

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

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2024

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 000-23423

C&F FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of incorporation or organization)

54-1680165
(I.R.S. Employer Identification No.)

3600 La Grange Parkway Toano, VA
(Address of principal executive offices)

23168
(Zip Code)

(804) 843-2360
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, \$1.00 par value per share | CFFI | The NASDAQ Stock Market LLC |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such 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 ☒ Emerging growth company ☐
Non-accelerated filer ☐ Smaller reporting company ☒

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

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

At October 31, 2024, the latest practicable date for determination, 3,225,409 shares of common stock, \$1.00 par value, of the registrant were outstanding.

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Part I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
**C&F FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(Dollars in thousands, except per share amounts)

| | September 30, 2024 | December 31, 2023 |
|--|-----------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$ 16,686 | \$ 16,382 |
| Interest-bearing deposits in other banks | 32,507 | 58,777 |
| Total cash and cash equivalents | 49,193 | 75,159 |
| Securities—available for sale at fair value, amortized cost of \$430,793 and \$494,092, respectively | 409,045 | 462,444 |
| Loans held for sale, at fair value | 44,677 | 14,176 |
| Loans, net of allowance for credit losses of \$40,771 and \$39,651, respectively | 1,868,638 | 1,702,488 |
| Restricted stock, at cost | 4,542 | 2,925 |
| Corporate premises and equipment, net | 42,128 | 41,914 |
| Other real estate owned | 296 | — |
| Accrued interest receivable | 10,198 | 10,398 |
| Goodwill | 25,191 | 25,191 |
| Other intangible assets, net | 1,211 | 1,407 |
| Bank-owned life insurance | 21,827 | 21,464 |
| Net deferred tax asset | 16,871 | 18,731 |
| Other assets | 57,087 | 62,201 |
| Total assets | <u>\$ 2,550,904</u> | <u>\$ 2,438,498</u> |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing demand deposits | \$ 541,621 | \$ 549,367 |
| Savings and interest-bearing demand deposits | 783,419 | 843,564 |
| Time deposits | 810,851 | 673,199 |
| Total deposits | 2,135,891 | 2,066,130 |
| Short-term borrowings | 48,643 | 58,223 |
| Long-term borrowings | 68,235 | 25,894 |
| Trust preferred capital notes | 25,448 | 25,422 |
| Accrued interest payable | 3,967 | 3,493 |
| Other liabilities | 40,762 | 41,820 |
| Total liabilities | <u>2,322,946</u> | <u>2,220,982</u> |
| Commitments and contingent liabilities (Note 11) | | |
| Equity | | |
| Common stock (\$1.00 par value, 8,000,000 shares authorized, 3,234,363 and 3,374,098 shares issued and outstanding, respectively, includes 120,173 and 135,694 of unvested shares, respectively) | 3,114 | 3,238 |
| Additional paid-in capital | 499 | 6,567 |
| Retained earnings | 243,194 | 233,760 |
| Accumulated other comprehensive loss, net | (19,467) | (26,687) |
| Equity attributable to C&F Financial Corporation | 227,340 | 216,878 |
| Noncontrolling interest | 618 | 638 |
| Total equity | 227,958 | 217,516 |
| Total liabilities and equity | <u>\$ 2,550,904</u> | <u>\$ 2,438,498</u> |

See notes to consolidated interim financial statements.

C&F FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Dollars in thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Interest income | | | | |
| Interest and fees on loans | \$ 33,021 | \$ 28,369 | \$ 94,014 | \$ 81,845 |
| Interest on interest-bearing deposits and federal funds sold | 389 | 379 | 811 | 836 |
| Interest and dividends on securities | | | | |
| U.S. treasury, government agencies and corporations | 334 | 795 | 1,370 | 2,785 |
| Mortgage-backed securities | 994 | 902 | 2,807 | 2,782 |
| Tax-exempt obligations of states and political subdivisions | 893 | 731 | 2,661 | 2,031 |
| Taxable obligations of states and political subdivisions | 183 | 178 | 551 | 545 |
| Corporate and other | 317 | 332 | 937 | 905 |
| Total interest income | 36,131 | 31,686 | 103,151 | 91,729 |
| Interest expense | | | | |
| Savings and interest-bearing deposits | 1,667 | 1,316 | 4,831 | 3,790 |
| Time deposits | 8,524 | 4,316 | 23,140 | 9,447 |
| Borrowings | 878 | 1,291 | 2,540 | 3,837 |
| Trust preferred capital notes | 373 | 301 | 965 | 890 |
| Total interest expense | 11,442 | 7,224 | 31,476 | 17,964 |
| Net interest income | 24,689 | 24,462 | 71,675 | 73,765 |
| Provision for credit losses | 3,700 | 2,050 | 9,750 | 5,800 |
| Net interest income after provision for credit losses | 20,989 | 22,412 | 61,925 | 67,965 |
| Noninterest income | | | | |
| Gains on sales of loans | 1,825 | 1,220 | 4,814 | 4,930 |
| Interchange income | 1,571 | 1,558 | 4,618 | 4,658 |
| Service charges on deposit accounts | 1,122 | 1,122 | 3,219 | 3,241 |
| Investment income from other equity interests | 334 | 211 | 671 | 480 |
| Mortgage banking fee income | 650 | 558 | 1,751 | 1,695 |
| Wealth management services income, net | 757 | 630 | 2,202 | 1,855 |
| Mortgage lender services income | 486 | 537 | 1,488 | 1,567 |
| Other service charges and fees | 542 | 364 | 1,361 | 1,134 |
| Net losses on sales, maturities and calls of available for sale securities | — | — | — | (5) |
| Other income, net | 1,485 | 14 | 3,464 | 2,257 |
| Total noninterest income | 8,772 | 6,214 | 23,588 | 21,812 |
| Noninterest expenses | | | | |
| Salaries and employee benefits | 13,921 | 12,921 | 41,625 | 40,841 |
| Occupancy | 2,091 | 1,944 | 6,286 | 5,975 |
| Data processing | 2,893 | 2,567 | 8,685 | 7,863 |
| Professional fees | 868 | 707 | 2,667 | 2,096 |
| Insurance expense | 415 | 414 | 1,230 | 1,203 |
| Marketing and advertising expenses | 460 | 361 | 944 | 1,172 |
| Mortgage banking loan processing expenses | 244 | 272 | 678 | 854 |
| Other | 2,199 | 2,340 | 6,499 | 6,806 |
| Total noninterest expenses | 23,091 | 21,526 | 68,614 | 66,810 |
| Income before income taxes | 6,670 | 7,100 | 16,899 | 22,967 |
| Income tax expense | 1,250 | 1,323 | 3,010 | 4,309 |
| Net income | 5,420 | 5,777 | 13,889 | 18,658 |
| Less net income (loss) attributable to noncontrolling interest | 31 | (12) | 92 | 122 |
| Net income attributable to C&F Financial Corporation | \$ 5,389 | \$ 5,789 | \$ 13,797 | \$ 18,536 |
| Net income per share - basic and diluted | \$ 1.65 | \$ 1.71 | \$ 4.15 | \$ 5.41 |

See notes to consolidated interim financial statements.

C&F FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---------------|--|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Net income | \$ 5,420 | \$ 5,777 | \$ 13,889 | \$ 18,658 |
| Other comprehensive income (loss), net of tax: | | | | |
| Securities available for sale | 8,258 | (5,821) | 7,821 | (4,272) |
| Defined benefit plan | 16 | 20 | 32 | 61 |
| Cash flow hedges | (642) | 133 | (633) | 95 |
| Other comprehensive income (loss), net of tax | 7,632 | (5,668) | 7,220 | (4,116) |
| Comprehensive income | 13,052 | 109 | 21,109 | 14,542 |
| Less comprehensive income (loss) attributable to noncontrolling interest | 31 | (12) | 92 | 122 |
| Comprehensive income attributable to C&F Financial Corporation | <u>\$ 13,021</u> | <u>\$ 121</u> | <u>\$ 21,017</u> | <u>\$ 14,420</u> |

See notes to consolidated interim financial statements.

C&F FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Unaudited)
(Dollars in thousands, except per share amounts)

| | Attributable to C&F Financial Corporation | | | | | |
|--|---|------------------------------------|----------------------|--|----------------------------|-------------------|
| | Common Stock | Additional Paid - In Capital | Retained Earnings | Accumulated Other Comprehensive Loss, Net | Noncontrolling Interest | Total Equity |
| Balance June 30, 2024 | \$ 3,174 | \$ 3,157 | \$ 239,231 | \$ (27,099) | \$ 636 | \$ 219,099 |
| Comprehensive income: | | | | | | |
| Net income | — | — | 5,389 | — | 31 | 5,420 |
| Other comprehensive income | — | — | — | 7,632 | — | 7,632 |
| Share-based compensation | — | 485 | — | — | — | 485 |
| Restricted stock vested | — | — | — | — | — | — |
| Common stock issued | 1 | 45 | — | — | — | 46 |
| Common stock purchased | (61) | (3,188) | — | — | — | (3,249) |
| Cash dividends declared (\$0.44 per share) | — | — | (1,426) | — | — | (1,426) |
| Distributions to noncontrolling interest | — | — | — | — | (49) | (49) |
| Balance September 30, 2024 | <u>\$ 3,114</u> | <u>\$ 499</u> | <u>\$ 243,194</u> | <u>\$ (19,467)</u> | <u>\$ 618</u> | <u>\$ 227,958</u> |

| | Attributable to C&F Financial Corporation | | | | | |
|--|---|------------------------------------|----------------------|--|----------------------------|-------------------|
| | Common Stock | Additional Paid - In Capital | Retained Earnings | Accumulated Other Comprehensive Loss, Net | Noncontrolling Interest | Total Equity |
| Balance June 30, 2023 | \$ 3,269 | \$ 8,168 | \$ 225,867 | \$ (35,406) | \$ 630 | \$ 202,528 |
| Comprehensive income: | | | | | | |
| Net income | — | — | 5,789 | — | (12) | 5,777 |
| Other comprehensive loss | — | — | — | (5,668) | — | (5,668) |
| Share-based compensation | — | 581 | — | — | — | 581 |
| Restricted stock vested | 4 | (4) | — | — | — | — |
| Common stock issued | 2 | 47 | — | — | — | 49 |
| Common stock purchased | (26) | (1,373) | — | — | — | (1,399) |
| Cash dividends declared (\$0.44 per share) | — | — | (1,488) | — | — | (1,488) |
| Balance September 30, 2023 | <u>\$ 3,249</u> | <u>\$ 7,419</u> | <u>\$ 230,168</u> | <u>\$ (41,074)</u> | <u>\$ 618</u> | <u>\$ 200,380</u> |

See notes to consolidated interim financial statements.

C&F FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Unaudited)
(Dollars in thousands, except per share amounts)

| | Attributable to C&F Financial Corporation | | | | | |
|--|---|------------|------------|---------------|----------------|------------|
| | Common | Additional | Retained | Accumulated | Noncontrolling | Total |
| | Stock | Paid - In | Earnings | Other | Interest | Equity |
| | | Capital | | Comprehensive | | |
| | | | | Loss, Net | | |
| Balance December 31, 2023 | \$ 3,238 | \$ 6,567 | \$ 233,760 | \$ (26,687) | \$ 638 | \$ 217,516 |
| Comprehensive income: | | | | | | |
| Net income | — | — | 13,797 | — | 92 | 13,889 |
| Other comprehensive income | — | — | — | 7,220 | — | 7,220 |
| Share-based compensation | — | 1,458 | — | — | — | 1,458 |
| Restricted stock vested | 32 | (32) | — | — | — | — |
| Common stock issued | 3 | 139 | — | — | — | 142 |
| Common stock purchased | (159) | (7,633) | — | — | — | (7,792) |
| Cash dividends declared (\$1.32 per share) | — | — | (4,363) | — | — | (4,363) |
| Distributions to noncontrolling interest | — | — | — | — | (112) | (112) |
| Balance September 30, 2024 | \$ 3,114 | \$ 499 | \$ 243,194 | \$ (19,467) | \$ 618 | \$ 227,958 |

| | Attributable to C&F Financial Corporation | | | | | |
|--|---|------------|------------|---------------|----------------|------------|
| | Common | Additional | Retained | Accumulated | Noncontrolling | Total |
| | Stock | Paid - In | Earnings | Other | Interest | Equity |
| | | Capital | | Comprehensive | | |
| | | | | Loss, Net | | |
| Balance December 31, 2022 | \$ 3,331 | \$ 12,047 | \$ 217,214 | \$ (36,958) | \$ 599 | \$ 196,233 |
| Adoption of new accounting standard | — | — | (1,072) | — | — | (1,072) |
| Comprehensive income: | | | | | | |
| Net income | — | — | 18,536 | — | 122 | 18,658 |
| Other comprehensive loss | — | — | — | (4,116) | — | (4,116) |
| Share-based compensation | — | 1,508 | — | — | — | 1,508 |
| Restricted stock vested | 30 | (30) | — | — | — | — |
| Common stock issued | 3 | 142 | — | — | — | 145 |
| Common stock purchased | (115) | (6,248) | — | — | — | (6,363) |
| Cash dividends declared (\$1.32 per share) | — | — | (4,510) | — | — | (4,510) |
| Distributions to noncontrolling interest | — | — | — | — | (103) | (103) |
| Balance September 30, 2023 | \$ 3,249 | \$ 7,419 | \$ 230,168 | \$ (41,074) | \$ 618 | \$ 200,380 |

See notes to consolidated interim financial statements.

C&F FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

| | Nine Months Ended September 30, | |
|---|--|------------------|
| | 2024 | 2023 |
| Operating activities: | | |
| Net income | \$ 13,889 | \$ 18,658 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | 9,750 | 5,800 |
| Accretion of certain acquisition-related discounts, net | (464) | (632) |
| Share-based compensation | 1,458 | 1,508 |
| Depreciation and amortization | 2,841 | 2,919 |
| Amortization of premiums and accretion of discounts on securities, net | 1,068 | 1,041 |
| Reversal of provision for indemnifications | (375) | (435) |
| Income from bank-owned life insurance | (326) | (299) |
| Pension expense | 667 | 692 |
| Proceeds from sales of loans held for sale | 371,258 | 394,106 |
| Origination of loans held for sale | (396,718) | (400,559) |
| Gains on sales of loans held for sale | (4,814) | (4,930) |
| Other gains, net | (207) | 184 |
| Change in other assets and liabilities: | | |
| Accrued interest receivable | 200 | (1,057) |
| Other assets | 4,483 | 1,713 |
| Accrued interest payable | 474 | 2,238 |
| Other liabilities | (190) | 890 |
| Net cash provided by operating activities | <u>2,994</u> | <u>21,837</u> |
| Investing activities: | | |
| Proceeds from sales, maturities and calls of securities available for sale and payments on mortgage-backed securities | 89,240 | 75,560 |
| Purchases of securities available for sale | (27,009) | (30,075) |
| Purchases of time deposits, net | 734 | (253) |
| Repayments on loans held for investment by non-bank affiliates | 125,399 | 121,257 |
| Purchases of loans held for investment by non-bank affiliates | (136,459) | (124,340) |
| Net increase in community banking loans held for investment | (164,176) | (84,113) |
| Purchases of corporate premises and equipment | (3,056) | (1,019) |
| Other investing activities, net | (1,377) | (3,675) |
| Net cash used in investing activities | <u>(116,704)</u> | <u>(46,658)</u> |
| Financing activities: | | |
| Net decrease in demand and savings deposits | (67,891) | (191,426) |
| Net increase in time deposits | 137,652 | 215,995 |
| Net (decrease) increase in short-term borrowings | (9,580) | 59,068 |
| Proceeds from long-term borrowings | 40,000 | — |
| Repayments of long-term borrowings | — | (4,000) |
| Repurchases of common stock | (7,792) | (6,363) |
| Cash dividends paid | (4,363) | (4,510) |
| Other financing activities, net | (282) | (92) |
| Net cash provided by financing activities | <u>87,744</u> | <u>68,672</u> |
| Net (decrease) increase in cash and cash equivalents | <u>(25,966)</u> | <u>43,851</u> |
| Cash and cash equivalents at beginning of period | <u>75,159</u> | <u>26,661</u> |
| Cash and cash equivalents at end of period | <u>\$ 49,193</u> | <u>\$ 70,512</u> |
| Supplemental cash flow disclosures: | | |
| Interest paid | \$ 30,976 | \$ 15,707 |
| Income taxes paid | 22 | 3,545 |
| Supplemental disclosure of noncash investing and financing activities: | | |
| Transfers from corporate premises and equipment to other real estate owned | \$ 296 | \$ — |
| Adoption of new accounting standard | — | 1,072 |
| Liabilities assumed to acquire right of use assets at lease commencement | <u>2,730</u> | <u>181</u> |

See notes to consolidated interim financial statements.

