,653	10,804		10,804		10,726	9,702		9,702	
Other liabilities - derivatives	774	774	—	774	—					

22. 20. FIRST US BANCSHARES, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION

Balance Sheets

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2023	Year Ended December 31, 2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Assets:				
Cash on deposit	$ 2,855	$ 5,890	$ 1,856	$ 2,855
Investment in subsidiaries	93,414	95,172	99,395	93,414
Other assets	78	83	343	78

Total assets	$ 96,347	$ 101,145	$ 101,594	$ 96,347
Liabilities:				
Other liabilities	$ 485	$ 428	$ 201	$ 485
Long-term borrowings	10,726	10,653	10,799	10,726
Shareholders' equity	85,136	90,064	90,594	85,136
Total liabilities and shareholders' equity	$ 96,347	$ 101,145	$ 101,594	$ 96,347

96 102

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Statements of Operations

	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Income:				
Dividend income, First US Bank	$ 3,463	$ 1,570	$ 3,460	$ 3,463
Total income	3,463	1,570	3,460	3,463
Expense	1,320	1,055	1,362	1,320
Gain before equity in undistributed income of subsidiaries	2,143	515	2,098	2,143
Equity in undistributed income of subsidiaries	4,721	3,936	6,387	4,721
Net income	$ 6,864	$ 4,451	$ 8,485	$ 6,864

Statements of Cash Flows

	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022
	(Dollars in Thousands)		(Dollars in Thousands)	
Cash flows from operating activities:				
Net income	$ 6,864	$ 4,451	$ 8,485	$ 6,864
Adjustments to reconcile net income to net cash provided by operating activities:				

Distributions in excess of undistributed income of subsidiaries	(4,721)	(3,936)	(6,387)	(4,721)
Change in other assets and liabilities	135	580	(475)	135
Net cash provided by operating activities	2,278	1,095	1,623	2,278
Cash flows from investing activities:				
Investment in subsidiaries	-	(5,000)		
Net cash used in investing activities	—	(5,000)		
Cash flows from financing activities:				
Net proceeds from long-term borrowings	-	10,653		
Net share-based compensation transactions	-	(7)	(25)	—
Dividends paid	(832)	(745)	(1,175)	(832)
Treasury stock repurchases	(4,481)	(525)	(1,422)	(4,481)
Net cash provided by (used in) in financing activities	(5,313)	9,376	(2,622)	(5,313)
Net increase (decrease) in cash	(3,035)	5,471	(999)	(3,035)
Cash at beginning of year	5,890	419	2,855	5,890
Cash at end of year	$ 2,855	$ 5,890	$ 1,856	$ 2,855

FIRST US BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. 21. QUARTERLY DATA (UNAUDITED)

Year Ended December 31,								Year Ended December 31,							
2022				2021				2023				2022			
Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
(Dollars in Thousands)								(Dollars in Thousands)							

Interest income	$ 11,621	$ 10,670	$ 9,525	$ 9,381	$ 9,987	$ 10,030	$ 10,059	$ 9,845	$ 13,945	$ 13,902	$ 12,999	$ 11,960	$ 11,621	$ 10,670	$ 9,525	$ 9,381
Interest expense	1,730	1,155	699	672	727	695	747	781	4,835	4,419	3,676	2,526	1,730	1,155	699	672
Net interest income	9,891	9,515	8,826	8,709	9,260	9,335	9,312	9,064	9,110	9,483	9,323	9,434	9,891	9,515	8,826	8,709
Provision for loan and lease losses	527	1,165	895	721	493	618	498	401								
Net interest income after provision for loan and lease losses	9,364	8,350	7,931	7,988	8,767	8,717	8,814	8,663								
Provision for credit losses									(434)	184	300	269	527	1,165	895	721
Net interest income after provision for credit losses									9,544	9,299	9,023	9,165	9,364	8,350	7,931	7,988
Non-interest:																
Income	678	1,088	856	829	865	896	809	951	916	837	799	829	678	1,088	856	829

Expense	7,106	7,032	6,878	7,056	7,414	8,547	8,399	8,396	7,401	7,319	7,151	7,270	7,106	7,032	6,878	7,056
Income before income taxes	2,936	2,406	1,909	1,761	2,218	1,066	1,224	1,218	3,059	2,817	2,671	2,724	2,936	2,406	1,909	1,761
Provision for income taxes	708	546	494	400	507	229	271	268	782	704	648	652	708	546	494	400
Net income after taxes	$ 2,228	$ 1,860	$ 1,415	$ 1,361	$ 1,711	$ 837	$ 953	$ 950	$ 2,277	$ 2,113	$ 2,023	$ 2,072	$ 2,228	$ 1,860	$ 1,415	$ 1,361
Earnings per common share:																
Basic earnings	$ 0.37	$ 0.31	$ 0.23	$ 0.22	$ 0.27	$ 0.13	$ 0.15	$ 0.15	$ 0.38	$ 0.35	$ 0.34	$ 0.35	$ 0.37	$ 0.31	$ 0.23	$ 0.22
Diluted earnings	$ 0.35	$ 0.29	$ 0.22	$ 0.20	$ 0.25	$ 0.13	$ 0.14	$ 0.14	$ 0.36	$ 0.33	$ 0.31	$ 0.33	$ 0.35	$ 0.29	$ 0.22	$ 0.20

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

Bancshares maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in Bancshares' Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to Bancshares' management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Bancshares' management carried out an evaluation, under the supervision and with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Bancshares' disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) as of December 31, 2022 December 31, 2023, pursuant to the evaluation of these controls and procedures required by Rule 13a-15 of the Exchange Act. Based on that evaluation, Bancshares' management concluded, as of December 31, 2022 December 31, 2023, that Bancshares' disclosure controls and procedures are effective at the reasonable assurance level to ensure that the information required to be disclosed in Bancshares' periodic filings with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified.

There were no changes in Bancshares' internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2022 December 31, 2023 that have materially affected, or are reasonably likely to materially affect, Bancshares' internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

This report is included in Item 8 beginning on page 47 51 and is incorporated herein by reference.

Item 9B. Other Information.

a) None.

b) Rule 10b5-1 Trading Arrangements

None. From time to time, members of the Company's Board of Directors and officers of the Company may enter into Rule 10b5-1 trading plans, which allow for the purchase or sale of common stock under pre-established terms at times when directors and officers might otherwise be prevented from trading under insider trading laws or because of self-imposed blackout periods. Such trading plans are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act and comply with the Company's insider trading policy. During the three months ended December 31, 2023, none of the Company's directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Bancshares has adopted a Code of Business Conduct and Ethics for directors, officers (including its Chief Executive Officer and Chief Financial Officer) and employees. This Code of Business Conduct and Ethics can be found on our website at http://www.fusb.com under the tabs “Investors – Governance – FUSB Policies.” Bancshares will provide any interested person a copy of the Code of Business Conduct and Ethics free of charge, upon written request to First US Bancshares, Inc., Attention: Beverly J. Dozier, Corporate Secretary, 131 West Front Street, Post Office Box 249, Thomasville, Alabama 36784.

Other information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Bancshares’ definitive proxy statement for the 2023 2024 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

Item 11. Executive Compensation.

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Bancshares’ definitive proxy statement for the 2023 2024 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes, as of December 31, 2023, the securities that were authorized for issuance under the First US Bancshares, Inc. 2023 Incentive Plan (the “2023 Incentive Plan”) and Bancshares’ Non-Employee Directors’ Deferred Compensation Plan (the “Deferral Plan”).

The 2023 Incentive Plan was approved by Bancshares' shareholders in 2023 to succeed the 2013 Incentive Plan. It provides for grants of incentive stock options, nonqualified stock options, stock appreciation rights, restricted awards and performance compensation awards to our employees, consultants and directors through its termination date in 2033. The 2023 Incentive Plan allows for 605,000 stock-based awards, plus the number of shares underlying any award granted under the 2013 Incentive Plan that expires, terminates, or is cancelled or forfeited.