C&F FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

NOTE 1: Summary of Significant Accounting Policies

Principles of Consolidation: The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial reporting and with applicable quarterly reporting regulations of the Securities and Exchange Commission (the SEC). They do not include all of the information and notes required by GAAP for complete financial statements. Therefore, these consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the C&F Financial Corporation Annual Report on Form 10-K for the year ended December 31, 2023 (2023 Annual Report). The accounting and reporting policies of the Corporation conform to GAAP and to predominant practices within the banking industry and are primarily disclosed in the 2023 Annual Report.

The unaudited consolidated financial statements include the accounts of C&F Financial Corporation (the Corporation), its direct wholly-owned subsidiary, Citizens and Farmers Bank (the Bank or C&F Bank) and indirect subsidiaries that are wholly-owned or controlled. Subsidiaries that are less than wholly owned are fully consolidated if they are controlled by the Corporation or one of its subsidiaries, and the portion of any subsidiary not owned by the Corporation is reported as noncontrolling interest. All significant intercompany accounts and transactions have been eliminated in consolidation. In addition, the Corporation owns all of the common stock of C&F Financial Statutory Trust I, C&F Financial Statutory Trust II and Central Virginia Bankshares Statutory Trust I, all of which are unconsolidated subsidiaries. The subordinated debt owed to these trusts is reported as liabilities of the Corporation.

Nature of Operations: The Corporation is a bank holding company incorporated under the laws of the Commonwealth of Virginia. The Corporation owns all of the stock of its subsidiary, C&F Bank, which is an independent commercial bank chartered under the laws of the Commonwealth of Virginia.

C&F Bank has five wholly-owned subsidiaries: C&F Mortgage Corporation (C&F Mortgage), C&F Finance Company (C&F Finance), C&F Wealth Management Corporation (C&F Wealth Management), C&F Insurance Services, Inc. (C&F Insurance) and CVB Title Services, Inc. (CVB Title), all incorporated under the laws of the Commonwealth of Virginia. C&F Mortgage, organized in September 1995, originates and sells residential mortgages, provides mortgage loan origination services to third-party lenders and, through its subsidiary Certified Appraisals LLC, provides ancillary mortgage loan production services for residential appraisals. C&F Mortgage owns a 51 percent interest in C&F Select LLC, which was organized in January 2019 and is also engaged in the business of originating and selling residential mortgages. C&F Finance, acquired in September 2002, is a finance company purchasing automobile, marine and recreational vehicle (RV) loans through indirect lending programs. C&F Wealth Management, organized in April 1995, is a full-service brokerage firm offering a comprehensive range of wealth management services and insurance products through third-party service providers. C&F Insurance and CVB Title were organized for the primary purpose of owning equity interests in an independent insurance agency and a full service title and settlement agency, respectively. Business segment data is presented in Note 10.

Basis of Presentation: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses and evaluation of goodwill for impairment. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of operations in these financial statements, have been made.

Reclassification: Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation. None of these reclassifications are considered material and did not affect net income or total equity.

Derivative Financial Instruments: The Corporation recognizes derivative financial instruments at fair value as either an other asset or other liability in the Consolidated Balance Sheets. The Corporation's derivative financial instruments include (1) interest rate swaps that qualify and are designated as cash flow hedges on the Corporation's trust preferred capital notes, (2) interest rate swaps with certain qualifying commercial loan customers and dealer counterparties and (3) interest rate contracts arising from mortgage banking activities, including interest rate lock commitments (IRLCs) on mortgage loans. The gain or loss on the Corporation's cash flow hedges is reported as a component of other comprehensive income (loss), net of deferred income taxes, and reclassified into earnings in the same period(s) during which the hedged transactions affect earnings. IRLCs and interest rate swaps with loan customers and dealer counterparties are not designated as hedging instruments, and therefore changes in the fair value of these instruments are reported as noninterest income. The Corporation's derivative financial instruments are described more fully in Note 12.

Recent Significant Accounting Pronouncements: In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, "Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures." The amendments in ASU 2023-07 require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, require other segment items by reportable segment to be disclosed and a description of their composition, and require disclosure of the title and position of the chief operating decision maker and an explanation of how they use the reported measure of segment profit or loss in assessing segment performance and deciding how to allocate resources. The amendments apply to all public entities that are required to report segment information in accordance with Topic 280, "Segment Reporting," and are effective for fiscal years beginning after December 15, 2023, and interim periods with fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments are to be applied retrospectively to all prior periods presented. The Corporation does not expect the adoption of ASU 2023-07 to have a material effect on its consolidated financial statements.

In November 2023, FASB issued ASU 2023-09, "Income Taxes (Topic 740) – Improvements to Income Tax Disclosures." The amendments in ASU 2023-09 require that a public entity disclose, on an annual basis, specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, the amount of income taxes paid disaggregated by federal, state and foreign taxes, and the amount of income taxes paid disaggregated by individual jurisdictions in which income taxes paid is equal to or greater than five percent of total income taxes paid. The amendments also require that entities disclose income from continuing operations before income tax expense disaggregated between domestic and foreign, as well as income tax expense from continuing operations disaggregated by federal, state and foreign. The amendments apply to all public entities that are subject to Topic 740, "Income Taxes," and are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The amendments are to be applied on a prospective basis; however, retrospective application is permitted. The Corporation does not expect the adoption of ASU 2023-09 to have a material effect on its consolidated financial statements.

Other accounting standards that have been issued by the FASB or other standards-setting bodies are not currently expected to have a material effect on the Corporation's financial position, results of operations or cash flows.

NOTE 2: Securities

The Corporation's debt securities, all of which are classified as available for sale, are summarized as follows:

| | September 30, 2024 | | | |
|--|--------------------|------------------------|-------------------------|-------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| (Dollars in thousands) | | | | |
| U.S. Treasury securities | \$ 10,977 | \$ — | \$ (293) | \$ 10,684 |
| U.S. government agencies and corporations | 70,396 | — | (6,727) | 63,669 |
| Mortgage-backed securities | 177,376 | 1,022 | (11,421) | 166,977 |
| Obligations of states and political subdivisions | 148,636 | 1,830 | (3,290) | 147,176 |
| Corporate and other debt securities | 23,408 | 4 | (2,873) | 20,539 |
| | <u>\$ 430,793</u> | <u>\$ 2,856</u> | <u>\$ (24,604)</u> | <u>\$ 409,045</u> |

| | December 31, 2023 | | | |
|--|-------------------|------------------------|-------------------------|-------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| (Dollars in thousands) | | | | |
| U.S. Treasury securities | \$ 45,883 | \$ — | \$ (780) | \$ 45,103 |
| U.S. government agencies and corporations | 96,407 | — | (9,313) | 87,094 |
| Mortgage-backed securities | 177,734 | 185 | (16,223) | 161,696 |
| Obligations of states and political subdivisions | 148,875 | 2,280 | (4,044) | 147,111 |
| Corporate and other debt securities | 25,193 | — | (3,753) | 21,440 |
| | <u>\$ 494,092</u> | <u>\$ 2,465</u> | <u>\$ (34,113)</u> | <u>\$ 462,444</u> |

The amortized cost and estimated fair value of securities at September 30, 2024, by the earlier of contractual maturity or expected maturity, are shown below. The Corporation has elected to exclude accrued interest receivable, totaling \$ 2.27 million at September 30, 2024, from the amortized cost basis of securities. Expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations with or without call or prepayment penalties.

| | September 30, 2024 | |
|--|--------------------|-------------------|
| | Amortized Cost | Fair Value |
| (Dollars in thousands) | | |
| Due in one year or less | \$ 71,087 | \$ 69,053 |
| Due after one year through five years | 175,996 | 164,747 |
| Due after five years through ten years | 117,701 | 110,577 |
| Due after ten years | 66,009 | 64,668 |
| | <u>\$ 430,793</u> | <u>\$ 409,045</u> |

The following table presents the gross realized gains and losses on and the proceeds from the sales, maturities and calls of securities. During the three and nine months ended September 30, 2024 and 2023 there were no sales of securities.

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Realized gains from sales, maturities and calls of securities: | | | | |
| Gross realized gains | \$ — | \$ — | \$ — | \$ — |
| Gross realized losses | — | — | — | (5) |
| Net realized losses | \$ — | \$ — | \$ — | (5) |
| Proceeds from sales, maturities, calls and paydowns of securities | \$ 16,344 | \$ 30,719 | \$ 89,240 | \$ 75,560 |

The Corporation pledges securities primarily to secure municipal deposits, repurchase agreements and lines of credit that provide liquidity to the Corporation and C&F Bank. Securities with an aggregate amortized cost of \$183.10 million and an aggregate fair value of \$170.80 million were pledged at September 30, 2024. Securities with an aggregate amortized cost of \$215.97 million and an aggregate fair value of \$198.85 million were pledged at December 31, 2023.

Securities in an unrealized loss position at September 30, 2024, by duration of the period of the unrealized loss, are shown below.

| <i>(Dollars in thousands)</i> | Less Than 12 Months | | 12 Months or More | | Total | |
|--|---------------------|-----------------|-------------------|-----------------|------------|-----------------|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| U.S. Treasury securities | \$ — | \$ — | \$ 10,684 | \$ 293 | \$ 10,684 | \$ 293 |
| U.S. government agencies and corporations | — | — | 63,669 | 6,727 | 63,669 | 6,727 |
| Mortgage-backed securities | 2,615 | 27 | 132,043 | 11,394 | 134,658 | 11,421 |
| Obligations of states and political subdivisions | 9,484 | 60 | 62,583 | 3,230 | 72,067 | 3,290 |
| Corporate and other debt securities | 484 | 16 | 19,051 | 2,857 | 19,535 | 2,873 |
| Total | \$ 12,583 | \$ 103 | \$ 288,030 | \$ 24,501 | \$ 300,613 | \$ 24,604 |

There were 465 debt securities with a fair value below the amortized cost basis, totaling \$ 300.61 million of aggregate fair value as of September 30, 2024. The Corporation concluded that a credit loss did not exist in its securities portfolio at September 30, 2024, and no impairment loss has been recognized based on the fact that (1) changes in fair value were caused primarily by fluctuations in interest rates, (2) securities with unrealized losses had generally high credit quality, (3) the Corporation intends to hold these investments in debt securities to maturity and it is more-likely-than-not that the Corporation will not be required to sell these investments before a recovery of its investment, and (4) issuers have continued to make timely payments of principal and interest. Additionally, the Corporation's mortgage-backed securities are entirely issued by either U.S. government agencies or U.S. government-sponsored enterprises. Collectively, these entities provide a guarantee, which is either explicitly or implicitly supported by the full faith and credit of the U.S. government, that investors in such mortgage-backed securities will receive timely principal and interest payments.

Securities in an unrealized loss position at December 31, 2023, by duration of the period of the unrealized loss, are shown below.

| | Less Than 12 Months | | 12 Months or More | | Total | |
|--|---------------------|-----------------|-------------------|------------------|-------------------|------------------|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| (Dollars in thousands) | | | | | | |
| U.S. Treasury securities | \$ — | \$ — | \$ 45,103 | \$ 780 | \$ 45,103 | \$ 780 |
| U.S. government agencies and corporations | — | — | 87,094 | 9,313 | 87,094 | 9,313 |
| Mortgage-backed securities | 5,528 | 68 | 150,023 | 16,155 | 155,551 | 16,223 |
| Obligations of states and political subdivisions | 4,659 | 72 | 65,630 | 3,972 | 70,289 | 4,044 |
| Corporate and other debt securities | 3,386 | 364 | 18,054 | 3,389 | 21,440 | 3,753 |
| Total | \$ 13,573 | \$ 504 | \$ 365,904 | \$ 33,609 | \$ 379,477 | \$ 34,113 |

The Corporation's investment in restricted stock totaled \$4.54 million at September 30, 2024 and \$2.93 million at December 31, 2023 and consisted of Federal Home Loan Bank of Atlanta (FHLB) stock. Restricted stock is generally viewed as a long-term investment, which is carried at cost because there is no market for the stock other than to be redeemed or repurchased by the FHLB. Therefore, when evaluating restricted stock for impairment, its value is based on the ultimate recoverability of the par value rather than by recognizing any temporary decline in value. The Corporation did not consider its investment in restricted stock to be impaired at September 30, 2024 and no impairment has been recognized.

NOTE 3: Loans

The Corporation's loans are stated at their face amount, net of deferred fees and costs and discounts, and consist of the classes of loans included in the table below. The Corporation has elected to exclude accrued interest receivable, totaling \$7.93 million and \$7.65 million at September 30, 2024 and December 31, 2023, respectively, from the recorded balance of loans.

| (Dollars in thousands) | September 30, 2024 | December 31, 2023 |
|---|-------------------------------|------------------------------|
| Commercial real estate | \$ 701,647 | \$ 668,122 |
| Commercial business | 115,410 | 115,348 |
| Construction - commercial real estate | 155,072 | 69,768 |
| Land acquisition and development | 33,774 | 29,064 |
| Builder lines | 29,664 | 24,668 |
| Construction - consumer real estate | 16,874 | 11,223 |
| Residential mortgage | 310,595 | 293,256 |
| Equity lines | 59,406 | 51,592 |
| Other consumer | 9,667 | 10,588 |
| Consumer finance – automobiles | 406,385 | 401,276 |
| Consumer finance - marine and recreational vehicles | 70,915 | 67,234 |
| Subtotal | 1,909,409 | 1,742,139 |
| Less allowance for credit losses | (40,771) | (39,651) |
| Loans, net | \$ 1,868,638 | \$ 1,702,488 |

Other consumer loans included \$210,000 and \$228,000 of demand deposit overdrafts at September 30, 2024 and December 31, 2023, respectively.

The following table shows the aging of the Corporation's loan portfolio, by class, at September 30, 2024:

| <i>(Dollars in thousands)</i> | 30-59 Days Past Due | 60-89 Days Past Due | 90+ Days Past Due | Total Past Due | Current ¹ | Total Loans | 90+ Days Past Due and Accruing |
|---|---------------------------|---------------------------|-------------------------|-------------------|----------------------|---------------------|--------------------------------------|
| Commercial real estate | \$ 89 | \$ 429 | \$ — | \$ 518 | \$ 701,129 | \$ 701,647 | \$ — |
| Commercial business | — | — | — | — | 115,410 | 115,410 | — |
| Construction - commercial real estate | — | — | — | — | 155,072 | 155,072 | — |
| Land acquisition and development | — | — | — | — | 33,774 | 33,774 | — |
| Builder lines | — | — | — | — | 29,664 | 29,664 | — |
| Construction - consumer real estate | — | — | — | — | 16,874 | 16,874 | — |
| Residential mortgage | 2,042 | 132 | 231 | 2,405 | 308,190 | 310,595 | 115 |
| Equity lines | — | 174 | 89 | 263 | 59,143 | 59,406 | 89 |
| Other consumer | — | — | — | — | 9,667 | 9,667 | — |
| Consumer finance - automobiles | 12,826 | 2,408 | 1,008 | 16,242 | 390,143 | 406,385 | — |
| Consumer finance - marine and recreational vehicles | 228 | 107 | 93 | 428 | 70,487 | 70,915 | — |
| Total | <u>\$ 15,185</u> | <u>\$ 3,250</u> | <u>\$ 1,421</u> | <u>\$ 19,856</u> | <u>\$ 1,889,553</u> | <u>\$ 1,909,409</u> | <u>\$ 204</u> |

¹ For the purposes of the table above, "Current" includes loans that are 1-29 days past due.

The table above includes nonaccrual loans that are current of \$ 240,000, 30-59 days past due of \$ 156,000, 60-89 days past due of \$115,000, and 90+ days past due of \$ 1.22 million.

The following table shows the aging of the Corporation's loan portfolio, by class, at December 31, 2023:

| <i>(Dollars in thousands)</i> | 30-59 Days Past Due | 60-89 Days Past Due | 90+ Days Past Due | Total Past Due | Current ¹ | Total Loans | 90+ Days Past Due and Accruing |
|---|---------------------------|---------------------------|-------------------------|-------------------|----------------------|---------------------|--------------------------------------|
| Commercial real estate | \$ 92 | \$ — | \$ — | \$ 92 | \$ 668,030 | \$ 668,122 | \$ — |
| Commercial business | — | — | 1 | 1 | 115,347 | 115,348 | 1 |
| Construction - commercial real estate | — | — | — | — | 69,768 | 69,768 | — |
| Land acquisition and development | — | — | — | — | 29,064 | 29,064 | — |
| Builder lines | — | — | — | — | 24,668 | 24,668 | — |
| Construction - consumer real estate | — | — | — | — | 11,223 | 11,223 | — |
| Residential mortgage | 1,643 | 387 | 273 | 2,303 | 290,953 | 293,256 | 89 |
| Equity lines | 215 | 103 | 115 | 433 | 51,159 | 51,592 | 38 |
| Other consumer | 3 | — | 9 | 12 | 10,576 | 10,588 | — |
| Consumer finance - automobiles | 15,263 | 2,628 | 892 | 18,783 | 382,493 | 401,276 | — |
| Consumer finance - marine and recreational vehicles | 282 | 115 | — | 397 | 66,837 | 67,234 | — |
| Total | <u>\$ 17,498</u> | <u>\$ 3,233</u> | <u>\$ 1,290</u> | <u>\$ 22,021</u> | <u>\$ 1,720,118</u> | <u>\$ 1,742,139</u> | <u>\$ 128</u> |

¹ For the purposes of the table above, "Current" includes loans that are 1-29 days past due.

The table above includes nonaccrual loans that are current of \$ 113,000, 60-89 days past due of \$ 22,000 and 90+ days past due of \$1.16 million.

The following table shows the Corporation's recorded balance of loans on nonaccrual status as of September 30, 2024 and December 31, 2023. The Corporation recognized \$10,000 in interest income on loans on nonaccrual status as of September 30, 2024 and had \$1,000 and \$9,000 in reversals of interest income upon placing commercial loans on nonaccrual status during the three and nine months ended September 30, 2024, respectively. All nonaccrual loans at September 30, 2024 had an allowance for credit losses.

| | September 30, 2024 | December 31, 2023 |
|---|-----------------------|----------------------|
| (Dollars in thousands) | | |
| Commercial business | \$ 92 | \$ — |
| Residential mortgage | 516 | 320 |
| Equity lines | 20 | 77 |
| Other consumer | — | 9 |
| Consumer finance - automobiles | 1,008 | 892 |
| Consumer finance - marine and recreational vehicles | 93 | — |
| Total | <u>\$ 1,729</u> | <u>\$ 1,298</u> |

Occasionally, the Corporation modifies loans to borrowers experiencing financial difficulties by providing principal forgiveness, term extensions, interest rate reductions or other-than-insignificant payment delays. As the effect of most modifications is already included in the allowance for credit losses due to the measurement methodologies used in its estimate, the allowance for credit losses is typically not adjusted upon modification. When principal forgiveness is provided at modification, the amount forgiven is charged against the allowance for credit losses. In some cases, the Corporation may provide multiple types of modifications on one loan and when multiple types of modifications occur within the same period, the combination of modifications is separately reported.

The following tables present the amortized cost basis of loans as of September 30, 2024 and 2023 that were both experiencing financial difficulty and modified during the three and nine months ended September 30, 2024 and 2023.

| | Three Months Ended September 30, 2024 | | Nine Months Ended September 30, 2024 | |
|--|---------------------------------------|---|--------------------------------------|---|
| | Amortized Cost | % of Total Class of Financing Receivable | Amortized Cost | % of Total Class of Financing Receivable |
| (Dollars in thousands) | | | | |
| Term Extension | | | | |
| Commercial real estate | \$ 96 | 0.0 % | \$ 96 | 0.0 % |
| Residential mortgage | — | — | 336 | 0.1 |
| Total Term Extension | <u>\$ 96</u> | | <u>\$ 432</u> | |
| Combination Term Extension and Interest Rate Reduction | | | | |
| Residential mortgage | \$ — | — % | \$ 18 | 0.0 % |
| Total Combination Term Extension and Interest Rate Reduction | <u>\$ —</u> | | <u>\$ 18</u> | |
| Total | <u>\$ 96</u> | 0.0 % | <u>\$ 450</u> | 0.0 % |

| | Three Months Ended September 30, 2023 | | Nine Months Ended September 30, 2023 | |
|--|---------------------------------------|---|--------------------------------------|---|
| | Amortized Cost | % of Total Class of Financing Receivable | Amortized Cost | % of Total Class of Financing Receivable |
| (Dollars in thousands) | | | | |
| Term Extension | | | | |
| Commercial real estate | \$ 969 | 0.2 % | \$ 969 | 0.2 % |
| Residential mortgage | 71 | 0.0 | 71 | 0.0 |
| Total Term Extension | <u>\$ 1,040</u> | | <u>\$ 1,040</u> | |
| Combination Term Extension and Interest Rate Reduction | | | | |
| Commercial real estate | \$ — | — % | \$ 45 | 0.0 % |
| Total Combination Term Extension and Interest Rate Reduction | <u>\$ —</u> | | <u>\$ 45</u> | |
| Total | <u>\$ 1,040</u> | 0.1 % | <u>\$ 1,085</u> | 0.1 % |

The following table presents the financial effects of the loan modifications presented above to borrowers experiencing financial difficulty for the three and nine months ended September 30, 2024 and 2023.

| | Three Months Ended September 30, 2024 | | Nine Months Ended September 30, 2024 | |
|-------------------------------|--|--|--|--|
| | Weighted-Average Interest Rate Reduction | Weighted-Average Term Extension (in years) | Weighted-Average Interest Rate Reduction | Weighted-Average Term Extension (in years) |
| <i>(Dollars in thousands)</i> | | | | |
| Commercial real estate | — % | 1.0 | — % | 1.0 |
| Residential mortgage | — | — | 1.51 | 6.9 |
| Total | — % | 1.0 | 1.51 % | 5.7 |

| | Three Months Ended September 30, 2023 | | Nine Months Ended September 30, 2023 | |
|-------------------------------|--|--|--|--|
| | Weighted-Average Interest Rate Reduction | Weighted-Average Term Extension (in years) | Weighted-Average Interest Rate Reduction | Weighted-Average Term Extension (in years) |
| <i>(Dollars in thousands)</i> | | | | |
| Commercial real estate | — % | 2.0 | 0.75 % | 2.1 |
| Residential mortgage | — | 10.0 | — | 10.0 |
| Total | — % | 2.5 | 0.75 % | 2.6 |

The Corporation closely monitors the performance of modified loans to understand the effectiveness of its modification efforts. Upon the determination that all or a portion of a modified loan is uncollectible, that amount is charged against the allowance for credit losses. There were no payment defaults during the three and nine months ended September 30, 2024 and 2023 of modified loans that were modified during the previous twelve months and all were current as of September 30, 2024.

NOTE 4: Allowance for Credit Losses

The Corporation conducts an analysis of the collectability of the loan portfolio on a regular basis and uses this analysis to assess the sufficiency of the allowance for credit losses on loans and to determine the necessary provision for credit losses. The Corporation segmented the loan portfolio into three loan portfolios based on common risk characteristics. The Commercial portfolio consists of commercial real estate loans, commercial business loans, commercial and consumer real estate construction loans, land acquisition and development loans, and builder lines. The Consumer portfolio consists of residential mortgage loans, equity lines, and other consumer loans. The Consumer Finance portfolio consists of automobile and marine and RV loans.

The following table shows the allowance for credit losses activity by loan portfolio for the nine months ended September 30, 2024 and 2023:

| <i>(Dollars in thousands)</i> | Commercial | Consumer | Consumer Finance | Total |
|--|------------------|-----------------|------------------|------------------|
| Allowance for credit losses: | | | | |
| Balance at December 31, 2023 | \$ 12,315 | \$ 3,758 | \$ 23,578 | \$ 39,651 |
| Provision charged to operations | 1,160 | 440 | 8,100 | 9,700 |
| Loans charged off | — | (293) | (11,707) | (12,000) |
| Recoveries of loans previously charged off | 28 | 125 | 3,267 | 3,420 |
| Balance at September 30, 2024 | <u>\$ 13,503</u> | <u>\$ 4,030</u> | <u>\$ 23,238</u> | <u>\$ 40,771</u> |

| <i>(Dollars in thousands)</i> | Commercial | Consumer | Consumer Finance | Total |
|---|------------------|-----------------|------------------|------------------|
| Allowance for credit losses: | | | | |
| Balance at December 31, 2022 | \$ 11,219 | \$ 3,330 | \$ 25,969 | \$ 40,518 |
| Impact of ASC 326 adoption on non-PCD loans | (617) | 98 | 406 | (113) |
| Impact of ASC 326 adoption on PCD loans | 595 | 9 | — | 604 |
| Provision charged to operations | 839 | 362 | 4,250 | 5,451 |
| Loans charged off | (16) | (240) | (9,306) | (9,562) |
| Recoveries of loans previously charged off | 144 | 136 | 3,070 | 3,350 |
| Balance at September 30, 2023 | <u>\$ 12,164</u> | <u>\$ 3,695</u> | <u>\$ 24,389</u> | <u>\$ 40,248</u> |

The following table presents a breakdown of the provision for credit losses for the periods indicated.

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Provision for credit losses: | | | | |
| Provision for loans | \$ 3,700 | \$ 2,100 | \$ 9,700 | \$ 5,451 |
| Provision for unfunded commitments | — | (50) | 50 | 349 |
| Total | <u>\$ 3,700</u> | <u>\$ 2,050</u> | <u>\$ 9,750</u> | <u>\$ 5,800</u> |

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The table below details the recorded balance of the classes of loans within the commercial and consumer loan portfolios by loan rating, which is reviewed on a quarterly basis, and year of origination as of September 30, 2024:

| | Term Loans Recorded Balance by Origination Year | | | | | | Revolving Loans Recorded Balance | Revolving Loans Converted to Term ¹ | |
|--|---|------------|------------|------------|------------|------------|---|---|--------------|
| (Dollars in thousands) | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | | | Total |
| Commercial real estate: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 71,877 | \$ 80,522 | \$ 123,080 | \$ 143,969 | \$ 112,031 | \$ 163,489 | \$ — | \$ 112 | \$ 695,080 |
| Special Mention | — | — | — | 5,624 | — | 943 | — | — | 6,567 |
| Total | \$ 71,877 | \$ 80,522 | \$ 123,080 | \$ 149,593 | \$ 112,031 | \$ 164,432 | \$ — | \$ 112 | \$ 701,647 |
| Commercial business: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 6,189 | \$ 14,223 | \$ 19,158 | \$ 14,247 | \$ 10,710 | \$ 25,128 | \$ 25,587 | \$ — | \$ 115,242 |
| Special Mention | 24 | 52 | — | — | — | — | — | — | 76 |
| Substandard Nonaccrual | — | — | — | — | — | — | — | 92 | 92 |
| Total | \$ 6,213 | \$ 14,275 | \$ 19,158 | \$ 14,247 | \$ 10,710 | \$ 25,128 | \$ 25,587 | \$ 92 | \$ 115,410 |
| Construction - commercial real estate: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 38,479 | \$ 50,213 | \$ 61,410 | \$ — | \$ 4,970 | \$ — | \$ — | \$ — | \$ 155,072 |
| Total | \$ 38,479 | \$ 50,213 | \$ 61,410 | \$ — | \$ 4,970 | \$ — | \$ — | \$ — | \$ 155,072 |
| Land acquisition and development: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 19,073 | \$ 2,114 | \$ 2,662 | \$ 1,324 | \$ 8,601 | \$ — | \$ — | \$ — | \$ 33,774 |
| Total | \$ 19,073 | \$ 2,114 | \$ 2,662 | \$ 1,324 | \$ 8,601 | \$ — | \$ — | \$ — | \$ 33,774 |
| Builder lines: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 23,913 | \$ 3,436 | \$ 1,430 | \$ 481 | \$ — | \$ 404 | \$ — | \$ — | \$ 29,664 |
| Total | \$ 23,913 | \$ 3,436 | \$ 1,430 | \$ 481 | \$ — | \$ 404 | \$ — | \$ — | \$ 29,664 |
| Construction - consumer real estate: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 11,329 | \$ 5,099 | \$ 358 | \$ — | \$ — | \$ — | \$ 88 | \$ — | \$ 16,874 |
| Total | \$ 11,329 | \$ 5,099 | \$ 358 | \$ — | \$ — | \$ — | \$ 88 | \$ — | \$ 16,874 |
| Residential mortgage: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 39,210 | \$ 58,659 | \$ 84,733 | \$ 40,701 | \$ 36,323 | \$ 49,080 | \$ — | \$ — | \$ 308,706 |
| Special Mention | — | 869 | — | — | — | 223 | — | — | 1,092 |
| Substandard | — | — | — | — | 102 | 179 | — | — | 281 |
| Substandard Nonaccrual | 128 | — | — | — | — | 388 | — | — | 516 |
| Total | \$ 39,338 | \$ 59,528 | \$ 84,733 | \$ 40,701 | \$ 36,425 | \$ 49,870 | \$ — | \$ — | \$ 310,595 |
| Equity lines: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 23 | \$ — | \$ — | \$ — | \$ 70 | \$ 839 | \$ 58,050 | \$ 239 | \$ 59,221 |
| Special Mention | — | — | — | — | — | — | — | 76 | 76 |
| Substandard | — | — | — | — | — | — | — | 89 | 89 |
| Substandard Nonaccrual | — | — | — | — | — | — | — | 20 | 20 |
| Total | \$ 23 | \$ — | \$ — | \$ — | \$ 70 | \$ 839 | \$ 58,050 | \$ 424 | \$ 59,406 |
| Other consumer: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 3,842 | \$ 2,841 | \$ 1,828 | \$ 336 | \$ 163 | \$ 611 | \$ 46 | \$ — | \$ 9,667 |
| Total | \$ 3,842 | \$ 2,841 | \$ 1,828 | \$ 336 | \$ 163 | \$ 611 | \$ 46 | \$ — | \$ 9,667 |
| Total: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 213,935 | \$ 217,107 | \$ 294,659 | \$ 201,058 | \$ 172,868 | \$ 239,551 | \$ 83,771 | \$ 351 | \$ 1,423,300 |
| Special Mention | 24 | 921 | — | 5,624 | — | 1,166 | — | 76 | 7,811 |
| Substandard | — | — | — | — | 102 | 179 | — | 89 | 370 |
| Substandard Nonaccrual | 128 | — | — | — | — | 388 | — | 112 | 628 |
| Total | \$ 214,087 | \$ 218,028 | \$ 294,659 | \$ 206,682 | \$ 172,970 | \$ 241,284 | \$ 83,771 | \$ 628 | \$ 1,432,109 |

¹ Equity lines include \$154,000 of revolving loans converted to term during the nine months ended September 30, 2024.