The Deferral Plan permits non-employee directors to defer their directors’ fees and receive the adjusted value of the deferred amounts in cash and/or in Bancshares’ common stock and was approved by Bancshares’ shareholders in 2004 and amended and restated by the Board of Directors effective July 1, 2023.

Number of

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)		Weighted-average exercise price of outstanding options, warrants and rights		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (2)
	(a)		(b)		(c)
Equity compensation plans approved by shareholders	524,942	$	9.80	(3)	619,686
Equity compensation plans not approved by shareholders	—		—		—
Total	524,942	$	9.80	(3)	619,686

(1) Includes 411,900 shares subject to outstanding stock options originally awarded under the 2013 Incentive Plan and 113,042 shares to be issued under the Deferral Plan. Does not include 86,443 unvested time-based restricted stock awards outstandir under the 2013 Plan and the 2023 Plan as of December 31, 2023.

(2) Includes 605,000 shares available for issuance pursuant to future awards under the 2023 Incentive Plan, plus the number of eligible shares underlying awards granted under the 2013 Incentive Plan that were forfeited during the year ended December 2023. Does not include shares reserved for future issuance under the Deferral Plan.

(3) Does not include amounts deferred pursuant to the Deferral Plan, as there is no exercise price associated with these deferred amounts.

The other information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Bancshares' definitive proxy statement for the 2023 2024 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Bancshares' definitive proxy statement for the 2023 2024 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

Item 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Bancshares' definitive proxy statement for the 2023 2024 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents filed as part of this report

(1) Financial Statements.

The consolidated financial statements of Bancshares and its subsidiaries, included herein in Item 8, are as follows:

- Management's Annual Report on Internal Control over Financial Reporting;
- Report of Independent Registered Public Accounting Firm – Carr, Riggs & Ingram, LLC (PCAOB ID 213);
- Consolidated Balance Sheets – December 31, 2022 December 31, 2023 and 2021; 2022;
- Consolidated Statements of Operations – Years Ended December 31, 2022 December 31, 2023 and 2021; 2022;
- Consolidated Statements of Changes in Shareholders' Equity – Years Ended December 31, 2022 December 31, 2023 and 2021; 2022;
- Consolidated Statements of Comprehensive Income (Loss) Income – Years Ended December 31, 2022 December 31, 2023 a 2021; 2022;
- Consolidated Statements of Cash Flows – Years Ended December 31, 2022 December 31, 2023 and 2021; 2022; and
- Notes to Consolidated Financial Statements – Years Ended December 31, 2022 December 31, 2023 and 2021. 2022.

(2) Financial Statement Schedules.

The financial statement schedules required to be included pursuant to this Item are not included herein because they are not applicable, or the required information is shown in the financial statements or notes thereto, which are incorporated by reference at subsection (a)(1) of this Item, above.

(3) Exhibits.

The exhibits to this report are listed in the exhibit index below.

(b) Description of Exhibits

The following exhibits are filed with this report or incorporated by reference.

Exhibit No.	Description
2.1#	Stock Purchase and Affiliate Merger Agreement, dated April 16, 2018, by and among First US Bancshares, Inc., First US Bank, The Peoples Bank, Tracy E. Thompson and Tyler S. Thompson, and Tracy E. Thompson as shareholder representative (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K (File No. 000-14549), filed on April 17, 2018)
3.1	Certificate of Incorporation of United Security Bancshares, Inc. (incorporated by reference to Exhibit 3(i) to the Quarterly Report on Form 10-Q (File No. 000-14549), filed on November 12, 1999)
3.1A	Certificate of Amendment to the Certificate of Incorporation of United Security Bancshares, Inc., effective as of October 11, 2016 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 000-14549), filed on October 11, 2016)
3.2	Bylaws of First US Bancshares, Inc., effective as of November 16, 2022 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 000-14549), filed on November 16, 2022)
4.1	Description of Registrant's Securities Registered Pursuant to Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.1 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 18, 2020)
10.1	Amended and Restated Executive Employment Agreement, dated December 19, 2013 (effective as of January 1, 2014), by and among United Security Bancshares, Inc., First United Security Bank and James F. House (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-14549), filed on December 19, 2013)*
10.2	Amended and Restated Change in Control Agreement dated March 1, 2022, by and among First US Bancshares, Inc., First US Bank and Thomas S. Elley (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-14549), filed on March 4, 2022)*
10.3	Second Amended and Restated Change in Control Agreement dated March 1, 2022, by and among First US Bancshares, Inc., First US Bank, and William C. Mitchell (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-14549), filed on March 4, 2022)*
10.4	Change in Control Agreement dated May 20, 2014, by and among United Security Bancshares, Inc., First United Security Bank and Beverly J. Dozier (incorporated by reference to Exhibit 10.5 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 11, 2016)*
10.5	Amended and Restated Change in Control Agreement dated March 3, 2023, by and among First US Bancshares, Inc., First US Bank and Eric H. Mabowitz* Mabowitz (incorporated by reference to Exhibit 10.5 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 10, 2023)*

10.6 Form of Director Indemnification Agreement between United Security Bancshares, Inc. and its directors (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-14549), filed on October 30, 2009)*

10.7 First US Bancshares, Inc. 2013 Incentive Plan, as amended on May 2, 2019 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-14549), filed on May 10, 2019)*

10.8 Form of Nonqualified Stock Option Agreement (Employees – Three-Year Vesting – 2016 Grants) (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 11, 2016)*

10.9 Form of Nonqualified Stock Option Agreement (Employees – Three-Year Vesting – 2017, 2018 and 2019 Grants) (incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 15, 2018)*

10.10 Form of Restricted Stock Award Agreement (Five-Year Vesting) under the United Security Bancshares, Inc. 2013 Incentive Plan (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 15, 2017)*

10.11 Form of Nonqualified Stock Option Agreement (Employees – Three-Year Vesting) (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 18, 2020)*

10.12 10.11 Form of Restricted Stock Award Agreement (Employees – Three-Year Vesting) (incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 18, 2020)*

102

10.13 10.12 Form of Restricted Stock Award Agreement (Non-Employee Directors – One-Year Vesting) (incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 18, 2020)*

110

10.14 10.13 First United Security Bank Director Retirement Agreement dated October 17, 2002, with John C. Gordon (incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q (File No. 000-14549), filed on November 14, 2002)*

10.14A 10.13A First Amendment to the First United Security Bank Director Retirement Agreement for John C. Gordon, dated November 20, 2008 (incorporated by reference to Exhibit 10.13A to the Annual Report on Form 10-K (File No. 000-14549), filed on March 16, 2009)*

10.14B 10.13B Second Amendment to the First United Security Bank Director Retirement Agreement for John C. Gordon, dated January 25, 2017 (incorporated by reference to Exhibit 10.15B to the Annual Report on Form 10-K (File No. 000-14549), filed on March 15, 2017)*

10.15 10.14 First United Security Bank Director Retirement Agreement dated October 16, 2002, with William G. Harrison (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 21, 2003)*