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The table below details the recorded balance of the classes of loans within the commercial and consumer loan portfolios by loan rating, which is reviewed on a quarterly basis, and year of origination as of December 31, 2023:

| | Term Loans Recorded Balance by Origination Year | | | | | | Revolving Loans | Revolving Loans | |
|--|---|-------------------|-------------------|-------------------|------------------|-------------------|---------------------|-----------------------------------|---------------------|
| (Dollars in thousands) | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Recorded Balance | Converted to Term ¹ | Total |
| Commercial real estate: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 81,324 | \$ 125,278 | \$ 155,805 | \$ 121,365 | \$ 37,383 | \$ 140,158 | \$ — | \$ 119 | \$ 661,432 |
| Special Mention | — | — | 5,731 | — | — | 959 | — | — | 6,690 |
| Total | <u>\$ 81,324</u> | <u>\$ 125,278</u> | <u>\$ 161,536</u> | <u>\$ 121,365</u> | <u>\$ 37,383</u> | <u>\$ 141,117</u> | <u>\$ —</u> | <u>\$ 119</u> | <u>\$ 668,122</u> |
| Commercial business: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 18,682 | \$ 18,190 | \$ 17,219 | \$ 12,062 | \$ 14,847 | \$ 15,339 | \$ 18,686 | \$ 261 | \$ 115,286 |
| Special Mention | 62 | — | — | — | — | — | — | — | 62 |
| Total | <u>\$ 18,744</u> | <u>\$ 18,190</u> | <u>\$ 17,219</u> | <u>\$ 12,062</u> | <u>\$ 14,847</u> | <u>\$ 15,339</u> | <u>\$ 18,686</u> | <u>\$ 261</u> | <u>\$ 115,348</u> |
| Construction - commercial real estate: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 29,346 | \$ 36,907 | \$ — | \$ 3,515 | \$ — | \$ — | \$ — | \$ — | \$ 69,768 |
| Total | <u>\$ 29,346</u> | <u>\$ 36,907</u> | <u>\$ —</u> | <u>\$ 3,515</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 69,768</u> |
| Land acquisition and development: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 4,562 | \$ 4,665 | \$ 9,844 | \$ 9,993 | \$ — | \$ — | \$ — | \$ — | \$ 29,064 |
| Total | <u>\$ 4,562</u> | <u>\$ 4,665</u> | <u>\$ 9,844</u> | <u>\$ 9,993</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 29,064</u> |
| Builder lines: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 17,919 | \$ 5,124 | \$ 1,221 | \$ — | \$ 404 | \$ — | \$ — | \$ — | \$ 24,668 |
| Total | <u>\$ 17,919</u> | <u>\$ 5,124</u> | <u>\$ 1,221</u> | <u>\$ —</u> | <u>\$ 404</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 24,668</u> |
| Construction - consumer real estate: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 7,889 | \$ 3,240 | \$ — | \$ — | \$ — | \$ — | \$ 94 | \$ — | \$ 11,223 |
| Total | <u>\$ 7,889</u> | <u>\$ 3,240</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 94</u> | <u>\$ —</u> | <u>\$ 11,223</u> |
| Residential mortgage: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 59,441 | \$ 91,086 | \$ 44,292 | \$ 40,089 | \$ 11,524 | \$ 46,192 | \$ — | \$ — | \$ 292,624 |
| Special Mention | — | — | — | — | — | 44 | — | — | 44 |
| Substandard | — | — | — | 103 | — | 165 | — | — | 268 |
| Substandard Nonaccrual | — | — | — | — | 62 | 258 | — | — | 320 |
| Total | <u>\$ 59,441</u> | <u>\$ 91,086</u> | <u>\$ 44,292</u> | <u>\$ 40,192</u> | <u>\$ 11,586</u> | <u>\$ 46,659</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 293,256</u> |
| Equity lines: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ — | \$ — | \$ 34 | \$ 70 | \$ — | \$ 857 | \$ 50,120 | \$ 344 | \$ 51,425 |
| Special Mention | — | — | — | — | — | — | — | 85 | 85 |
| Substandard | — | — | — | — | 5 | — | — | — | 5 |
| Substandard Nonaccrual | — | — | — | — | — | 9 | — | 68 | 77 |
| Total | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 34</u> | <u>\$ 70</u> | <u>\$ 5</u> | <u>\$ 866</u> | <u>\$ 50,120</u> | <u>\$ 497</u> | <u>\$ 51,592</u> |
| Other consumer: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 6,263 | \$ 2,762 | \$ 606 | \$ 282 | \$ 101 | \$ 519 | \$ 46 | \$ — | \$ 10,579 |
| Substandard Nonaccrual | — | — | — | — | 9 | — | — | — | 9 |
| Total | <u>\$ 6,263</u> | <u>\$ 2,762</u> | <u>\$ 606</u> | <u>\$ 282</u> | <u>\$ 110</u> | <u>\$ 519</u> | <u>\$ 46</u> | <u>\$ —</u> | <u>\$ 10,588</u> |
| Total: | | | | | | | | | |
| Loan Rating | | | | | | | | | |
| Pass | \$ 225,426 | \$ 287,252 | \$ 229,021 | \$ 187,376 | \$ 64,259 | \$ 203,065 | \$ 68,946 | \$ 724 | \$ 1,266,069 |
| Special Mention | 62 | — | 5,731 | — | — | 1,003 | — | 85 | 6,881 |
| Substandard | — | — | — | 103 | 5 | 165 | — | — | 273 |
| Substandard Nonaccrual | — | — | — | — | 71 | 267 | — | 68 | 406 |
| Total | <u>\$ 225,488</u> | <u>\$ 287,252</u> | <u>\$ 234,752</u> | <u>\$ 187,479</u> | <u>\$ 64,335</u> | <u>\$ 204,500</u> | <u>\$ 68,946</u> | <u>\$ 877</u> | <u>\$ 1,273,629</u> |

¹ All balances shown in this column were converted to term during the year ended December 31, 2023.

The table below details the recorded balance of the classes of loans within the consumer finance loan portfolio by credit rating at the time of origination and year of origination as of September 30, 2024:

| | Term Loans Recorded Balance by Origination Year | | | | | | Revolving Loans | | |
|--|---|------------|------------|-----------|-----------|-----------|--------------------|----------------------|------------|
| (Dollars in thousands) | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans | Converted to Term | Total |
| Consumer finance - automobiles: | | | | | | | | | |
| Credit rating ¹ | | | | | | | | | |
| Very good | \$ 19,654 | \$ 11,317 | \$ 8,863 | \$ 2,796 | \$ 550 | \$ 125 | \$ — | \$ — | \$ 43,305 |
| Good | 32,490 | 28,443 | 32,578 | 10,822 | 1,948 | 514 | — | — | 106,795 |
| Fairly good | 34,183 | 36,945 | 41,542 | 19,129 | 3,878 | 2,274 | — | — | 137,951 |
| Fair | 19,812 | 23,501 | 27,507 | 15,261 | 4,392 | 2,988 | — | — | 93,461 |
| Marginal | 3,940 | 4,875 | 6,473 | 5,571 | 2,056 | 1,958 | — | — | 24,873 |
| Total | \$ 110,079 | \$ 105,081 | \$ 116,963 | \$ 53,579 | \$ 12,824 | \$ 7,859 | \$ — | \$ — | \$ 406,385 |
| | | | | | | | | | |
| Consumer finance - marine and recreational vehicles: | | | | | | | | | |
| Credit rating ¹ | | | | | | | | | |
| Very good | \$ 8,523 | \$ 6,487 | \$ 13,137 | \$ 8,397 | \$ 8,277 | \$ 4,003 | \$ — | \$ — | \$ 48,824 |
| Good | 4,589 | 6,593 | 7,135 | 1,395 | 1,208 | 684 | — | — | 21,604 |
| Fairly good | — | 203 | 186 | 35 | 28 | 35 | — | — | 487 |
| Total | \$ 13,112 | \$ 13,283 | \$ 20,458 | \$ 9,827 | \$ 9,513 | \$ 4,722 | \$ — | \$ — | \$ 70,915 |
| | | | | | | | | | |
| Total: | | | | | | | | | |
| Credit rating ¹ | | | | | | | | | |
| Very good | \$ 28,177 | \$ 17,804 | \$ 22,000 | \$ 11,193 | \$ 8,827 | \$ 4,128 | \$ — | \$ — | \$ 92,129 |
| Good | 37,079 | 35,036 | 39,713 | 12,217 | 3,156 | 1,198 | — | — | 128,399 |
| Fairly good | 34,183 | 37,148 | 41,728 | 19,164 | 3,906 | 2,309 | — | — | 138,438 |
| Fair | 19,812 | 23,501 | 27,507 | 15,261 | 4,392 | 2,988 | — | — | 93,461 |
| Marginal | 3,940 | 4,875 | 6,473 | 5,571 | 2,056 | 1,958 | — | — | 24,873 |
| Total | \$ 123,191 | \$ 118,364 | \$ 137,421 | \$ 63,406 | \$ 22,337 | \$ 12,581 | \$ — | \$ — | \$ 477,300 |

¹ Credit ratings with a FICO score greater than 739 are considered Very Good, FICO scores ranging from 670-739 are considered Good, FICO scores ranging from 625-669 are considered Fairly Good, FICO scores ranging from 580-624 are considered Fair and FICO scores less than 580 are considered Marginal.

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The table below details the recorded balance of the classes of loans within the consumer finance loan portfolio by credit rating at the time of origination and year of origination as of December 31, 2023:

| | Term Loans Recorded Balance by Origination Year | | | | | | | Revolving Loans | |
|--|---|-------------------|------------------|------------------|------------------|-----------------|--------------------|----------------------|-------------------|
| (Dollars in thousands) | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans | Converted to Term | Total |
| Consumer finance - automobiles: | | | | | | | | | |
| Credit rating ¹ | | | | | | | | | |
| Very good | \$ 14,916 | \$ 12,395 | \$ 4,291 | \$ 1,012 | \$ 277 | \$ 22 | \$ — | \$ — | \$ 32,913 |
| Good | 35,203 | 42,800 | 15,530 | 3,338 | 1,090 | 325 | — | — | 98,286 |
| Fairly good | 44,227 | 54,968 | 26,645 | 6,186 | 3,984 | 1,470 | — | — | 137,480 |
| Fair | 28,779 | 36,794 | 22,266 | 7,014 | 4,808 | 1,908 | — | — | 101,569 |
| Marginal | 6,359 | 8,956 | 7,715 | 3,322 | 2,832 | 1,844 | — | — | 31,028 |
| Total | <u>\$ 129,484</u> | <u>\$ 155,913</u> | <u>\$ 76,447</u> | <u>\$ 20,872</u> | <u>\$ 12,991</u> | <u>\$ 5,569</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 401,276</u> |
| Consumer finance - marine and recreational vehicles: | | | | | | | | | |
| Credit rating ¹ | | | | | | | | | |
| Very good | \$ 7,481 | \$ 15,000 | \$ 9,857 | \$ 9,952 | \$ 2,518 | \$ 2,438 | \$ — | \$ — | \$ 47,246 |
| Good | 7,419 | 8,130 | 1,602 | 1,384 | 410 | 453 | — | — | 19,398 |
| Fairly good | 265 | 221 | 37 | 30 | — | 37 | — | — | 590 |
| Total | <u>\$ 15,165</u> | <u>\$ 23,351</u> | <u>\$ 11,496</u> | <u>\$ 11,366</u> | <u>\$ 2,928</u> | <u>\$ 2,928</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 67,234</u> |
| Total: | | | | | | | | | |
| Credit rating ¹ | | | | | | | | | |
| Very good | \$ 22,397 | \$ 27,395 | \$ 14,148 | \$ 10,964 | \$ 2,795 | \$ 2,460 | \$ — | \$ — | \$ 80,159 |
| Good | 42,622 | 50,930 | 17,132 | 4,722 | 1,500 | 778 | — | — | 117,684 |
| Fairly good | 44,492 | 55,189 | 26,682 | 6,216 | 3,984 | 1,507 | — | — | 138,070 |
| Fair | 28,779 | 36,794 | 22,266 | 7,014 | 4,808 | 1,908 | — | — | 101,569 |
| Marginal | 6,359 | 8,956 | 7,715 | 3,322 | 2,832 | 1,844 | — | — | 31,028 |
| Total | <u>\$ 144,649</u> | <u>\$ 179,264</u> | <u>\$ 87,943</u> | <u>\$ 32,238</u> | <u>\$ 15,919</u> | <u>\$ 8,497</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 468,510</u> |

¹ Credit ratings with a FICO score greater than 739 are considered Very Good, FICO scores ranging from 670-739 are considered Good, FICO scores ranging from 625-669 are considered Fairly Good, FICO scores ranging from 580-624 are considered Fair and FICO scores less than 580 are considered Marginal.

The following table details the current period gross charge-offs of loans by year of origination for the nine months ended September 30, 2024:

| (Dollars in thousands) | Current Period Gross Charge-offs by Origination Year | | | | | | Revolving Loans | Revolving Loans Converted to Term | Total |
|---|--|-----------------|-----------------|-----------------|---------------|---------------|--------------------|--|------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | | | |
| Residential mortgage | \$ 3 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 3 |
| Other consumer ¹ | 204 | 19 | 5 | — | — | 62 | — | — | 290 |
| Consumer finance - automobiles | 367 | 2,275 | 5,053 | 2,691 | 457 | 573 | — | — | 11,416 |
| Consumer finance - marine and recreational vehicles | — | 56 | 160 | 34 | 27 | 14 | — | — | 291 |
| Total | <u>\$ 574</u> | <u>\$ 2,350</u> | <u>\$ 5,218</u> | <u>\$ 2,725</u> | <u>\$ 484</u> | <u>\$ 649</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 12,000</u> |

¹ Gross charge-offs of other consumer loans for the nine months ended September 30, 2024 included \$193,000 of demand deposit overdrafts that originated in 2024.

The following table details the current period gross charge-offs of loans by year of origination for the nine months ended September 30, 2023:

| (Dollars in thousands) | Current Period Gross Charge-offs by Origination Year | | | | | | Revolving Loans | | Total |
|---|--|-----------------|-----------------|---------------|---------------|---------------|-----------------|-------------------|-----------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans | Converted to Term | |
| Commercial business | \$ — | \$ 16 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 16 |
| Equity lines | — | — | — | — | — | 8 | — | — | 8 |
| Other consumer ¹ | 199 | 25 | — | 3 | 2 | 3 | — | — | 232 |
| Consumer finance - automobiles | 490 | 4,396 | 2,628 | 583 | 477 | 567 | — | — | 9,141 |
| Consumer finance - marine and recreational vehicles | — | 82 | — | 40 | 6 | 37 | — | — | 165 |
| Total | <u>\$ 689</u> | <u>\$ 4,519</u> | <u>\$ 2,628</u> | <u>\$ 626</u> | <u>\$ 485</u> | <u>\$ 615</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 9,562</u> |

¹ Gross charge-offs of other consumer loans for the nine months ended September 30, 2023 included \$199,000 of demand deposit overdrafts that originated in 2023.

Gross charge-offs increased for the nine months ended September 30, 2024 compared to the same period in 2023 due primarily to higher charge-offs within the consumer finance-automobile portfolio segment as a result of an increase in the number of delinquent loans and repossessions and a higher average charge-off per unit as a result of larger loan amounts due to higher automobile values during 2020 and 2021 and a decline in wholesale values of used automobiles since then.

As of September 30, 2024 and December 31, 2023, the Corporation had no collateral dependent loans for which repayment was expected to be derived substantially through the operation or sale of the collateral and where the borrower is experiencing financial difficulty.

NOTE 5: Goodwill and Other Intangible Assets

The carrying amount of goodwill was \$25.19 million at September 30, 2024 and December 31, 2023. There were no changes in the recorded balance of goodwill during the three and nine months ended September 30, 2024 or 2023.

The Corporation had \$1.21 million and \$1.41 million of other intangible assets as of September 30, 2024 and December 31, 2023, respectively. Other intangible assets were recognized in connection with the core deposits acquired from Peoples Bankshares, Incorporated in 2020 and customer relationships acquired by C&F Wealth Management in 2016. The following table summarizes the gross carrying amounts and accumulated amortization of other intangible assets:

| (Dollars in thousands) | September 30, 2024 | | December 31, 2023 | |
|--------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Amortizable intangible assets: | | | | |
| Core deposit intangibles | \$ 1,711 | \$ (673) | \$ 1,711 | \$ (588) |
| Other amortizable intangibles | 1,405 | (1,232) | 1,405 | (1,121) |
| Total | <u>\$ 3,116</u> | <u>\$ (1,905)</u> | <u>\$ 3,116</u> | <u>\$ (1,709)</u> |

Amortization expense was \$66,000 and \$68,000 for the three months ended September 30, 2024 and 2023, respectively, and \$196,000 and \$204,000 for the nine months ended September 30, 2024 and 2023, respectively.

NOTE 6: Equity, Other Comprehensive Income (Loss) and Earnings Per Share
Equity and Noncontrolling Interest

The Board of Directors authorized a program, effective January 1, 2024, to repurchase up to \$ 10.00 million of the Corporation's common stock through December 31, 2024 (the 2024 Repurchase Program). During the three and nine months ended September 30, 2024, the Corporation repurchased \$3.24 million and \$7.27 million, respectively, of its common stock under the 2024 Repurchase Program. As of September 30, 2024, there was \$2.73 million remaining available for repurchases of the Corporation's common stock under the 2024 Repurchase Program. The Corporation's previous share repurchase program, which was authorized by the Board of Directors in December 2022, expired on December 31, 2023. The Corporation repurchased \$1.31 million and \$5.85 million, respectively, under the previous share repurchase program during the three and nine months ended September 30, 2023.

Additionally during the nine months ended September 30, 2024 and 2023, the Corporation withheld 9,316 shares and 7,765 shares of its common stock, respectively, from employees to satisfy tax withholding obligations upon vesting of restricted stock.

Noncontrolling interest represents an ownership interest in C&F Select LLC, a subsidiary of C&F Mortgage, held by an unrelated investor.

Accumulated Other Comprehensive Income (Loss), Net

Changes in each component of accumulated other comprehensive loss were as follows for the three months ended September 30, 2024 and 2023:

| <i>(Dollars in thousands)</i> | Securities Available For Sale | Defined Benefit Plan | Cash Flow Hedges | Total |
|---|-------------------------------------|----------------------------|------------------------|-------------|
| Accumulated other comprehensive (loss) income at June 30, 2024 | \$ (25,439) | \$ (2,736) | \$ 1,076 | \$ (27,099) |
| Other comprehensive income (loss) arising during the period | 10,453 | — | (864) | 9,589 |
| Related income tax effects | (2,195) | — | 222 | (1,973) |
| | 8,258 | — | (642) | 7,616 |
| Reclassifications into net income | — | 20 | — | 20 |
| Related income tax effects | — | (4) | — | (4) |
| | — | 16 | — | 16 |
| Other comprehensive income (loss), net of tax | 8,258 | 16 | (642) | 7,632 |
| Accumulated other comprehensive (loss) income at September 30, 2024 | \$ (17,181) | \$ (2,720) | \$ 434 | \$ (19,467) |
| | Securities Available For Sale | Defined Benefit Plan | Cash Flow Hedges | Total |
| Accumulated other comprehensive (loss) income at June 30, 2023 | \$ (33,635) | \$ (3,195) | \$ 1,424 | \$ (35,406) |
| Other comprehensive (loss) income arising during the period | (7,369) | — | 179 | (7,190) |
| Related income tax effects | 1,548 | — | (45) | 1,503 |
| | (5,821) | — | 134 | (5,687) |
| Reclassifications into net income | — | 25 | (1) | 24 |
| Related income tax effects | — | (5) | — | (5) |
| | — | 20 | (1) | 19 |
| Other comprehensive (loss) income, net of tax | (5,821) | 20 | 133 | (5,668) |
| Accumulated other comprehensive (loss) income at September 30, 2023 | \$ (39,456) | \$ (3,175) | \$ 1,557 | \$ (41,074) |

Changes in each component of accumulated other comprehensive loss were as follows for the nine months ended September 30, 2024 and 2023:

| <i>(Dollars in thousands)</i> | Securities Available For Sale | Defined Benefit Plan | Cash Flow Hedges | Total |
|---|-------------------------------------|----------------------------|------------------------|--------------------|
| Accumulated other comprehensive (loss) income at December 31, 2023 | \$ (25,002) | \$ (2,752) | \$ 1,067 | \$ (26,687) |
| Other comprehensive income (loss) arising during the period | 9,900 | — | (847) | 9,053 |
| Related income tax effects | (2,079) | — | 218 | (1,861) |
| | <u>7,821</u> | <u>—</u> | <u>(629)</u> | <u>7,192</u> |
| Reclassifications into net income | — | 40 | (5) | 35 |
| Related income tax effects | — | (8) | 1 | (7) |
| | <u>—</u> | <u>32</u> | <u>(4)</u> | <u>28</u> |
| Other comprehensive income (loss), net of tax | <u>7,821</u> | <u>32</u> | <u>(633)</u> | <u>7,220</u> |
| Accumulated other comprehensive (loss) income at September 30, 2024 | <u>\$ (17,181)</u> | <u>\$ (2,720)</u> | <u>\$ 434</u> | <u>\$ (19,467)</u> |

| <i>(Dollars in thousands)</i> | Securities Available For Sale | Defined Benefit Plan | Cash Flow Hedges | Total |
|---|-------------------------------------|----------------------------|------------------------|--------------------|
| Accumulated other comprehensive (loss) income at December 31, 2022 | \$ (35,184) | \$ (3,236) | \$ 1,462 | \$ (36,958) |
| Other comprehensive income (loss) arising during the period | (5,413) | — | 131 | (5,282) |
| Related income tax effects | 1,137 | — | (32) | 1,105 |
| | <u>(4,276)</u> | <u>—</u> | <u>99</u> | <u>(4,177)</u> |
| Reclassifications into net income | 5 | 77 | (5) | 77 |
| Related income tax effects | (1) | (16) | 1 | (16) |
| | <u>4</u> | <u>61</u> | <u>(4)</u> | <u>61</u> |
| Other comprehensive income (loss), net of tax | <u>(4,272)</u> | <u>61</u> | <u>95</u> | <u>(4,116)</u> |
| Accumulated other comprehensive (loss) income at September 30, 2023 | <u>\$ (39,456)</u> | <u>\$ (3,175)</u> | <u>\$ 1,557</u> | <u>\$ (41,074)</u> |

The following table provides information regarding reclassifications from accumulated other comprehensive loss into net income for the three and nine months ended September 30, 2024 and 2023:

| <i>(Dollars in thousands)</i> | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | | <u>Line Item In the Consolidated</u> <u>Statements of Income</u> |
|---|---|-------------|--|-------------|--|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> | |
| Securities available for sale: | | | | | |
| Reclassification of net realized losses into net income | \$ — | \$ — | \$ — | \$ (5) | Net losses on sales, maturities and calls of available for sale securities |
| Related income tax effects | — | — | — | 1 | Income tax expense |
| | — | — | — | (4) | Net of tax |
| Defined benefit plan: ¹ | | | | | |
| Reclassification of recognized net actuarial losses into net income | (38) | (42) | (92) | (128) | Noninterest expenses - Other |
| Amortization of prior service credit into net income | 18 | 17 | 52 | 51 | Noninterest expenses - Other |
| Related income tax effects | 4 | 5 | 8 | 16 | Income tax expense |
| | (16) | (20) | (32) | (61) | Net of tax |
| Cash flow hedges: | | | | | |
| Amortization of hedging gains into net income | — | 1 | 5 | 5 | Interest expense - Trust preferred capital notes |
| Related income tax effects | — | — | (1) | (1) | Income tax expense |
| | — | 1 | 4 | 4 | Net of tax |
| Total reclassifications into net income | \$ (16) | \$ (19) | \$ (28) | \$ (61) | |

¹ See "Note 8: Employee Benefit Plans," for additional information.

Earnings Per Share (EPS)

The components of the Corporation's EPS calculations are as follows:

| <i>(Dollars in thousands)</i> | <u>Three Months Ended September 30,</u> | |
|---|---|-------------|
| | <u>2024</u> | <u>2023</u> |
| Net income attributable to C&F Financial Corporation | \$ 5,389 | \$ 5,789 |
| Weighted average shares outstanding—basic and diluted | 3,258,420 | 3,391,624 |

| <i>(Dollars in thousands)</i> | <u>Nine Months Ended September 30,</u> | |
|---|--|-------------|
| | <u>2024</u> | <u>2023</u> |
| Net income attributable to C&F Financial Corporation | \$ 13,797 | \$ 18,536 |
| Weighted average shares outstanding—basic and diluted | 3,323,942 | 3,426,845 |

The Corporation has applied the two-class method of computing basic and diluted EPS for each period presented because the Corporation's unvested restricted shares outstanding contain rights to nonforfeitable dividends equal to dividends on the Corporation's common stock. Accordingly, the weighted average number of shares used in the calculation of basic and diluted EPS includes both vested and unvested shares outstanding.

NOTE 7: Share-Based Plans

As permitted under the 2022 Stock and Incentive Compensation Plan, and previously under the 2013 Stock and Incentive Compensation Plan until April 19, 2022, the Corporation awards shares of restricted stock to certain key employees, non-employee directors and consultants. Restricted shares awarded to employees generally vest over periods up to five years, and restricted shares awarded to non-employee directors generally vest over periods up to three years. A summary of the activity for restricted stock awards for the periods indicated is presented below:

| | 2024 | |
|------------------------------|----------|--|
| | Shares | Weighted-Average Grant Date Fair Value |
| Unvested, December 31, 2023 | 135,694 | \$ 52.13 |
| Granted | 17,975 | 46.81 |
| Vested | (32,061) | 49.13 |
| Forfeited | (1,435) | 53.69 |
| Unvested, September 30, 2024 | 120,173 | 52.12 |

| | 2023 | |
|------------------------------|----------|--|
| | Shares | Weighted-Average Grant Date Fair Value |
| Unvested, December 31, 2022 | 145,677 | \$ 48.88 |
| Granted | 18,540 | 57.32 |
| Vested | (30,043) | 51.53 |
| Forfeited | (3,545) | 49.37 |
| Unvested, September 30, 2023 | 130,629 | 55.36 |

The fair value of shares that vested during the three and nine months ended September 30, 2024 was \$ 19,000 and \$1.68 million, respectively. The fair value of shares that vested during the three and nine months ended September 30, 2023 was \$232,000 and \$1.73 million, respectively. Share-based compensation expense, net of forfeitures, for the three and nine months ended September 30, 2024 was \$485,000 (\$347,000 after tax) and \$1.46 million (\$1.01 million after tax), respectively, for restricted stock granted during 2019 through 2024. Share-based compensation expense, net of forfeitures, for the three and nine months ended September 30, 2023 was \$581,000 (\$412,000 after tax) and \$1.51 million (\$1.02 million after tax), respectively, for restricted stock granted during 2018 through 2023. As of September 30, 2024, there was \$2.98 million of total unrecognized compensation expense related to unvested restricted stock that will be recognized over the remaining requisite service periods.

NOTE 8: Employee Benefit Plans

The following table summarizes the components of net periodic benefit cost for the Bank's non-contributory cash balance pension plan.

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|--------|---------------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Components of net periodic benefit cost: | | | | |
| Service cost, included in salaries and employee benefits | \$ 339 | \$ 344 | \$ 1,076 | \$ 1,032 |
| Other components of net periodic benefit cost: | | | | |
| Interest cost | 203 | 182 | 582 | 546 |
| Expected return on plan assets | (346) | (321) | (1,031) | (963) |
| Amortization of prior service credit | (18) | (17) | (52) | (51) |
| Recognized net actuarial losses | 38 | 42 | 92 | 128 |
| Other components of net periodic benefit cost, included in other noninterest expense | (123) | (114) | (409) | (340) |
| Net periodic benefit cost | \$ 216 | \$ 230 | \$ 667 | \$ 692 |

NOTE 9: Fair Value of Assets and Liabilities

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels. These levels are:

- Level 1—Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 assets and liabilities include debt securities traded in an active exchange market, as well as U.S. Treasury securities.
- Level 2—Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Valuation is determined using model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Corporation's estimates of assumptions that market participants would use in pricing the respective asset or liability. Valuation techniques may include the use of pricing models, discounted cash flow models and similar techniques.

GAAP allows an entity the irrevocable option to elect fair value (the fair value option) for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The Corporation has elected to use fair value accounting for its entire portfolio of loans held for sale (LHFS).

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following describes the valuation techniques and inputs used by the Corporation in determining the fair value of certain assets recorded at fair value on a recurring basis in the financial statements.

Securities available for sale. The Corporation primarily values its investment portfolio using Level 2 fair value measurements, but may also use Level 1 or Level 3 measurements if required by the composition of the portfolio. At September 30, 2024 and December 31, 2023, the Corporation's entire securities portfolio was comprised of investments in debt securities classified as available for sale, which were valued using Level 2 fair value measurements. The Corporation has contracted with third party portfolio accounting service vendors for valuation of its securities portfolio. The vendors' sources for security valuation are ICE Data Services (ICE), Refinitiv, and Bloomberg Valuation Service (BVAL). Each source provides opinions, known as evaluated prices, as to the value of individual securities based on model-based pricing techniques that are partially based on available market data, including prices for similar instruments in active markets and prices for identical assets in markets that are not active. ICE provides evaluated prices for the Corporation's obligations of states and political subdivisions category of securities. ICE uses proprietary pricing models and pricing systems, mathematical tools and judgment to determine an evaluated price for a security based upon a hierarchy of market information regarding that security or securities with similar characteristics. Refinitiv and BVAL provide evaluated prices for the Corporation's U.S. treasury, government agencies and corporations, mortgage-backed, and corporate categories of securities. U.S. treasury securities and fixed-rate callable securities of U.S. government agencies and corporations are individually evaluated on an option adjusted spread basis for callable issues or on a nominal spread basis incorporating the term structure of agency market spreads and the appropriate risk free benchmark curve for non-callable issues. Pass-through mortgage-backed securities (MBS) in the mortgage-backed category are grouped into aggregate categories defined by issuer program, weighted average coupon, and weighted average maturity. Each aggregate is benchmarked to relative to-be-announced mortgage-backed securities (TBA securities) or other benchmark prices. TBA securities prices are obtained from market makers and live trading systems. Collateralized mortgage obligations in the mortgage-backed category are individually evaluated based upon a hierarchy of security specific information and market data regarding that security or securities with similar characteristics. Each evaluation is determined using an option adjusted spread and prepayment model based on volatility-driven, multi-dimensional spread tables. Fixed-rate securities issued by the Small Business Association in the mortgage backed category are individually evaluated based upon a hierarchy of security specific information and market data regarding that security or securities with similar characteristics.

Other investments. The Corporation holds equity investments in funds that provide debt and equity financing to small businesses. These investments are recorded at fair value and included in other assets in the Consolidated Balance Sheets. Changes in fair value are recognized in net income. The funds are managed by investment companies, and the net asset value of each fund is reported regularly by the investment companies. At September 30, 2024 and December 31, 2023, the combined fair value of these investments was \$1.63 million and \$1.93 million, respectively.

These investments, measured at net asset value, are not presented in the tables below related to fair value measurements. Changes in fair value of these investments resulted in the recognition of unrealized gains of \$140,000 and \$238,000 for the three and nine months ended September 30, 2024, respectively, and unrealized gains of \$ 72,000 and \$270,000 for the same periods in 2023.

The Corporation also holds certain equity investments consisting of equity interests in an independent insurance agency and a full service title and settlement agency (collectively, the agencies). These investments are subject to contractual sale restrictions that only permit the sale of the investments back to the agencies themselves. These investments are recorded at fair value and included in other assets in the Consolidated Balance Sheets. At September 30, 2024 and December 31, 2023, the fair value of these investments was \$3.92 million and \$3.75 million, respectively. These investments are recorded at fair value based on the contractual redemption value of the Corporation's proportionate share of the agencies' equity. Changes in fair value are recognized in net income and resulted in the recognition of unrealized gains of \$194,000 and \$433,000 for the three and nine months ended September 30, 2024, respectively, and unrealized gains of \$137,000 and \$210,000 for the same periods in 2023. The Corporation's investments in these agencies are classified as Level 2.

Loans held for sale. Fair value of the Corporation's LHFS is based on observable market prices for similar instruments traded in the secondary mortgage loan markets in which the Corporation conducts business. The Corporation's portfolio of LHFS is classified as Level 2.

Derivative asset - IRLCs. The Corporation recognizes IRLCs at fair value. Fair value of IRLCs is based on either (i) the price of the underlying loans obtained from an investor for loans that will be delivered on a best efforts basis or (ii) the observable price for individual loans traded in the secondary market for loans that will be delivered on a mandatory basis. All of the Corporation's IRLCs are classified as Level 2.

Derivative asset/liability – interest rate swaps on loans. The Corporation recognizes interest rate swaps at fair value. The Corporation has contracted with a third party vendor to provide valuations for these interest rate swaps using the discounted cash flow method. All of the Corporation's interest rate swaps on loans are classified as Level 2.

Derivative asset/liability – cash flow hedges. The Corporation recognizes cash flow hedges at fair value. The Corporation has contracted with a third party vendor to provide valuations for these cash flow hedges using the discounted cash flow method. All of the Corporation's cash flow hedges are classified as Level 2.