10.15A 10.14A	First Amendment to the First United Security Bank Director Retirement Agreement for William G. Harrison, dated November 20, 2008 (incorporated by reference to Exhibit 10.14A to the Annual Report on Form 10-K (File No. 000-14549), filed on March 16, 2009)*
10.15B 10.14B	Second Amendment to the First United Security Bank Director Retirement Agreement for William G. Harrison, dated January 25, 2017 (incorporated by reference to Exhibit 10.16B to the Annual Report on Form 10-K (File No. 000-14549), filed on March 15, 2017)*
10.16 10.15	First United Security Bank Director Retirement Agreement dated October 17, 2002, with Jack Meigs (incorporated by reference to Exhibit 10.13 to the Quarterly Report on Form 10-Q (File No. 000-14549), filed on November 14, 2002)*
10.16A 10.15A	First Amendment to the First United Security Bank Director Retirement Agreement for Jack Meigs, dated November 20, 2008 (incorporated by reference to Exhibit 10.16A to the Annual Report on Form 10-K (File No. 000-14549), filed on March 16, 2009)*
10.16B 10.15B	Second Amendment to the First United Security Bank Director Retirement Agreement for Jack Meigs, dated January 25, 2017 (incorporated by reference to Exhibit 10.17B to the Annual Report on Form 10-K (File No. 000-14549), filed on March 15, 2017)*
10.17 10.16	First United Security Bank Director Retirement Agreement dated October 17, 2002, with Bruce N. Wilson (incorporated by reference to Exhibit 10.18 to the Quarterly Report on Form 10-Q (File No. 000-14549), filed on November 14, 2002)*
10.17A 10.16A	First Amendment to the First United Security Bank Director Retirement Agreement for Bruce N. Wilson, dated November 20, 2008 (incorporated by reference to Exhibit 10.21A to the Annual Report on Form 10-K (File No. 000-14549), filed on March 16, 2009)*
10.17B 10.16B	Second Amendment to the First United Security Bank Director Retirement Agreement for Bruce N. Wilson, dated January 25, 2017 (incorporated by reference to Exhibit 10.19B to the Annual Report on Form 10-K (File No. 000-14549), filed on March 15, 2017)*
10.18 10.17	First United Security Bank Director Retirement Agreement, dated November 17, 2011, with Andrew C. Bearden, Jr. (incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 30, 2012)*
10.19 10.18	First United Security Bank Director Retirement Agreement, dated November 30, 2011, with J. Lee McPhearson (incorporated by reference to Exhibit 10.22 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 30, 2012)*
10.20 10.19	United Security Bancshares, Inc. Non-Employee Directors' Deferred Compensation Plan (incorporated by reference to Exhibit 10.22 to the Annual Report on Form 10-K (File No. 000-14549), filed on March 12, 2004)*
10.20A	Amendment One to the United Security Bancshares, Inc. Non-Employee Directors' Deferred Compensation Plan dated December 18, 2008 (incorporated by reference to Exhibit 10.22A to the Annual Report on Form 10-K (File No. 000-14549), filed on March 16, 2009)*
10.20B	Amendment Two to the United Security Bancshares, Inc. Non-Employee Directors' Deferred Compensation Plan dated December 30, 2010 (incorporated by reference to Exhibit 10.22B to the Annual Report on Form 10-K (File No. 000-14549), filed on March 15, 2011)*

10.21 First US Bancshares, Inc. 2020 Cash Incentive Program (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File. No. 000-14549), filed on March 3, 2020)*

10.22 First US Bancshares, Inc. Non-Employee Director Fee Schedule (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-14549), filed on August 11, 2021)*

10.23A 10.20A Real Estate Sales Agreement, dated April 20, 2015 (incorporated by reference to Exhibit 10.1A to the Current Report on Form 8-K (File No. 000-14549), filed on March 11, 2016)

10.23B 10.20B First Amendment to Real Estate Sales Agreement, dated May 26, 2015 (incorporated by reference to Exhibit 10.1B to the Current Report on Form 8-K (File No. 000-14549), filed on March 11, 2016)

10.23C 10.20C Second Amendment to Real Estate Sales Agreement, dated August 25, 2015 (incorporated by reference to Exhibit 10.1C to the Current Report on Form 8-K (File No. 000-14549), filed on March 11, 2016)

111

10.23D 10.20D Third Amendment to Real Estate Sales Agreement, dated September 17, 2015 (incorporated by reference to Exhibit 10.1D to the Current Report on Form 8-K (File No. 000-14549), filed on March 11, 2016)

10.23E 10.20E Fourth Amendment to Real Estate Sales Agreement, dated October 17, 2015 (incorporated by reference to Exhibit 10.1E to the Current Report on Form 8-K (File No. 000-14549), filed on March 11, 2016)

10.24 2021 Cash Incentive Program (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-14549), filed on February 26, 2021)*

10.25 10.21 Form of Subordinated Note Purchase Agreement, dated October 1, 2021, by and among First US Bancshares, Inc. and the Purchasers (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-14549), filed on October 4, 2021)

10.26 10.22 2022 Cash Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-14549), filed on January 26, 2022)*

10.27 2023 Cash Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-14549), filed on January 25, 2023)*

21 10.23 Subsidiaries of First US Bancshares, Inc. 2023 Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-14549) filed on April 28, 2023)*

23 10.24 Consent of Carr, Riggs & Ingram, LLC First US Bancshares, Inc. Non-Employee Directors' Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-14549), filed on November 8, 2023)*

10.25	2024 Cash Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-14549), filed on February 12, 2024)*
21	Subsidiaries of First US Bancshares, Inc.
23	Consent of Carr, Riggs & Ingram, LLC
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act, as amended
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101 97	Policy for the Recovery of Erroneously Awarded Compensation
101.INS	Inline XBRL Instance Document–the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
	The following materials from the Company's Form 10-K Report for the year ended December 31, 2022, formatted in
101.SCH	Inline XBRL: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Changes in Shareholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to the Consolidated Financial Statements. XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover Page Interactive Data File (formatted page formatted as Inline XBRL and contained in Exhibit 101) 101

Schedules and exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K. First US Bancshares, Inc. agrees to furnish a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request.

* Indicates a management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary.

Bancshares has elected not to provide a summary of the information contained in this report at this time.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on this 10th 14th day of March, 2023. 2024.

FIRST US BANCSHARES, INC.

By: /s/ James F. House

James F. House

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ James F. House	President, Chief Executive Officer and Director	March 10, 2023 14, 2024
James F. House	(Principal Executive Officer)	
/s/ Thomas S. Elley	Senior Executive Vice President, Treasurer, Assistant Secretary, Chief Financial Officer and Principal Accounting Officer	March 10, 2023 14, 2024
Thomas S. Elley	(Principal Financial Officer and Principal Accounting Officer)	
/s/ Robert Stephen Briggs	Director	March 10, 2023 14, 2024
Robert Stephen Briggs		
/s/ Sheri S. Cook	Director	March 10, 2023 14, 2024
Sheri S. Cook		
/s/ John C. Gordon	Director	March 10, 2023 14, 2024
John C. Gordon		
/s/ David P. Hale	Director	March 10, 2023 14, 2024
David P. Hale		
/s/ Marlene M. McCain	Director	March 10, 2023 14, 2024
Marlene M. McCain		
/s/ J. Lee McPhearson	Director	March 10, 2023 14, 2024
J. Lee McPhearson		

/s/ Jack W. Meigs Jack W. Meigs	Director	March 10, 2023 14, 2024
/s/ Aubrey S. Miller Aubrey S. Miller	Director	March 10, 2023 14, 2024
/s/ Donna D. Smith Donna D. Smith	Director	March 10, 2023 14, 2024
/s/ Bruce N. Wilson Bruce N. Wilson	Director	March 10, 2023 14, 2024

EXHIBIT 10.5

AMENDED AND RESTATED CHANGE IN CONTROL AGREEMENT

(First US Bancshares, Inc. and First US Bank)

THIS AGREEMENT (this "*Agreement*") is made as of the 3rd day of March, 2023 (the "*Effective Date*"), by and between **Eric H. Mabowitz** (the "*Employee*"); **First US Bank**, an Alabama banking corporation (the "*Bank*"); and **First US Bancshares, Inc.**, a Delaware corporation ("*FUSB*"; together with the Bank, the "*Company*").

WHEREAS, as of the Effective Date, the Employee serves as Senior Executive Vice President, Chief Risk Officer, Chief Compliance Officer, and CRA Officer of the Bank, which is a wholly-owned subsidiary of FUSB.

WHEREAS, the Company desires to provide certain compensation to the Employee in the event of a Change in Control.