The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis. The fair value of forward sales of mortgage loans were not material to the consolidated financial statements of the Corporation at September 30, 2024 or December 31, 2023.

| | September 30, 2024 | | | |
|--|---------------------------------------|------------|---------|-----------------------|
| | Fair Value Measurements Classified as | | | Assets/Liabilities at |
| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Fair Value |
| Assets: | | | | |
| Securities available for sale | | | | |
| U.S. Treasury securities | \$ — | \$ 10,684 | \$ — | \$ 10,684 |
| U.S. government agencies and corporations | — | 63,669 | — | 63,669 |
| Mortgage-backed securities | — | 166,977 | — | 166,977 |
| Obligations of states and political subdivisions | — | 147,176 | — | 147,176 |
| Corporate and other debt securities | — | 20,539 | — | 20,539 |
| Total securities available for sale | — | 409,045 | — | 409,045 |
| Loans held for sale | — | 44,677 | — | 44,677 |
| Other investments | — | 3,919 | — | 3,919 |
| Derivatives | | | | |
| IRLC | — | 714 | — | 714 |
| Interest rate swaps on loans | — | 4,900 | — | 4,900 |
| Cash flow hedges | — | 865 | — | 865 |
| Total assets | \$ — | \$ 464,120 | \$ — | \$ 464,120 |
| Liabilities: | | | | |
| Derivatives | | | | |
| Interest rate swaps on loans | \$ — | \$ 4,900 | \$ — | \$ 4,900 |
| Cash flow hedges | — | 305 | — | 305 |
| Total liabilities | \$ — | \$ 5,205 | \$ — | \$ 5,205 |

| | December 31, 2023 | | | |
|--|---------------------------------------|------------|---------|-----------------------|
| | Fair Value Measurements Classified as | | | Assets/Liabilities at |
| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Fair Value |
| Assets: | | | | |
| Securities available for sale | | | | |
| U.S. Treasury securities | \$ — | \$ 45,103 | \$ — | \$ 45,103 |
| U.S. government agencies and corporations | — | 87,094 | — | 87,094 |
| Mortgage-backed securities | — | 161,696 | — | 161,696 |
| Obligations of states and political subdivisions | — | 147,111 | — | 147,111 |
| Corporate and other debt securities | — | 21,440 | — | 21,440 |
| Total securities available for sale | — | 462,444 | — | 462,444 |
| Loans held for sale | — | 14,176 | — | 14,176 |
| Other investments | — | 3,751 | — | 3,751 |
| Derivatives | | | | |
| IRLC | — | 335 | — | 335 |
| Interest rate swaps on loans | — | 6,110 | — | 6,110 |
| Cash flow hedges | — | 1,415 | — | 1,415 |
| Total assets | \$ — | \$ 488,231 | \$ — | \$ 488,231 |
| Liabilities: | | | | |
| Derivatives | | | | |
| Interest rate swaps on loans | \$ — | \$ 6,110 | \$ — | \$ 6,110 |
| Total liabilities | \$ — | \$ 6,110 | \$ — | \$ 6,110 |

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Corporation may be required, from time to time, to measure and recognize certain assets at fair value on a nonrecurring basis in accordance with GAAP. As of September 30, 2024 and December 31, 2023, the Corporation had no assets or liabilities recorded at fair value on a nonrecurring basis.

Fair Value of Financial Instruments

FASB ASC 825, *Financial Instruments*, requires disclosure about fair value of financial instruments, including those financial assets and financial liabilities that are not required to be measured and reported at fair value on a recurring or nonrecurring basis. ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Corporation. The Corporation uses the exit price notion in calculating the fair values of financial instruments not measured at fair value on a recurring basis.

The following tables reflect the carrying amounts and estimated fair values of the Corporation's financial instruments whether or not recognized on the Consolidated Balance Sheets at fair value.

| (Dollars in thousands) | Carrying | Fair Value Measurements at September 30, 2024 Classified as | | | Total Fair |
|---------------------------------|-----------|---|----------|-----------|------------|
| | Value | Level 1 | Level 2 | Level 3 | Value |
| Financial assets: | | | | | |
| Cash and short-term investments | \$ 50,703 | \$ 49,193 | \$ 1,510 | \$ — | \$ 50,703 |
| Securities available for sale | 409,045 | — | 409,045 | — | 409,045 |
| Loans, net | 1,868,638 | — | — | 1,823,821 | 1,823,821 |
| Loans held for sale | 44,677 | — | 44,677 | — | 44,677 |
| Other investments | 3,919 | — | 3,919 | — | 3,919 |
| Derivatives | | | | | |
| IRLC | 714 | — | 714 | — | 714 |
| Interest rate swaps on loans | 4,900 | — | 4,900 | — | 4,900 |
| Cash flow hedges | 865 | — | 865 | — | 865 |
| Bank-owned life insurance | 21,827 | — | 21,827 | — | 21,827 |
| Accrued interest receivable | 10,198 | 10,198 | — | — | 10,198 |
| Financial liabilities: | | | | | |
| Demand and savings deposits | 1,325,040 | 1,325,040 | — | — | 1,325,040 |
| Time deposits | 810,851 | — | 807,686 | — | 807,686 |
| Borrowings | 134,076 | — | 125,192 | — | 125,192 |
| Derivatives | | | | | |
| Interest rate swaps on loans | 4,900 | — | 4,900 | — | 4,900 |
| Cash flow hedges | 305 | — | 305 | — | 305 |
| Accrued interest payable | 3,967 | 3,967 | — | — | 3,967 |

| <i>(Dollars in thousands)</i> | Carrying Value | Fair Value Measurements at December 31, 2023 Classified as | | | | Total Fair Value |
|---------------------------------|----------------|--|----------|-----------|-----------|------------------|
| | | Level 1 | Level 2 | Level 3 | | |
| Financial assets: | | | | | | |
| Cash and short-term investments | \$ 77,403 | \$ 75,159 | \$ 2,244 | \$ — | \$ 77,403 | |
| Securities available for sale | 462,444 | — | 462,444 | — | 462,444 | |
| Loans, net | 1,702,488 | — | — | 1,643,462 | 1,643,462 | |
| Loans held for sale | 14,176 | — | 14,176 | — | 14,176 | |
| Other investments | 3,751 | — | 3,751 | — | 3,751 | |
| Derivatives | | | | | | |
| IRLC | 335 | — | 335 | — | 335 | |
| Interest rate swaps on loans | 6,110 | — | 6,110 | — | 6,110 | |
| Cash flow hedges | 1,415 | — | 1,415 | — | 1,415 | |
| Bank-owned life insurance | 21,464 | — | 21,464 | — | 21,464 | |
| Accrued interest receivable | 10,398 | 10,398 | — | — | 10,398 | |
| Financial liabilities: | | | | | | |
| Demand and savings deposits | 1,392,931 | 1,392,931 | — | — | 1,392,931 | |
| Time deposits | 673,199 | — | 668,965 | — | 668,965 | |
| Borrowings | 103,618 | — | 90,120 | — | 90,120 | |
| Derivatives | | | | | | |
| Interest rate swaps on loans | 6,110 | — | 6,110 | — | 6,110 | |
| Accrued interest payable | 3,493 | 3,493 | — | — | 3,493 | |

NOTE 10: Business Segments

The Corporation operates in a decentralized fashion in three business segments: community banking, mortgage banking and consumer finance. The community banking segment comprises C&F Bank, C&F Wealth Management, C&F Insurance and CVB Title. Revenues from community banking operations consist primarily of net interest income related to investments in loans and securities and outstanding deposits and borrowings, fees earned on deposit accounts, debit card interchange activity, and net revenues from offering wealth management services and insurance products through third-party service providers. Through C&F Mortgage, mortgage banking operating revenues consist principally of gains on sales of loans in the secondary market, mortgage banking fee income related to loan originations, fees earned by providing mortgage loan origination functions to third-party lenders, and net interest income on mortgage loans held for sale. Revenues from consumer finance operations through C&F Finance consist primarily of net interest income earned on purchased retail installment sales contracts.

The standalone Corporation's revenues and expenses are comprised primarily of interest expense associated with the Corporation's trust preferred capital notes and subordinated debt, general corporate expenses, and changes in the value of the rabbi trust and deferred compensation liability related to its nonqualified deferred compensation plan. The results of the Corporation, which includes funding and operating costs that are not allocated to the business segments, are included in the column labeled "Other" in the tables below.

| | Three Months Ended September 30, 2024 | | | | | |
|-------------------------------|---------------------------------------|---------------------|---------------------|----------|--------------|--------------|
| <i>(Dollars in thousands)</i> | Community Banking | Mortgage Banking | Consumer Finance | Other | Eliminations | Consolidated |
| Interest income | \$ 29,087 | \$ 597 | \$ 12,676 | \$ — | \$ (6,229) | \$ 36,131 |
| Interest expense | 10,822 | 307 | 6,025 | 621 | (6,333) | 11,442 |
| Net interest income | 18,265 | 290 | 6,651 | (621) | 104 | 24,689 |
| Gain on sales of loans | — | 1,704 | — | — | 121 | 1,825 |
| Other noninterest income | 4,599 | 1,203 | 197 | 1,020 | (72) | 6,947 |
| Net revenue | 22,864 | 3,197 | 6,848 | 399 | 153 | 33,461 |
| Provision for credit losses | 700 | — | 3,000 | — | — | 3,700 |
| Noninterest expense | 15,587 | 2,725 | 3,418 | 1,378 | (17) | 23,091 |
| Income (loss) before taxes | 6,577 | 472 | 430 | (979) | 170 | 6,670 |
| Income tax expense (benefit) | 1,240 | 121 | 119 | (265) | 35 | 1,250 |
| Net income (loss) | \$ 5,337 | \$ 351 | \$ 311 | \$ (714) | \$ 135 | \$ 5,420 |
| Other data: | | | | | | |
| Capital expenditures | \$ 2,026 | \$ 6 | \$ — | \$ — | \$ — | \$ 2,032 |
| Depreciation and amortization | \$ 843 | \$ 18 | \$ 84 | \$ — | \$ — | \$ 945 |

| Three Months Ended September 30, 2023 | | | | | | |
|---------------------------------------|----------------------|---------------------|---------------------|----------|--------------|--------------|
| <i>(Dollars in thousands)</i> | Community Banking | Mortgage Banking | Consumer Finance | Other | Eliminations | Consolidated |
| Interest income | \$ 25,066 | \$ 517 | \$ 12,020 | \$ — | \$ (5,917) | \$ 31,686 |
| Interest expense | 6,675 | 232 | 5,748 | 548 | (5,979) | 7,224 |
| Net interest income | 18,391 | 285 | 6,272 | (548) | 62 | 24,462 |
| Gain on sales of loans | — | 1,198 | — | — | 22 | 1,220 |
| Other noninterest income | 4,415 | 1,144 | (19) | (496) | (50) | 4,994 |
| Net revenue | 22,806 | 2,627 | 6,253 | (1,044) | 34 | 30,676 |
| Provision for loan losses | 500 | — | 1,550 | — | — | 2,050 |
| Noninterest expense | 15,323 | 2,631 | 3,761 | (172) | (17) | 21,526 |
| Income (loss) before taxes | 6,983 | (4) | 942 | (872) | 51 | 7,100 |
| Income tax expense (benefit) | 1,298 | 1 | 260 | (246) | 10 | 1,323 |
| Net income (loss) | \$ 5,685 | \$ (5) | \$ 682 | \$ (626) | \$ 41 | \$ 5,777 |
| Other data: | | | | | | |
| Capital expenditures | \$ 251 | \$ 12 | \$ 146 | \$ — | \$ — | \$ 409 |
| Depreciation and amortization | \$ 838 | \$ 18 | \$ 100 | \$ — | \$ — | \$ 956 |

| Nine Months Ended September 30, 2024 | | | | | | |
|--------------------------------------|----------------------|---------------------|---------------------|------------|--------------|--------------|
| <i>(Dollars in thousands)</i> | Community Banking | Mortgage Banking | Consumer Finance | Other | Eliminations | Consolidated |
| Interest income | \$ 82,691 | \$ 1,411 | \$ 37,084 | \$ — | \$ (18,035) | \$ 103,151 |
| Interest expense | 29,768 | 595 | 17,722 | 1,708 | (18,317) | 31,476 |
| Net interest income | 52,923 | 816 | 19,362 | (1,708) | 282 | 71,675 |
| Gain on sales of loans | — | 5,048 | — | — | (234) | 4,814 |
| Other noninterest income | 12,874 | 3,443 | 678 | 1,979 | (200) | 18,774 |
| Net revenue | 65,797 | 9,307 | 20,040 | 271 | (152) | 95,263 |
| Provision for loan losses | 1,650 | — | 8,100 | — | — | 9,750 |
| Noninterest expense | 47,153 | 7,938 | 10,363 | 3,208 | (48) | 68,614 |
| Income (loss) before taxes | 16,994 | 1,369 | 1,577 | (2,937) | (104) | 16,899 |
| Income tax expense (benefit) | 3,074 | 348 | 435 | (825) | (22) | 3,010 |
| Net income (loss) | \$ 13,920 | \$ 1,021 | \$ 1,142 | \$ (2,112) | \$ (82) | \$ 13,889 |
| Other data: | | | | | | |
| Capital expenditures | \$ 2,842 | \$ 103 | \$ 111 | \$ — | \$ — | \$ 3,056 |
| Depreciation and amortization | \$ 2,536 | \$ 52 | \$ 253 | \$ — | \$ — | \$ 2,841 |

| | Nine Months Ended September 30, 2023 | | | | | |
|-------------------------------|--------------------------------------|----------|-----------|------------|--------------|--------------|
| | Community | Mortgage | Consumer | | | |
| <i>(Dollars in thousands)</i> | Banking | Banking | Finance | Other | Eliminations | Consolidated |
| Interest income | \$ 72,531 | \$ 1,312 | \$ 35,313 | \$ — | \$ (17,427) | \$ 91,729 |
| Interest expense | 16,268 | 513 | 17,060 | 1,696 | (17,573) | 17,964 |
| Net interest income | 56,263 | 799 | 18,253 | (1,696) | 146 | 73,765 |
| Gain on sales of loans | — | 4,983 | — | — | (53) | 4,930 |
| Other noninterest income | 12,759 | 3,413 | 25 | 840 | (155) | 16,882 |
| Net revenue | 69,022 | 9,195 | 18,278 | (856) | (62) | 95,577 |
| Provision for loan losses | 1,550 | — | 4,250 | — | — | 5,800 |
| Noninterest expense | 45,649 | 8,459 | 10,909 | 1,839 | (46) | 66,810 |
| Income (loss) before taxes | 21,823 | 736 | 3,119 | (2,695) | (16) | 22,967 |
| Income tax expense (benefit) | 4,081 | 168 | 858 | (790) | (8) | 4,309 |
| Net income (loss) | \$ 17,742 | \$ 568 | \$ 2,261 | \$ (1,905) | \$ (8) | \$ 18,658 |
| Other data: | | | | | | |
| Capital expenditures | \$ 861 | \$ 12 | \$ 146 | \$ — | \$ — | \$ 1,019 |
| Depreciation and amortization | \$ 2,558 | \$ 61 | \$ 300 | \$ — | \$ — | \$ 2,919 |

| | Community | Mortgage | Consumer | | | |
|------------------------------------|--------------|-----------|------------|-----------|--------------|--------------|
| <i>(Dollars in thousands)</i> | Banking | Banking | Finance | Other | Eliminations | Consolidated |
| Total assets at September 30, 2024 | \$ 2,435,009 | \$ 52,431 | \$ 485,201 | \$ 31,078 | \$ (452,815) | \$ 2,550,904 |
| Total assets at December 31, 2023 | \$ 2,319,810 | \$ 22,177 | \$ 476,671 | \$ 35,581 | \$ (415,741) | \$ 2,438,498 |

The community banking segment extends two warehouse lines of credit to the mortgage banking segment, providing a portion of the funds needed to originate mortgage loans. The community banking segment charges the mortgage banking segment interest at the daily FHLB advance rate plus a spread ranging from 50 basis points to 175 basis points. The community banking segment also provides the consumer finance segment with a portion of the funds needed to purchase loan contracts by means of variable rate notes that carry interest at one-month term SOFR plus 211.5 basis points, with a floor of 3.5 percent and a ceiling of 6.0 percent, and fixed rate notes that carry interest at rates ranging from 3.8 percent to 4.0 percent. The community banking segment acquires certain residential real estate loans from the mortgage banking segment at prices similar to those paid by third-party investors. These transactions are eliminated to reach consolidated totals. In addition to unallocated expenses recorded by the holding company, certain overhead costs are incurred by the community banking segment and are not allocated to the mortgage banking and consumer finance segments.

NOTE 11: Commitments and Contingent Liabilities

The Corporation enters into commitments to extend credit in the normal course of business to meet the financing needs of its customers, including loan commitments and standby letters of credit. These instruments involve elements of credit and interest rate risk in excess of the amounts recorded on the Consolidated Balance Sheets. The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit written is represented by the contractual amount of these instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Collateral is obtained based on management's credit assessment of the customer.