WHEREAS, the Company and the Employee are parties to that certain Change in Control Agreement effective as of May 20, 2014 (as previously amended, the "*Existing Agreement*"), and the parties desire to amend, restate and replace the Existing Agreement in its entirety as of the Effective Date on the terms and conditions set forth in this Agreement.

WHEREAS, capitalized terms used in this Agreement that are not otherwise defined herein have the meanings assigned in Section 19 below.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Severance Benefits Upon Termination of Employment.

(a) Payments and Benefits. If, during the Term, the Employee either (1) experiences an involuntary Termination of Employment by the Company without Cause during the Post-Change in Control Period, or (2) voluntarily resigns effecting a Termination of Employment for Good Reason during the Post-Change in Control Period, or (3) voluntarily resigns effecting a Termination of Employment without Good Reason during the Post-Change in Control Window Period (each, a "*Qualifying Termination of Employment*"), then the Employee will be entitled to:

(i) a one-time lump sum payment in an amount equal to two hundred percent (200%) of the sum of (A) Base Salary plus (B) Target Bonus (the "*Severance Benefit*"); provided, however, that if the Qualifying Termination of Employment occurs pursuant to Section 1(a)(3) during the Post-Change in Control Window Period, then the percentage in this Section 1(a)(i) shall be one hundred percent (100%) rather than two hundred percent (200%). Subject to Section 15, the Severance Benefit shall be paid with the Company's first regular payroll following the 60-day anniversary of the Qualifying Termination of Employment;

(ii) any Base Salarythat is accrued but unpaid, the value of any vacation that is accrued but unused (determined by dividingBase Salary by 365 and multiplying such amount by the number of unused vacation days), and any business expenses that are unreimbursed, all as

---

of the effective date of the Termination of Employment and payable with the Company's first regular payroll following the Qualifying Termination of Employment;

(iii) a prorated annual bonus equal to the product of (A) the Target Bonus and (B) a fraction, the numerator of which is the number of days the Employee was employed by the Company during the calendar year in which the Qualifying Termination of Employment occurs and the denominator of which is the total number of days in such calendar year (a "*Pro-Rata Bonus*"). Subject to Section 15, the Employee's Pro Rata Bonus shall be paid with the Company's first regular payroll following the 60-day anniversary of the Qualifying Termination of Employment;

(iv) if the Employee continues to participate in the Company's group medical plan by electing COBRA health continuation coverage, the Company shall reimburse (on an after-tax basis) any premiums paid by the Employee for such coverage (including for the Employee's eligible dependents) during the period beginning on the date of the Termination of Employment and ending on the expiration of the COBRA health continuation coverage period under the Company's group health plan ("*Benefit Continuation*"); provided, however, that the Company's obligation to reimburse such COBRA payments will immediately cease if the Employee becomes eligible for any health benefits pursuant to the Medicare program or a subsequent employer's plan, or as otherwise permitted or required under COBRA regulations; and

(v) any rights and benefits (if any) expressly provided to the Employee under plans and programs of the Compan termination of employment, determined in accordance with the applicable terms and provisions of such pla programs.

(b) Release Condition. Notwithstanding any other provision of this Agreement to the contrary, as a condition of the Company's payment of the Severance Benefit, the Pro-Rata Bonus, and the Benefit Continuation, the Employee must (i) execute a general release agreement in favor of the Company and its affiliates in such form as is acceptable to the Company within the 60-day period following the Qualifying Termination of Employment (but prior to the payment of the Severance Benefit) and (ii) not timely revoke the general release agreement during any revocation period ending prior to the 60-day period pursuant to the terms of the general release agreement. If the Employee fails to satisfy the release condition set forth in this Section 1(b), the Employee shall be required to repay the Company, in cash, within five (5) business days after written demand made therefor by the Company, an amount equal to the Severance Benefit, Pro-Rata Bonus, and Benefit Continuation previously received by the Employee.

(c) Section 280G Golden Parachute. If, in the good faith determination of the Company's independent certified public accountants (the "*Accountants*"), the Employee may be obligated to satisfy taxes ("*Excise Taxes*") under Sections 280G and/or 4999 of the Code with respect to the Severance Benefit, the Pro-Rata Bonus, the Benefit Continuation and/or any other payments or benefits to the Employee in the nature of compensation that are contingent on a change in ownership or effective control of FUSB or the Bank or in the ownership of a substantial portion of the assets of FUSB or the Bank (the "*Aggregate Severance*"), then the Aggregate Severance shall be either (i) provided in full pursuant to the terms of this

Agreement and any other applicable agreement, or (ii) provided as to such lesser extent which would result in no portion of such Aggregate Severance being subject to the Excise Taxes ("*Reduced Amount*"), whichever of the foregoing amounts, taking into account the applicable federal, state, local and foreign income, employment and other taxes and the Excise Taxes (including, without limitation, any interest or penalties on such taxes), results in the receipt by the Employee, on an after-tax basis, of the greatest amount of payments and benefits provided for hereunder or otherwise, notwithstanding that all or some portion of

such Aggregate Severance may be subject to the Excise Taxes. Any determination required under this Section 1(c) shall be made by the Accountants, whose determination shall be conclusive and binding upon the Employee and the Company for all purposes. If Section 1(c)(ii) above applies, then the Accountants shall determine (consistent with the requirements of Section 409A) which and how much of the Aggregate Severance (including the accelerated vesting of equity compensation awards) to be otherwise received by the Employee shall be eliminated or reduced to achieve the Reduced Amount. The Company shall bear all costs that the Accountants may reasonably incur in connection with any calculations contemplated by this Section 1(c). Neither the Company, the Employee, nor the Accountants will have any liability to each other for actions taken in compliance with the provisions of this Section 1(c).

2. No Mitigation. Except as provided in Section 1(a)(iv), no amounts or benefits payable to the Employee hereunder shall be subject to mitigation or reduction by income or benefits that the Employee receives from other sources.

3. Taxes. All amounts payable and benefits provided hereunder shall be subject to any and all applicable taxes, as required by applicable federal, state, local and foreign laws and regulations. The Company may withhold such taxes in accordance with customary payroll practices. Notwithstanding any other provision in this Agreement to the contrary, the Employee, and not the Company, shall be solely responsible for the payment when and as due of any and all taxes in connection with payments and benefits provided to the Employee by the Company, including without limitation all income taxes and any excise taxes that may be due, and no taxes shall be subject to payment or reimbursement by the Company.

4. Restrictive Covenants.

(a) Unauthorized Disclosure. During the period of the Employee's employment with the Company and for 3 years following any Termination of Employment, without the prior written consent of the Company, except to the extent required by an order of a court having competent jurisdiction or under subpoena from an appropriate government agency, in which event, the Employee shall use the Employee's best efforts to consult with the Company prior to responding to any such order or subpoena, and except as required in performance of the Employee's duties hereunder, the Employee shall not use for the benefit of, or disclose to, any Person other than the Company any documents or information, whether written or not, that come into his possession or knowledge during his course of employment with the Company, including without limitation the identity, borrowing arrangements, financial and business conditions and goals and operations of customers of the Company and the Company's business methods, business records, documentation, sales, services and techniques (collectively, "*Confidential Information*"), unless such Confidential Information has been previously disclosed to the public generally or is in the public domain, in each case, other than by reason of the Employee's breach of this Section 4(a).

(b) Non-Competition. During the Non-Compete Period, the Employee shall not (other than on behalf of the Company), directly or indirectly, by or through any Person in any capacity (whether as a principal, employee, consultant, agent, lender, member, organizer or shareholder), (i) carry on or engage in the business of banking or any similar business (including without limitation any business that involves managing banks, accepting deposits and/or making, brokering, servicing or originating loans) in any County in the State of Alabama in which the Bank or any of its subsidiaries has an office or branch at such time (the "*Territory*") or (ii) perform services for any bank, bank holding company, bank or bank holding company in organization, corporation or other Person that has a branch or office in, or conducts any banking or similar business in, the Territory. For the sake of clarity, following a Termination of Employment the restrictive covenants in this Section 4(b) shall only apply under the circumstances described herein and shall not apply, for example, following any Termination of Employment that occurs before or after the Post-Change in Control Period or following a Termination of Employment at any time either (x) by the Company

with Cause or (y) by the Employee without Good Reason (unless such Termination of Employment without Good Reason occurs during the Post-Change in Control Window Period).