Loan commitments are agreements to extend credit to a customer provided that there are no violations of the terms of the contract prior to funding. Commitments have fixed expiration dates or other termination clauses and may require payment of a fee by the customer. Because many of the commitments may expire without being completely 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 loan commitments at the Bank was \$447.94 million at September 30, 2024 and \$413.53 million at December 31, 2023, which does not include IRLCs at the mortgage banking segment, which are discussed in Note 12.

Standby letters of credit are written conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The total contract amount of standby letters of credit, whose contract amounts represent credit risk, was \$18.41 million at September 30, 2024 and \$ 7.91 million at December 31, 2023.

The mortgage banking segment sells the majority of the residential mortgage loans it originates to third-party investors. Additionally, the community banking segment purchases residential mortgage loans from the mortgage banking segment under terms and conditions similar to third-party investors. As is customary in the industry, the agreements with these investors require the mortgage banking segment to extend representations and warranties with respect to program compliance, borrower misrepresentation, fraud, and early payment performance. Under the agreements, the investors are entitled to make loss claims and repurchase requests of the mortgage banking segment for loans that contain covered deficiencies. The mortgage banking segment has obtained early payment default recourse waivers for a portion of its business. Recourse periods for early payment default for the remaining investors vary from 90 days up to one year. Recourse periods for borrower misrepresentation or fraud, or underwriting error do not have a stated time limit. The mortgage banking segment maintains an allowance for indemnifications that represents management's estimate of losses that are probable of arising under these recourse provisions. As performance data for loans that have been sold is not made available to the mortgage banking segment by the investors, the estimate of potential losses is inherently subjective and is based on historical indemnification payments and management's assessment of current conditions that may contribute to indemnified losses on mortgage loans that have been sold in the secondary market. For the three and nine months ended September 30, 2024, the Corporation recorded a net reversal of provision for indemnifications of \$100,000 and \$375,000, respectively, and recorded a net reversal of provision for indemnifications of \$ 200,000 and \$435,000 for the three and nine months ended September 30, 2023, respectively, which is included in "Noninterest Expenses – Other" on the Consolidated Statements of Income. No indemnification payments were made during the three and nine months ended September 30, 2024 and 2023. The allowance for indemnifications was \$1.43 million and \$1.81 million at September 30, 2024 and December 31, 2023, respectively.

NOTE 12: Derivative Financial Instruments

The Corporation uses derivative financial instruments primarily to manage risks to the Corporation associated with changing interest rates, and to assist customers with their risk management objectives. The Corporation designates certain interest rate swaps as hedging instruments in qualifying cash flow hedges. The changes in fair value of these designated hedging instruments is reported as a component of other comprehensive income (loss). Derivative contracts that are not designated in a qualifying hedging relationship include customer accommodation loan swaps and contracts related to mortgage banking activities.

Cash flow hedges. The Corporation designates interest rate swaps as cash flow hedges when they are used to manage exposure to variability in cash flows on variable rate borrowings such as the Corporation's trust preferred capital notes. These interest rate swaps are derivative financial instruments that manage the risk of variability in cash flows by exchanging variable-rate interest payments on a notional amount of the Corporation's borrowings for fixed-rate interest payments. Interest rate swaps designated as cash flow hedges are expected to be highly effective in offsetting the effect of changes in interest rates on the amount of variable-rate interest payments, and the Corporation assesses the effectiveness of each hedging relationship quarterly. If the Corporation determines that a cash flow hedge is no longer highly effective, future changes in the fair value of the hedging instrument would be reported in earnings. As of September 30, 2024, the Corporation has designated cash flow hedges to manage its exposure to variability in cash flows on certain variable rate borrowings for periods that end between June 2026 and June 2029.

All interest rate swaps were entered into with counterparties that met the Corporation's credit standards and the agreements contain collateral provisions protecting the at-risk party. The Corporation believes that the credit risk inherent in these derivative contracts is not significant.

Unrealized gains or losses recorded in other comprehensive income (loss) related to cash flow hedges are reclassified into earnings in the same period(s) during which the hedged interest payments affect earnings. When a designated hedging instrument is terminated and the hedged interest payments remain probable of occurring, any remaining unrecognized gain or loss in other comprehensive income (loss) is reclassified into earnings in the period(s) during which the forecasted

interest payments affect earnings. Amounts reclassified into earnings and interest receivable or payable under designated interest rate swaps are reported in interest expense. The Corporation does not expect any unrealized losses related to cash flow hedges to be reclassified into earnings in the next twelve months.

Loan swaps. The Bank also enters into interest rate swaps with certain qualifying commercial loan customers to meet their interest rate risk management needs. The Bank simultaneously enters into interest rate swaps with dealer counterparties, with identical notional amounts and offsetting terms. The net result of these interest rate swaps is that the customer pays a fixed rate of interest and the Corporation receives a floating rate. These back-to-back loan swaps are derivative financial instruments and are reported at fair value in "other assets" and "other liabilities" in the Consolidated Balance Sheets. Changes in the fair value of loan swaps are recorded in other noninterest income and sum to zero because of the offsetting terms of swaps with borrowers and swaps with dealer counterparties.

Mortgage banking. The mortgage banking segment enters into IRLCs with customers to originate loans for which the interest rates are determined (or "locked") prior to funding. The mortgage banking segment is exposed to interest rate risk through fixed-rate IRLCs and mortgage loans from the time that interest rates are locked until the loans are sold in the secondary market. The mortgage banking segment mitigates this interest rate risk by entering into forward sales contracts with investors, which at times includes the community banking segment, at the time that interest rates are locked for mortgage loans to be delivered on a best efforts basis. IRLCs are derivative financial instruments and are reported at fair value in other assets and other liabilities in the Consolidated Balance Sheets, along with the changes in fair value of the related forward sales of loans. Changes in the fair value of mortgage banking derivatives are recorded as a component of gains on sales of loans.

At September 30, 2024, the mortgage banking segment had \$45.58 million of IRLCs and \$44.68 million of mortgage loans held for sale for which it managed interest rate risk using best-efforts forward sales contracts for \$90.26 million in mortgage loans.

At December 31, 2023, the mortgage banking segment had \$26.15 million of IRLCs and \$14.18 million of mortgage loans held for sale for which it managed interest rate risk using best-efforts forward sales contracts for \$40.33 million in mortgage loans.

The following tables summarize key elements of the Corporation's derivative instruments.

| September 30, 2024 | | | |
|--|--------------------|----------|-------------|
| | Notional Amount | Assets | Liabilities |
| (Dollars in thousands) | | | |
| Cash flow hedges: | | | |
| Interest rate swap contracts | \$ 25,000 | \$ 865 | \$ 305 |
| Not designated as hedges: | | | |
| Customer-related interest rate swap contracts: | | | |
| Matched interest rate swaps with borrower | 115,837 | 1,727 | 3,173 |
| Matched interest rate swaps with counterparty | 115,837 | 3,173 | 1,727 |
| Mortgage banking contracts: | | | |
| IRLCs | 45,582 | 714 | — |
| December 31, 2023 | | | |
| | Notional Amount | Assets | Liabilities |
| (Dollars in thousands) | | | |
| Cash flow hedges: | | | |
| Interest rate swap contracts | \$ 25,000 | \$ 1,415 | \$ — |
| Not designated as hedges: | | | |
| Customer-related interest rate swap contracts: | | | |
| Matched interest rate swaps with borrower | 109,638 | 1,611 | 4,499 |
| Matched interest rate swaps with counterparty | 109,638 | 4,499 | 1,611 |
| Mortgage banking contracts: | | | |
| IRLCs | 26,152 | 335 | — |

The Corporation and the Bank are required to maintain cash collateral with dealer counterparties for interest rate swap relationships in a loss position. At both September 30, 2024 and December 31, 2023, there was no cash collateral maintained with dealer counterparties.

NOTE 13: Other Noninterest Expenses

The following table presents the significant components in the Consolidated Statements of Income line "Noninterest Expenses-Other."

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Loan expenses | \$ 474 | \$ 614 | \$ 1,343 | \$ 1,760 |
| Telecommunication expenses | 372 | 344 | 1,142 | 970 |
| Travel and educational expenses | 221 | 305 | 747 | 959 |
| Postage and courier expenses | 232 | 250 | 777 | 744 |
| Licenses and taxes expense | 243 | 238 | 729 | 658 |
| Finance payment processing expense | 210 | 199 | 627 | 602 |
| Provision for indemnifications | (100) | (200) | (375) | (435) |
| Other components of net periodic pension cost | (123) | (114) | (409) | (340) |
| All other noninterest expenses | 670 | 704 | 1,918 | 1,888 |
| Total other noninterest expenses | <u>\$ 2,199</u> | <u>\$ 2,340</u> | <u>\$ 6,499</u> | <u>\$ 6,806</u> |

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

The following discussion supplements and provides information about the major components of the results of operations, financial condition, liquidity and capital resources of the Corporation. This discussion and analysis should be read in conjunction with the accompanying consolidated financial statements. For additional information regarding the Company's results for the three months ended March 31, 2024 and the three and six months ended June 30, 2024, please refer to our first and second quarter Form 10-Qs filed with the SEC on May 7, 2024 and August 2, 2024, respectively. In addition to current and historical information, the following discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our future business, financial condition or results of operations. For a description of certain factors that may have a significant impact on our future business, financial condition or results of operations, see "Cautionary Statement About Forward-Looking Statements" at the end of this discussion and analysis.

OVERVIEW

Our primary financial goals are to maximize the Corporation's earnings and to deploy capital in profitable growth initiatives that will enhance long-term shareholder value. We track three primary financial performance measures in order to assess the level of success in achieving these goals: (1) return on average assets (ROA), (2) return on average equity (ROE), and (3) growth in earnings. In addition to these financial performance measures, we track the performance of the Corporation's three business segments: community banking, mortgage banking, and consumer finance. We also actively manage our capital through growth, dividends and share repurchases, while considering the need to maintain a strong capital position.

The following table presents selected financial performance highlights for the periods indicated:

TABLE 1: Financial Performance Highlights

| <i>(Dollars in thousands, except for per share data)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-----------------|---------------------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Net Income (Loss): | | | | |
| Community Banking | \$ 5,337 | \$ 5,685 | \$ 13,920 | \$ 17,742 |
| Mortgage Banking | 351 | (5) | 1,021 | 568 |
| Consumer Finance | 311 | 682 | 1,142 | 2,261 |
| Other | (579) | (585) | (2,194) | (1,913) |
| Consolidated net income | <u>\$ 5,420</u> | <u>\$ 5,777</u> | <u>\$ 13,889</u> | <u>\$ 18,658</u> |
| Earnings per share - basic and diluted | \$ 1.65 | \$ 1.71 | \$ 4.15 | \$ 5.41 |
| Annualized return on average equity | 9.74 % | 11.28 % | 8.47 % | 12.22 % |
| Annualized return on average assets | 0.86 % | 0.96 % | 0.75 % | 1.04 % |
| Annualized return on average tangible common equity (ROTCE) | 11.16 % | 13.19 % | 9.74 % | 14.18 % |

¹ Refer to "Use of Certain Non-GAAP Financial Measures," below, for information about these non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable financial measures calculated in accordance with GAAP.

Consolidated net income decreased \$357,000 and \$4.8 million for the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023 due primarily to lower net income of the community banking segment and consumer finance segment, partially offset by higher net income of the mortgage banking segment.

A discussion of the performance of our business segments is included under the heading "Business Segments" in the "Results of Operations" section of this discussion and analysis.

Key highlights for the third quarter and first nine months of 2024 are as follows.

- Community banking segment loans grew \$158.5 million, or 16.6 percent annualized, compared to December 31, 2023;
- Consumer finance segment loans grew \$8.8 million, or 2.5 percent annualized, compared to December 31, 2023;
- Deposits increased \$69.8 million, or 4.5 percent annualized, compared to December 31, 2023;
- Consolidated annualized net interest margin was 4.13 percent for the third quarter of 2024 compared to 4.29 percent for the third quarter of 2023 and 4.12 percent in the second quarter of 2024;
- The community banking segment recorded provision for credit losses of \$700,000 and \$1.7 million for the third quarter and first nine months of 2024, respectively, compared to \$500,000 and \$1.6 million for the same periods in 2023;
- The consumer finance segment recorded provision for credit losses of \$3.0 million and \$8.1 million for the third quarter and first nine months of 2024, respectively, compared to \$1.6 million and \$4.3 million for the same periods in 2023;
- The consumer finance segment experienced net charge-offs at an annualized rate of 2.36 percent of average total loans for the first nine months of 2024, compared to 1.75 percent for the first nine months of 2023;
- Mortgage banking segment loan originations were \$157.0 million for the third quarter of 2024, an increase of \$27.3 million, or 21.1 percent, and an increase of \$11.0 million, or 7.5 percent, compared to the third quarter of 2023 and the second quarter of 2024, respectively;
- During the third quarter of 2024, the community banking segment opened a new retail banking branch in Colonial Heights, Virginia and announced the closure of its Hampton, Virginia branch in the fourth quarter of 2024.

Capital Management and Dividends

Total equity was \$228.0 million at September 30, 2024, compared to \$217.5 million at December 31, 2023. Under regulatory capital standards, the Corporation's tier 1 risk-based capital and total risk-based capital ratios at September 30, 2024 were 11.6 percent and 13.8 percent, respectively, compared to 12.6 percent and 14.8 percent, respectively, at December 31, 2023. The decrease in the Corporation's tier 1 risk-based capital and total risk-based capital ratios at September 30, 2024 compared to December 31, 2023 was due primarily to growth in risk-weighted assets resulting from higher balances of loans outpacing growth in equity. At September 30, 2024, the book value per share of the Corporation's common stock was \$70.29, and tangible book value per share, which is a non-GAAP financial measure, was \$62.13, compared to \$64.28 and \$56.40, respectively, at December 31, 2023.

Total equity increased \$10.4 million at September 30, 2024 compared to December 31, 2023, due primarily to net income and lower unrealized losses in the market value of securities available for sale, which are recognized as a component of other comprehensive income, partially offset by share repurchases and dividends paid on the Corporation's common stock. The Corporation's securities available for sale are fixed income debt securities and their unrealized loss position, a component of accumulated other comprehensive income, is a result of rising market interest rates since they were purchased. The Corporation expects to recover its investments in debt securities through scheduled payments of principal and interest, and unrealized losses are not expected to affect the earnings or regulatory capital of the Corporation or C&F Bank. The accumulated other comprehensive loss related to the Corporation's securities available for sale decreased to \$17.2 million at September 30, 2024, compared to \$25.0 million at December 31, 2023, as a result of fluctuations in debt security market interest rates.

The Corporation declared a quarterly cash dividend of 44 cents per share during the third quarter of 2024, which was paid on October 1, 2024. This dividend represents a payout ratio of 26.7 percent of earnings per share for the third quarter of 2024. The Board of Directors of the Corporation continually reviews the amount of cash dividends per share and the resulting dividend payout ratio in light of changes in economic conditions, current and future capital levels and requirements and expected future earnings. In making its decision on the payment of dividends on the Corporation's common stock, the Corporation's Board of Directors considers operating results, financial condition, capital adequacy, regulatory requirements, shareholder returns, growth expectations and other factors.

The Corporation has a share repurchase program that was authorized by the Board of Directors to repurchase up to \$10.0 million of the Corporation's common stock, effective January 1, 2024 through December 31, 2024. During the third quarter and first nine months of 2024, the Corporation repurchased 60,520 shares, or \$3.2 million, and 149,594 shares, or \$7.3 million, of its common stock under this share repurchase program, respectively.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires us to make estimates and assumptions. Those accounting policies with the greatest uncertainty and that require management's most difficult, subjective or complex judgments affecting the application of these policies, and the greatest likelihood that materially different amounts would be reported under different conditions, or using different assumptions, are described below.