(c) Non-Solicitation. During the Restriction Period, the Employee shall not (other than on behalf of the Company), directly or indirectly, for the Employee's own account or for the account of any other Person (i) solicit, represent in any capacity (or otherwise be involved in any way), accept or transact any business with or from any Customers or prospective Customers that were Customers or prospective Customers at any time during the period within 3 years prior to the Termination of Employment, (ii) take any action reasonably likely to damage the business or prospects of the Company, including without limitation inducing or attempting to induce or encourage any of such Customers or prospective Customers to withdraw or fail to renew any business with, or otherwise curtail, cancel or divert any business away from, the Company, or (iii) solicit or hire (as an employee, independent contractor, consultant or otherwise) any person, or solicit or facilitate the employment (as an employee, independent contractor, consultant or otherwise) of any such person by another entity or person, who is employed or retained by the Company or who was employed or retained by the Company at any time during the period within 12 months prior to the Termination of Employment.

(d) Return of Documents. Upon the Termination of Employment, the Employee shall deliver to the Company (i) all property of the Company or any of its affiliates then in the Employee's possession and (ii) all documents and data of any nature and in whatever medium of the Company or any of its affiliates, and the Employee shall not take with the Employee any such property, documents or data or any reproduction thereof, or any documents containing or pertaining to any Confidential Information.

(e) Non-Disparagement. The Employee will not, at any time during the Restriction Period, disparage the Bank or FUSB or any of their respective current, former or future directors, officers, management personnel or representatives. The Employee and the Company hereby knowingly and expressly disclaim the applicability of the Alabama Non-Disparagement Obligations Act (Ala. Code § 8-1-220, et seq.) without conceding its applicability to this Agreement. Nothing in this Section 4(e) or otherwise in this Agreement prevents the Employee from complying with any applicable laws, providing truthful information in response to a lawful subpoena issued by a court of competent jurisdiction, or providing truthful information in cooperation with an investigation by a governmental agency.

(f) Tolling. If the Employee violates any of the provisions of Section 4(b) or (c) above, the period during which the covenants set forth therein shall apply shall be extended one day for each day in which a violation of such covenants occurs. The purpose of this provision is to prevent the Employee from profiting from his own wrong if he violates such covenants.

(g) Acknowledgements. The Employee acknowledges and agrees that he has and will have a prominent role in the development of the goodwill of the Company and its affiliates, and has and will establish and develop relations and contacts with the principal business relationships of the Company and its affiliates in the State of Alabama and beyond, all of which constitute valuable goodwill of, and could be used by the Employee to compete unfairly with, the Company and its affiliates and that (i) in the course of the Employee's employment, the Employee will obtain confidential and proprietary information and trade secrets concerning the business and operations of the Company and its affiliates that could be used to compete unfairly with the Company and its affiliates; (ii) the covenants and restrictions contained in this Section 4 are intended to protect the legitimate interests of the Company and its affiliates and their respective goodwill, trade secrets and other confidential and proprietary information; (iii) the Employee desires to be bound by such covenants and restrictions; and (iv) the Employee agrees that the covenants in this Section 4 are reasonable with respect to their duration, geographical area and scope.

(h) Remedies. The Employee acknowledges and agrees that the covenants, obligations and agreements of the Employee contained in this Section 4 relate to special, unique and extraordinary matters and that a material violation of any of the terms of such covenants, obligations or agreements will cause the Company and its affiliates irreparable injury for which adequate remedies are not available at law. Therefore, the Employee agrees that the Company shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) to restrain the Employee from committing any violation of such covenants, obligations or agreements. These injunctive remedies are cumulative and in addition to any other rights and remedies that the Company and its affiliates may have.

5. Terminable At Will Employment. Nothing herein shall entitle the Employee to continued employment with the Bank, FUSB or any of their respective affiliates or to continued tenure in any specific office or position. The Employee's employment with the Bank and FUSB shall be terminable at the will of the Company, with or without Cause, subject to the terms of any other written agreement as may be in effect between the parties.

6. Assignment; Successors. This Agreement will be binding upon any successor to the Company, its assets or its business (whether as a result of the occurrence of a Change in Control or otherwise), in the same manner and to the same extent that the Company would be obligated under this Agreement if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Agreement, the Company shall require any successor to the Company to expressly and unconditionally assume this Agreement in writing and honor the obligations of the Company hereunder, in the same manner and to the same extent that the Company would be required to perform if no succession had taken place. In the event of a Change in Control, the terms "Bank," "FUSB" and "Company" as defined herein will refer to the Company's successor, and the Employee will not be deemed to have terminated employment hereunder until the Employee terminates employment from such successor. All payments and benefits that become due to the Employee under this Agreement will inure to the benefit of his or her heirs, assigns, designees or legal representatives; provided, however, that the Employee shall not have any right to sell, assign, transfer, pledge, anticipate or otherwise encumber, transfer, hypothecate or convey any amounts payable under this Agreement prior to the date that such amounts are paid, except that, in the case of the Employee's death, such amounts shall be paid to the Employee's estate or heirs, as applicable.

7. Notice. All notices, consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the to the Employee at the last address or facsimile number on file with the Company or, in the case of the Company, to the President of FUSB at FUSB's principal offices.

8. Headings. Sections or other headings contained herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

9. Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof. All prior understandings and agreements relating to the subject matter of this Agreement, including without limitation the Existing Agreement, by and between Employee, the Bank and FUSB, are hereby expressly terminated; provided, however, that the restrictive covenants and other provisions in Section 4 of this Agreement are in addition to, and shall not supersede or terminate, any restrictive covenant contained in any other agreement between the Employee and

FUSB and/or the Bank entered into on or prior to the Effective Date. In addition, any payments that otherwise may become due

to the Employee under any generally applicable severance plan or similar policy pursuant to which the Employee is or may become eligible for benefits, which plan or policy does not provide for payments of nonqualified deferred compensation, as contemplated by Code Section 409A, shall be reduced by the amount of the Severance Benefit that becomes payable pursuant to this Agreement.

10. Severability. If any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby. The Employee and the Company agree that the covenants contained in Section 4 hereof are reasonable covenants under the circumstances, and further agree that if, in the opinion of any court of competent jurisdiction, such covenants are not reasonable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of these covenants as to the court shall appear not reasonable and to enforce the remainder of these covenants as so amended. The parties agree that the scope of this Agreement is intended to extend to the Company the maximum protection permitted by law.

11. Governing Law; Consent to Jurisdiction; Waiver of Jury Trial; Attorney's Fees. This Agreement shall be governed in all respects, including as to interpretation, substantive effect and enforceability, by the internal laws of the State of Alabama, without regard to conflicts of laws provisions thereof that would require application of the laws of another jurisdiction, other than those that mandatorily apply. Each party hereby irrevocably submits to the jurisdiction of the state courts sitting in Jefferson County, Alabama, and the federal courts of the United States located in the Northern District of Alabama, solely in respect of the interpretation and enforcement of the provisions of this Agreement and in respect of the transactions contemplated hereby. Each party hereby waives and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation and enforcement hereof, or in respect of any such transaction, that such action, suit or proceeding may not be brought or is not maintainable in such courts or that the venue thereof may not be appropriate or that this Agreement may not be enforced in or by such courts. Each party hereby consents to and grants any such court jurisdiction over the person of such parties and over the subject matter of any such dispute and agrees that the mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 7, or in such other manner as may be permitted by law, shall be valid and sufficient service thereof. Each party acknowledges and agrees that any controversy that may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each party hereby irrevocably and unconditionally waives any right that such party may have to a trial by jury in respect of any litigation directly or indirectly arising out of or relating to this Agreement, or the breach, termination or validity of this Agreement, or the transactions contemplated by this Agreement. Each party certifies and acknowledges that (a) no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver; (b) each such party understands and has considered the implications of this waiver; (c) each such party makes this waiver voluntarily; and (d) each such party has been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 11. In addition to all other amounts payable under this Agreement, the Company will pay all legal fees and expenses incurred by the Employee in connection with any dispute arising out of or relating to this Agreement or the interpretation thereof (including, without limitation, all such fees and expenses, if any, incurred in seeking to obtain or enforce any right or benefit provided by this Agreement), regardless of the outcome of such proceeding; provided, however, that the Employee will not be entitled to recover such fees and costs if the court determines that the Employee's claim was brought in bad faith or was frivolous. Any attorneys' fees incurred by the Employee with respect to such a dispute shall be paid by the Company in advance of the final disposition of such action or challenge, as such fees and expenses are incurred, and the Employee agrees to repay such amounts if it is ultimately determined by the court that the Employee's claim was brought in bad faith or was frivolous.

---

12. Term. The term of this Agreement (the "*Term*") shall become effective as of the Effective Date and shall remain in effect until the earliest of:

(a) the Employee's Termination of Employment, regardless of the manner in which it was effected, prior to the effective date of a Change in Control;

(b) the conclusion of the Post-Change in Control Period, provided there has been no Qualifying Termination of Employment prior thereto;

(c) a termination pursuant to Section 13; or

(d) the date on which all amounts that may be payable to the Employee pursuant to Section 1 have been paid in connection with a Qualifying Termination of Employment.

13. Amendment. This Agreement may not be modified, amended, supplemented or terminated except by a written agreement between the Company and the Employee.

14. Survival. The provisions of Sections 2 through 19 of this Agreement shall survive the expiration of the Term or any other termination of this Agreement.

15. Section 409A. The parties intend that any amounts payable hereunder comply with or are exempt from Section 409A of the Internal Revenue Code of 1986, as amended ("*Section 409A*") (including under Treasury Regulation §§ 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exceptions under subparagraph (iii) and subparagraph (v)(D)) and other applicable provisions of Treasury Regulation §§ 1.409A-1 through A-6). Notwithstanding any provision of this Agreement to the contrary, if the Employee is a "specified employee" within the meaning of Section 409A, any amounts under this Agreement that are "deferred compensation" within the meaning of Section 409A shall not be made before the date that is six (6) months after the date of the Termination of Employment, or if earlier, his date of death. On the first business day following the expiration of the applicable Section 409A six (6) month period, all payments deferred pursuant to the preceding sentence shall be paid to the Employee in a lump sum and all remaining payments due Employee pursuant to this Agreement shall be paid as otherwise provided herein. For purposes of Section 409A, each of the payments that may be made under this Agreement shall be deemed to be a separate payment for purposes of Section 409A. To the extent the Employee will be reimbursed for costs and expenses of in-kind benefits, except as otherwise permitted by Section 409A, (a) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, (b) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (c) such payments shall be made on or before the last day of the taxable year following the taxable year in which the expense was incurred. This Agreement shall be administered, interpreted and construed in a manner that does not result in the imposition of additional taxes, penalties or interest under Section 409A. The Company and the Employee agree to negotiate in good faith to make amendments to this Agreement, as the parties mutually agree are necessary or desirable to avoid the imposition of taxes, penalties or interest under Section 409A. Notwithstanding the foregoing, the Company does not guarantee any particular tax effect, and the Employee shall be solely responsible and liable for the satisfaction of all taxes, penalties and interest that may be imposed on or for the account of the Employee in connection with this Agreement (including any taxes, penalties and interest under Section 409A), and neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold the Employee (or any beneficiary) harmless from any or all of such taxes, penalties or interest.

---

16. Regulatory Matters. The Company's obligations under this Agreement are subject to the orders, rules and regulations of the federal and state banking regulators as may be in effect from time to time, including without limitation FDIC regulations governing "golden parachute payments" set forth at 12 CFR Part 359. If the Company is prevented from discharging its obligations hereunder as a result of any such orders, rules or regulations, the Company shall be released from its obligations and shall not be deemed to have breached this Agreement, to that extent. The Company shall have no obligation to petition the FDIC (and/or other regulatory agency having jurisdiction over the Company) for permission to treat any payments as "permissible golden parachute payments."

17. Clawback. Notwithstanding any other provisions in this Agreement to the contrary (but subject to compliance with Section 409A, as applicable), any compensation paid to the Employee pursuant to this Agreement or any other agreement or arrangement with the Company that is subject to recovery under any law, government regulation or stock exchange listing requirement will be subject to such deduction and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company to the extent that it implements the requirements of any such law, government regulation or stock exchange listing requirement).

18. Counterparts. This Agreement may be executed by facsimile, electronically transmitted signature and/or by "PDF," and in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Definitions. For purposes of this Agreement, the following terms and conditions shall have the meanings set forth in this Section 19:

(a) "*Base Salary*" means the Employee's annual basesalary in effect as of the effective date of the Termination of Employment.

(b) "*Beneficial Owner*" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

(c) "*Board*" means the board of directors of FUSB.

(d) "*Cause*" shall be determined by the Board in the exercise of good faith and reasonable judgment and shall mean (i) failure of the Employee to perform his duties or responsibilities or to follow the lawful and reasonable direction of the Board or the Company's senior management, as the case may be; (ii) the Employee's material violation of the written policies or procedures of the Company or its affiliates; (iii) the Employee's engaging in fraud, willful misconduct, dishonesty or any other knowing or willful conduct that has caused or is reasonably expected to result in material injury or reputational harm to the Company or any of its affiliates; (iv) any breach by the Employee of any fiduciary duty owed to the Company any of its affiliates; (v) the Employee's commission of, or entering a plea of guilty or nolo contendere to, (A) a crime that constitutes a felony in the jurisdiction involved or (B) a misdemeanor involving moral turpitude, deceit, dishonesty or fraud; (vi) any material breach by the Employee of any of his obligations under this Agreement or under any other written agreement or covenant with the Company or any of its affiliates; (vii) the Employee's misappropriation, theft or embezzlement of funds or property; (viii) the Employee's insubordination or gross negligence in connection with his employment or the performance of his duties; (ix) the Employee's knowing or intentional failure or unwillingness to cooperate with any internal investigation or investigation by regulatory or law enforcement authorities, or knowing or intentional destruction or failure to preserve documents or other materials relevant to such investigation, or the knowing or intentional inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation; or (x) the Employee's violation of federal or state banking laws or

suspension or removal by any federal or state banking regulator. Except in the event of a failure, violation or breach that, by its nature, cannot reasonably be expected to be cured, if a termination for Cause is based on items (i), (ii) or (vi) above, the Board shall not make any such determination without first providing the Employee with a written notice of the reason(s) that the Board believes Cause exists and giving the Employee a reasonable period within which to cure or to take substantial steps to cure or remediate the results or actions underlying or constituting Cause.

(e) For purposes of this Agreement, a "*Change in Control*" shall be deemed to have occurred and be effective as of the first day that any one or more of the following conditions has been satisfied after the Effective Date:

(i) any Person (other than (A) those Persons in control of FUSB as of the Effective Date, (B) a trustee or other fiduciary holding securities under an employee benefit plan of FUSB or (C) a corporation or holding company owned directly or indirectly by the shareholders of FUSB in substantially the same proportions as their ownership of stock of FUSB) becomes the Beneficial Owner of securities of the Company representing more than 50% of the combined voting power of FUSB's then outstanding securities; or

(ii) consummation of the sale or disposition of all or substantially all of the assets of FUSB; or

(iii) consummation of a merger, consolidation or reorganization of FUSB with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of FUSB outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) greater than 50% of the combined voting power of the voting securities of FUSB (or the surviving entity, or an entity that as a result of such transaction owns FUSB or other surviving entity or all or substantially all of FUSB's assets either directly or through one or more subsidiaries) outstanding immediately after such merger, consolidation or reorganization.

Notwithstanding the foregoing, no Change in Control shall be deemed to have occurred for purposes of this Agreement by reason of any actions or events in which the Employee participates in a capacity other than in the Employee's capacity as an employee or director of FUSB, the Bank or any affiliate or as a shareholder of FUSB, and no Change in Control shall be deemed to have occurred for purposes of the transactions described in subparagraphs (i), (ii), or (iii) above unless such transaction also constitutes a "change in the ownership or effective control" of FUSB or a "change in the ownership of a substantial portion of the assets" of FUSB within the meaning of Section 409A.

(f) "*Code*" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(g) "*Customers*" shall include, without limitation, any and all customers, clients, depositors and borrowers of the Bank or any of its subsidiaries or affiliates.

(h) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

(i) "*Good Reason*" means, with respect to a resignation by the Employee, any one of the following events arising after the Effective Date, but only if (i) such event occurs without the Employee's prior written consent; (ii) such event is not cured within 30 days after the Employee gives written notice to the Company describing such event in detail and demanding cure; (iii) such cure notice is given within 90 days after the

---

Employee learns of the occurrence of such event; and (iv) the Termination Employment occurs within 10 days after the expiration of any cure right: (A) a material, adverse change in the Employee's title, reporting relationship, authority, duties or responsibilities as they existed, in each case, immediately prior to the Post-Change in Control Period (other than temporarily while the Employee is physically or mentally incapacitated or as required by applicable law), or (B) a material decrease in the Employee's annual base salary rate or target annual bonus opportunity as they existed, in each case, immediately prior to the Post-Change in Control Period, or (C) a material breach of this Agreement by the Company, or (D) a relocation of the Employee's principal place of employment by more than 50 miles from the Employee's principal place of employment immediately prior to the Post-Change in Control Period, or (E) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform the obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform, except where such assumption occurs automatically by operation of law.

(j) "*Non-Compete Period*" means the period of the Employee's employment with the Company and for 2 years following a Qualifying Termination of Employment that results in the Employee being entitled to the Severance Benefit and other rights and benefits set forth in Section 1(a) of this Agreement; provided, however, that if the Qualifying Termination of Employment occurs pursuant to Section 1(a)(3) during the Post-Change in Control Window Period, then the reference above in this definition to 2 years shall instead be 1 year.

(k) "*Person*" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d).

(l) "*Post-Change in Control Period*" means the period beginning on the effective date of a Change in Control and ending on the last day of the eighteenth (18th) calendar month immediately following the calendar month containing the effective date of such Change in Control.

(m) "*Post-Change in Control Window Period*" means the period beginning on the effective date of a Change in Control and ending on the last day of the sixth (6th) calendar month immediately following the calendar month containing the effective date of such Change in Control.

(n) "*Restriction Period*" means the period of the Employee's employment with the Company and for 2 years following any Termination of Employment.

(o) "*Target Bonus*" means the Employee's target bonus opportunity under the Company's cash incentive program in effect for the year in which Termination of Employment occurs. If no cash incentive program is in effect for the year in which Termination of Employment occurs, then the Target Bonus shall be the highest of the five (5) most recent annual bonus amounts paid to the Employee prior to Termination of Employment.

(p) "*Termination of Employment*" means a termination of the Employee's employment with the Bank, FUSB, and all affiliated companies that, together with the Bank and FUSB, constitute the "service recipient" within the meaning of Code Section 409A and the regulations thereunder, which termination constitutes a "separation from service" within the meaning of Code Section 409A.

IN WITNESS WHEREOF, each of the parties has executed this Agreement as of the date and year first above written.

FIRST US BANCSHARES, INC.

By: /s/ Robert Stephen Briggs

Robert Stephen Briggs

Chairperson of the Board

FIRST US BANK

By: /s/ Robert Stephen Briggs

Robert Stephen Briggs

Chairperson of the Board

EMPLOYEE:

/s/ Eric H. Mabowitz

Eric H. Mabowitz

EXHIBIT 21

Subsidiaries of First US Bancshares, Inc.

Name of Subsidiary	State of Organization

First US Bank	Alabama
Acceptance Loan Company, Inc. (subsidiary of First US Bank)	Alabama
FUSB Reinsurance, Inc. (subsidiary of First US Bank)	Arizona

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference of our report dated March 10, 2023 March 14, 2024, relating to our audit of First US Bancshares, Inc. and subsidiaries' (the "Company") consolidated financial statements as of and for the year ended December 31, 2022 December 31, 2023, which appears in this Annual Report on Form 10-K, in the Company's following Registration Statements:

- Registration Statement No. 333–111071 on Form S-3,
- Registration Statement No. 333–37995 on Form S-8,
- Registration Statement No. 333–110013 on Form S-8,
- Registration Statement No. 333–112127 on Form S-8,
- Registration Statement No. 333–189113 on Form S-8,
- Registration Statement No. 333–189767 on Form S-8,
- Registration Statement No. 333–233118 on Form S-8;
- Registration Statement No. 333–255577 on Form S-8; and
- Registration Statement No. 333–255577 271510 on Form S-8.

/s/ Carr, Riggs & Ingram, LLC

Atlanta, Georgia
March 10, 2023 14, 2024

EXHIBIT 31.1

CERTIFICATION

I, James F. House, certify that:

1. I have reviewed this annual report on Form 10-K of First US 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 necessar

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 repo

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 Rul 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 o supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known 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 u 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 s evaluation; and

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

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which 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: March 10, 2023 March 14, 2024

By: /s/ James F. House

James F. House

President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Thomas S. Elley, certify that:

1. I have reviewed this annual report on Form 10-K of First US 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 necessar

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 repo

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 Rul 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 o supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known 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 u 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 s evaluation; and

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

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which a 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: March 10, 2023 March 14, 2024

By: /s/ Thomas S. Elley

Thomas S. Elley
Senior Executive Vice President, Treasurer, Assistant
Secretary, Chief Financial Officer and Principal
Accounting Officer

EXHIBIT 32

CERTIFICATION

PURSUANT TO 18 U.S.C. 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James F. House, President and Chief Executive Officer of First US Bancshares, Inc., and Thomas S. Elley, Senior Executive Vice President, Treasurer, Assistant Secretary, Chief Financial Officer and Principal Accounting Officer of First US Bancshares, Inc., certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of First US Bancshares, Inc. for the fiscal year ended December 31, 2022 December 31, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of First US Bancshares, Inc.

/s/ James F. House

James F. House

President and Chief Executive Officer

March 10, 2023 14, 2024

/s/ Thomas S. Elley

Thomas S. Elley

Senior Executive Vice President, Treasurer, Assistant Secretary, Chief

Financial Officer and Principal Accounting Officer

March 10, 2023 14, 2024

EXHIBIT 97

FIRST US BANCSHARES, INC.
POLICY FOR THE
RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

1. Purpose. The purpose of this Policy is to describe the circumstances in which Executive Officers will be required to repay, return, or forfeit Erroneously Awarded Compensation to the Company. This Policy shall be interpreted to comply with Rule 10D-1 promulgated under the Securities Exchange Act of 1934, as amended, and the related listing rules of the Exchange, and, to the extent this Policy is deemed inconsistent with such rules in any manner, this Policy shall be treated as retroactively amended to be compliant with such rules. Capitalized terms shall have the meanings ascribed to such terms in Section 3 below.

2. Administration. This Policy shall be administered by the Committee. The Committee has full and final authority to make all determinations under this Policy, in each case to the extent permitted under the listing rules of the Exchange and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. Any determinations made by the Committee shall be final and binding on all affected individuals.

3. Definitions. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a)“***Accounting Restatement***” shall mean an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).

(b)“***Board***” shall mean the Board of Directors of the Company.

(c)“***Clawback Eligible Incentive Compensation***” shall mean all Incentive-based Compensation Received by an Executive Officer (i) on or after October 2, 2023, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period for such Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid, returned, or forfeited to the Company Group), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period.

(d)“***Clawback Period***” shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date, including any transition period (that results from a change in the Company’s fiscal year) of less

---

than nine months within or immediately following those three completed fiscal years.

(e)“***Code***” shall mean the U.S. Internal Revenue Code of 1986, as amended. Any reference to a section of the Code or regulation thereunder includes such section or regulation, any valid regulation or other official guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.

(f) “***Committee***” shall mean the Compensation Committee (if composed entirely of independent directors) of the Board, or, in the absence of such a committee, a majority of the independent directors serving on the Board.

(g)“***Company***” shall mean First US Bancshares, Inc., a Delaware corporation.

(h)“***Company Group***” shall mean the Company, together with each of its direct and indirect subsidiaries.

(i) “***Effective Date***” shall mean October 2, 2023.

(j) “***Erroneously Awarded Compensation***” shall mean, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation Received that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid. For Incentive-based

Compensation based on (or derived from) stock price or total stockholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total stockholder return upon which the Incentive-based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Exchange). With respect to any compensation plans or programs of the Company Group that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery (or, to the extent such amount has not yet been paid, forfeiture) under this Policy includes, but is not limited to, the amount of Erroneously Awarded Compensation credited to any notional account and any notional earnings attributable thereto.

(k)“***Exchange***” shall mean a national securities exchange or national securities association on which the Company has listed securities.

(l) “***Executive Officer***” shall mean each individual who is currently or was previously designated as an “officer” of the Company in accordance with Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended.

(m)“***Financial Reporting Measure***” shall mean a measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any other measure that is derived wholly or in part from such measure. Stock price

---

and total stockholder return (and any measure that is derived wholly or in part from stock price or total stockholder return) shall be considered Financial Reporting Measures for purposes of this Policy. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(n)“***Incentive-based Compensation***” shall mean any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(o)“***Policy***” shall mean this Policy for the Recovery of Erroneously Awarded Compensation, as the same may be amended and/or restated from time to time.

(p)“***Received***” shall, with respect to any Incentive-based Compensation, mean deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if payment or grant of the Incentive-based Compensation occurs after the end of that period (subject to applicable law, including any Incentive-based Compensation the payment of which has been deferred). For the avoidance of doubt, Incentive-based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the relevant Financial Reporting Measure is achieved, even if the Incentive-based Compensation continues to be subject to the service-based vesting condition.

(q)“***Restatement Date***” shall mean the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

(r) “***SEC***” shall mean the U.S. Securities and Exchange Commission.

4.Recovery of Erroneously Awarded Compensation.

(a)In the event that the Company is required to prepare an Accounting Restatement, the Company must recover, reasonably promptly, Erroneously Awarded Compensation Received by any Executive Officer during the applicable Clawback Period, in amounts determined by the Committee pursuant to this Policy. The Company’s obligation to recover Erroneously Awarded Compensation is not dependent on if or when the Company files restated financial statements. Recovery under this Policy with respect to an Executive Officer shall not require the finding of any misconduct by such Executive Officer or such Executive Officer being found responsible for the accounting error leading to an Accounting Restatement. In the event of an Accounting Restatement, the Committee shall determine, in its sole and absolute discretion, the timing and method for promptly recovering Erroneously Awarded Compensation hereunder, including, without limitation, the cancellation of or offsetting against any planned future cash or equity-based awards, to the extent permitted under the listing rules of the Exchange and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. The Committee has the power, in its sole discretion, to retain or obtain the advice of a compensation consultant, legal

counsel or other adviser as it deems necessary or appropriate to carry out its duties under this Policy.

(b)Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 4(a) above to the extent that one or more of the following conditions are met and the Committee determines that recovery would therefore be impracticable:

(i) The direct expense paid to a third party to assist in enforcing this Policy against an Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such attempts and provided such documentation to the Exchange; or

(ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of any member of the Company Group, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.

5. Reporting and Disclosure. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including the disclosures required by applicable SEC filings.

6. Indemnification Prohibition. No member of the Company Group shall be permitted to indemnify any Executive Officer against the loss of any Erroneously Awarded Compensation that is repaid, returned, recovered, or forfeited pursuant to the terms of this Policy, including any payment or reimbursement for the cost of third-party insurance purchased by an Executive Officer to cover such losses incurred under this Policy. Further, no member of the Company Group shall enter into any agreement that exempts any Incentive-based Compensation from the application of this Policy or that waives the Company Group's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on, or after the Effective Date).

7. Interpretation. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy.

8. Effective Date. This Policy shall be effective as of the Effective Date.

9. Amendment; **Termination**. The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any federal securities laws, SEC rules, or the listing rules of the Exchange. The Board may terminate this Policy at any time. Notwithstanding anything in this Section 9 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rules, or the listing rules of the Exchange.

10. Acknowledgment; Benefits Conditioned on Agreeing to this Policy. Each Executive

Officer shall be required to sign and return to the Company, within sixty (60) calendar days following the later of (i) the Effective Date of this Policy or (ii) the date the individual becomes an Executive Officer, the Acknowledgment Form attached hereto as Exhibit A, pursuant to which such Executive Officer will agree to be bound by the terms of this Policy. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant or receipt of any benefit thereunder, an agreement by the Executive Officer to abide by, and for such Executive Officer and his/her Incentive-based Compensation to be subject to, the terms of this Policy. For the avoidance of doubt, each Executive Officer will be fully bound by, and must comply with, this Policy, whether or not such Executive Officer has executed and returned such Acknowledgment Form to the Company.

11. Other Recoupment Rights; Company Claims. The Board intends that this Policy will be applied to the fullest extent of the law. This Policy should be considered as a supplement to any other clawback policy in effect now or in the future at the Company or any other member of the Company Group, and if such other policy provides that a greater amount of compensation shall be subject to clawback, such other policy shall apply to the amount in excess of the amount subject to clawback under this Policy. Any right of recoupment (or right to apply a forfeiture) under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment (or forfeiture) that may be available to the Company Group under applicable law, regulation, or rule or pursuant to the terms of any similar policy in any employment agreement, compensation plan or program, award agreement, or similar document and any other legal remedies available to the Company Group, in each case to the extent permitted under the listing rules of the Exchange and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. Nothing contained in this Policy, and no recoupment, recovery, or forfeiture as contemplated by this Policy, shall limit any claims, damages, or other legal remedies the Company Group may have against an Executive Officer arising out of or resulting from any actions or omissions by the Executive Officer.

12.Successors. This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

Exhibit A

FIRST US BANCSHARES, INC.

POLICY FOR THE

RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

ACKNOWLEDGMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the First US Bancshares, Inc. Policy for the Recovery of Erroneously Awarded Compensation (the "***Policy***"). Capitalized terms used but not otherwise defined in this Acknowledgment Form (this "***Acknowledgment Form***") shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgment Form, the undersigned acknowledges and agrees that the undersigned and the undersigned's Incentive-based Compensation are and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with any member of the Company Group. In the event of any inconsistency or conflict between the Policy and any prior, existing or future employment agreement, compensation plan or program, award agreement or similar document to which the undersigned is or becomes a party or that otherwise is or becomes applicable to the undersigned (collectively, "***compensation arrangements***"), the undersigned acknowledges and agrees that the Policy shall govern such compensation arrangements, and all such compensation arrangements are hereby automatically deemed amended to the extent necessary to give effect to the Policy. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by (i) waiving any rights to indemnification or any claim to insurance under a policy paid for by the Company, in either case in connection with the recovery of Erroneously Awarded Compensation under the Policy, and (ii) returning any Erroneously Awarded Compensation to the extent required by the Policy.

Signature:

Print Name:

Date:

DISCLAIMER

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