Allowance for Credit Losses: We establish the allowance for credit losses through charges to earnings in the form of a provision for credit losses. Loan losses are charged against the allowance for credit losses for the difference between the carrying value of the loan and the estimated net realizable value or fair value of the collateral, if collateral dependent, when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance represents management's current estimate of expected credit losses over the contractual term of loans held for investment, and is recorded at an amount that, in management's judgment, reduces the recorded investment in loans to the net amount expected to be collected. Management's judgment in determining the level of the allowance is based on evaluations of historical loan losses, current conditions and reasonable and supportable forecasts relevant to the collectability of loans. The measurement of the allowance for credit losses on commercial and consumer loans is based in part on forecasts of the national unemployment rate, which we believe to be indicative of risk factors related to the collectability of commercial and consumer loans. In addition, management's estimate of expected credit losses is based on the remaining life of loans held for investment, and changes in expected prepayment behavior may result in changes in the remaining life of loans and expected credit losses. Management also assesses the risk of credit losses arising from changes in general market, economic and business conditions; the nature and volume of the loan portfolio; the volume and severity of delinquencies and adversely classified loan balances and the value of underlying collateral in determining the recorded balance of the allowance for credit losses. This evaluation is inherently subjective because it requires estimates that are susceptible to significant revision as more information becomes available. In evaluating the level of the allowance, we consider a range of possible assumptions and outcomes related to the various factors identified above. The level of the allowance is particularly sensitive to changes in the actual and forecasted national unemployment rate and changes in current conditions or reasonably expected future conditions affecting the collectability of loans.

Goodwill: The Corporation's goodwill was recognized in connection with past business combinations and is reported at the community banking segment and the consumer finance segment. The Corporation reviews the carrying value of goodwill at least annually or more frequently if certain impairment indicators exist. In testing goodwill for impairment, the Corporation may first consider qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then no further testing is required and the goodwill of the reporting unit is not impaired. If the Corporation elects to bypass the qualitative assessment or if we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the fair value of the reporting unit is compared with its carrying value to determine whether an impairment exists. In the last evaluation of goodwill at the community banking segment and the consumer finance segment, which was the annual evaluation in the fourth quarter of 2023, the Corporation concluded that no impairment existed based on an assessment of qualitative factors.

For further information concerning accounting policies, refer to Item 8. "Financial Statements and Supplementary Data," under the heading "Note 1: Summary of Significant Accounting Policies" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2023.

RESULTS OF OPERATIONS

NET INTEREST INCOME

The following table shows the average balance sheets, the amounts of interest earned on earning assets, with related yields, and interest expense on interest-bearing liabilities, with related rates, for the three and nine months ended September 30, 2024 and 2023. Interest on tax-exempt loans and securities is presented on a taxable-equivalent basis (which converts the income on loans and investments for which no income taxes are paid to the equivalent yield as if income taxes were paid) using the federal corporate income tax rate of 21 percent that was applicable for all periods presented. Average balances of securities available for sale are included at amortized cost. Loans include loans held for sale. Loans placed on a nonaccrual status are included in the balances and are included in the computation of yields, but had no material effect.

TABLE 2: Average Balances, Income and Expense, Yields and Rates

| | Three Months Ended September 30, | | | | | |
|--|----------------------------------|----------------|------------|---------------------|----------------|------------|
| | 2024 | | | 2023 | | |
| (Dollars in thousands) | Average Balance | Income/Expense | Yield/Rate | Average Balance | Income/Expense | Yield/Rate |
| Assets | | | | | | |
| Securities: | | | | | | |
| Taxable | \$ 318,834 | \$ 1,828 | 2.29 % | \$ 414,036 | \$ 2,207 | 2.13 % |
| Tax-exempt | 119,253 | 1,130 | 3.79 | 110,182 | 927 | 3.37 |
| Total securities | 438,087 | 2,958 | 2.70 | 524,218 | 3,134 | 2.39 |
| Loans: | | | | | | |
| Community banking segment | 1,411,337 | 19,797 | 5.58 | 1,224,791 | 15,887 | 5.15 |
| Mortgage banking segment | 40,232 | 597 | 5.90 | 30,210 | 517 | 6.79 |
| Consumer finance segment | 481,124 | 12,676 | 10.48 | 472,811 | 12,019 | 10.09 |
| Total loans | 1,932,693 | 33,070 | 6.81 | 1,727,812 | 28,423 | 6.53 |
| Interest-bearing deposits in other banks | 38,756 | 389 | 3.99 | 38,507 | 379 | 3.90 |
| Total earning assets | 2,409,536 | 36,417 | 6.02 | 2,290,537 | 31,936 | 5.54 |
| Allowance for credit losses | (40,879) | | | (41,014) | | |
| Total non-earning assets | 158,063 | | | 151,070 | | |
| Total assets | \$ 2,526,720 | | | \$ 2,400,593 | | |
| Liabilities and Equity | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Interest-bearing demand deposits | \$ 323,019 | 540 | 0.67 | \$ 341,707 | 505 | 0.59 |
| Money market deposit accounts | 293,789 | 1,104 | 1.49 | 304,309 | 782 | 1.02 |
| Savings accounts | 178,417 | 23 | 0.05 | 204,042 | 29 | 0.06 |
| Certificates of deposit | 801,669 | 8,524 | 4.23 | 571,499 | 4,316 | 3.00 |
| Total interest-bearing deposits | 1,596,894 | 10,191 | 2.54 | 1,421,557 | 5,632 | 1.57 |
| Borrowings: | | | | | | |
| Repurchase agreements | 27,207 | 117 | 1.72 | 29,440 | 95 | 1.29 |
| Other borrowings | 93,961 | 1,134 | 4.83 | 122,250 | 1,497 | 4.90 |
| Total borrowings | 121,168 | 1,251 | 4.13 | 151,690 | 1,592 | 4.20 |
| Total interest-bearing liabilities | 1,718,062 | 11,442 | 2.65 | 1,573,247 | 7,224 | 1.83 |
| Noninterest-bearing demand deposits | 537,796 | | | 577,382 | | |
| Other liabilities | 48,330 | | | 45,124 | | |
| Total liabilities | 2,304,188 | | | 2,195,753 | | |
| Equity | 222,532 | | | 204,840 | | |
| Total liabilities and equity | \$ 2,526,720 | | | \$ 2,400,593 | | |
| Net interest income | | \$ 24,975 | | | \$ 24,712 | |
| Interest rate spread | | | 3.37 % | | | 3.71 % |
| Interest expense to average earning assets | | | 1.89 % | | | 1.25 % |
| Net interest margin | | | 4.13 % | | | 4.29 % |

| (Dollars in thousands) | Nine Months Ended September 30, | | | | | |
|--|---------------------------------|----------------|------------|-----------------|----------------|------------|
| | 2024 | | | 2023 | | |
| | Average Balance | Income/Expense | Yield/Rate | Average Balance | Income/Expense | Yield/Rate |
| Assets | | | | | | |
| Securities: | | | | | | |
| Taxable | \$ 340,297 | \$ 5,665 | 2.22 % | \$ 441,204 | \$ 7,017 | 2.12 % |
| Tax-exempt | 119,931 | 3,368 | 3.74 | 104,549 | 2,572 | 3.28 |
| Total securities | 460,228 | 9,033 | 2.62 | 545,753 | 9,589 | 2.34 |
| Loans: | | | | | | |
| Community banking segment | 1,357,962 | 55,671 | 5.48 | 1,199,560 | 45,375 | 5.06 |
| Mortgage banking segment | 30,759 | 1,411 | 6.13 | 26,713 | 1,312 | 6.57 |
| Consumer finance segment | 477,768 | 37,084 | 10.37 | 474,738 | 35,312 | 9.94 |
| Total loans | 1,866,489 | 94,166 | 6.74 | 1,701,011 | 81,999 | 6.45 |
| Interest-bearing deposits in other banks | 30,197 | 811 | 3.59 | 33,072 | 836 | 3.38 |
| Total earning assets | 2,356,914 | 104,010 | 5.89 | 2,279,836 | 92,424 | 5.42 |
| Allowance for credit losses | (40,670) | | | (41,192) | | |
| Total non-earning assets | 155,935 | | | 150,826 | | |
| Total assets | \$ 2,472,179 | | | \$ 2,389,470 | | |
| Liabilities and Equity | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Interest-bearing demand deposits | \$ 326,540 | 1,569 | 0.64 | \$ 359,157 | 1,578 | 0.59 |
| Money market deposit accounts | 295,257 | 3,177 | 1.44 | 323,630 | 2,121 | 0.88 |
| Savings accounts | 181,880 | 85 | 0.06 | 213,940 | 91 | 0.06 |
| Certificates of deposit | 753,114 | 23,140 | 4.10 | 509,424 | 9,447 | 2.48 |
| Total interest-bearing deposits | 1,556,791 | 27,971 | 2.40 | 1,406,151 | 13,237 | 1.26 |
| Borrowings: | | | | | | |
| Repurchase agreements | 26,774 | 325 | 1.62 | 32,048 | 273 | 1.14 |
| Other borrowings | 91,024 | 3,180 | 4.66 | 122,984 | 4,454 | 4.83 |
| Total borrowings | 117,798 | 3,505 | 3.97 | 155,032 | 4,727 | 4.07 |
| Total interest-bearing liabilities | 1,674,589 | 31,476 | 2.51 | 1,561,183 | 17,964 | 1.54 |
| Noninterest-bearing demand deposits | 533,113 | | | 582,573 | | |
| Other liabilities | 45,835 | | | 42,108 | | |
| Total liabilities | 2,253,537 | | | 2,185,864 | | |
| Equity | 218,642 | | | 203,606 | | |
| Total liabilities and equity | \$ 2,472,179 | | | \$ 2,389,470 | | |
| Net interest income | | \$ 72,534 | | | \$ 74,460 | |
| Interest rate spread | | | 3.38 % | | | 3.88 % |
| Interest expense to average earning assets | | | 1.78 % | | | 1.05 % |
| Net interest margin | | | 4.11 % | | | 4.37 % |

Interest income and expense are affected by fluctuations in interest rates, by changes in the volume of earning assets and interest-bearing liabilities, and by the interaction of rate and volume factors. The following table shows the direct causes of the period-to-period changes in the components of net interest income on a taxable-equivalent basis. The Corporation calculates the rate and volume variances using a formula prescribed by the SEC. Rate/volume variances, the third element in the calculation, are not shown separately in the table, but are allocated to the rate and volume variances in proportion to the absolute dollar amounts of each.

TABLE 3: Rate-Volume Recap

| | Three Months Ended September 30, 2024 from 2023 | | |
|--|---|----------|------------|
| | Increase (Decrease) | | Total |
| | Due to | | Increase |
| | Rate | Volume | (Decrease) |
| (Dollars in thousands) | | | |
| Interest income: | | | |
| Loans: | | | |
| Community banking segment | \$ 1,385 | \$ 2,525 | \$ 3,910 |
| Mortgage banking segment | (75) | 155 | 80 |
| Consumer finance segment | 452 | 205 | 657 |
| Securities: | | | |
| Taxable | 157 | (536) | (379) |
| Tax-exempt | 123 | 80 | 203 |
| Interest-bearing deposits in other banks | 8 | 2 | 10 |
| Total interest income | 2,050 | 2,431 | 4,481 |
| Interest expense: | | | |
| Interest-bearing deposits: | | | |
| Interest-bearing demand deposits | 65 | (30) | 35 |
| Money market deposit accounts | 350 | (28) | 322 |
| Savings accounts | (2) | (4) | (6) |
| Certificates of deposit | 2,123 | 2,085 | 4,208 |
| Total interest-bearing deposits | 2,536 | 2,023 | 4,559 |
| Borrowings: | | | |
| Repurchase agreements | 30 | (8) | 22 |
| Other borrowings | (22) | (341) | (363) |
| Total interest expense | 2,544 | 1,674 | 4,218 |
| Change in net interest income | \$ (494) | \$ 757 | \$ 263 |

| | Nine Months Ended September 30, 2024 from 2023 | | |
|--|--|----------|------------|
| | Increase (Decrease) | | Total |
| | Due to | | Increase |
| | Rate | Volume | (Decrease) |
| <i>(Dollars in thousands)</i> | | | |
| Interest income: | | | |
| Loans: | | | |
| Community banking segment | \$ 3,974 | \$ 6,322 | \$ 10,296 |
| Mortgage banking segment | (92) | 191 | 99 |
| Consumer finance segment | 1,545 | 227 | 1,772 |
| Securities: | | | |
| Taxable | 317 | (1,669) | (1,352) |
| Tax-exempt | 389 | 407 | 796 |
| Interest-bearing deposits in other banks | 50 | (75) | (25) |
| Total interest income | 6,183 | 5,403 | 11,586 |
| Interest expense: | | | |
| Interest-bearing deposits: | | | |
| Interest-bearing demand deposits | 134 | (143) | (9) |
| Money market deposit accounts | 1,257 | (201) | 1,056 |
| Savings accounts | — | (6) | (6) |
| Certificates of deposit | 7,905 | 5,788 | 13,693 |
| Total interest-bearing deposits | 9,296 | 5,438 | 14,734 |
| Borrowings: | | | |
| Repurchase agreements | 102 | (50) | 52 |
| Other borrowings | (152) | (1,122) | (1,274) |
| Total interest expense | 9,246 | 4,266 | 13,512 |
| Change in net interest income | \$ (3,063) | \$ 1,137 | \$ (1,926) |

Net interest income, on a taxable-equivalent basis, for the third quarter of 2024 increased to \$25.0 million, compared to \$24.7 million for the third quarter of 2023, due primarily to higher average balances of earning assets, partially offset by a decrease in net interest margin. Net interest income, on a taxable-equivalent basis, for the first nine months of 2024 decreased to \$72.5 million, compared to \$74.5 million for the first nine months of 2023, due primarily to a decrease in net interest margin, partially offset by higher average balances of earning assets. Annualized net interest margin decreased 16 basis points to 4.13 percent for the third quarter of 2024 and decreased 26 basis points to 4.11 percent for the first nine months of 2024, compared to the same periods of 2023, due primarily to an increase in costs of interest-bearing deposits.

and a shift to higher cost deposits, partially offset by an increase in yields and higher balances of earning assets. Annualized net interest margin increased to 4.13 percent for the third quarter of 2024 compared to 4.12 percent and 4.09 percent for the second quarter of 2024 and the first quarter of 2024, respectively. The Federal Reserve Bank (FRB) increased the target federal funds interest rate from an upper limit of 4.50 percent at December 31, 2022 to 5.50 percent by September 30, 2023, where it remained unchanged until September 2024 when it was lowered to 5.00 percent. The yield on interest-earning assets increased by 48 basis points and 47 basis points for the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023. The cost of interest-bearing liabilities increased by 82 basis points and 97 basis points for the third quarter and first nine months of 2024, respectively, compared to the same periods of 2023. Average earning assets increased \$119.0 million and \$77.1 million for the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023. Average interest-bearing liabilities increased \$144.8 million and \$113.4 million for the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023. Average noninterest-bearing demand deposits decreased \$39.6 million and \$49.5 million for the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023.

Average loans, which includes both loans held for investment and loans held for sale, increased \$204.9 million to \$1.93 billion for the third quarter of 2024 and increased \$165.5 million to \$1.87 billion for the first nine months of 2024, compared to the same periods in 2023. Average loans at the community banking segment increased \$186.5 million, or 15.2 percent, for the third quarter of 2024 and increased \$158.4 million, or 13.2 percent, for the first nine months of 2024, compared to the same periods in 2023, due primarily to growth in the construction, commercial real estate, and residential mortgage segments of the loan portfolio. Average loans at the consumer finance segment increased \$8.3 million, or 1.8 percent, for the third quarter of 2024 and increased \$3.0 million, or less than 1.0 percent, for the first nine months of 2024, compared to the same periods in 2023, due primarily to an increase in the marine and recreational vehicles segment of the loan portfolio. Average loans at the mortgage banking segment, which consist of loans held for sale, increased \$10.0 million, or 33.2 percent, for the third quarter of 2024 and increased \$4.0 million, or 15.2 percent, for the first nine months of 2024, compared to the same periods in 2023.

The community banking segment average loan yield increased 43 basis points to 5.58 percent for the third quarter of 2024 and increased 42 basis points to 5.48 percent for the first nine months of 2024, compared to the same periods in 2023, due primarily to the effects of the higher interest rate environment. The consumer finance segment average loan yield increased 39 basis points to 10.48 percent for the third quarter of 2024 and increased 43 basis points to 10.37 percent for the first nine months of 2024, compared to the same periods in 2023, due primarily to the effects of the higher interest rate environment, partially offset by the effects of purchasing higher credit quality loan contracts which have lower yields. The mortgage banking segment average loan yield decreased 89 basis points to 5.90 percent for the third quarter of 2024 and decreased 44 basis points to 6.13 percent for the first nine months of 2024, compared to the same periods in 2023, due to fluctuations in mortgage interest rates and in the mix of mortgage loan products originated.

Average securities available for sale decreased \$86.1 million and \$85.5 million for the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023, due primarily to maturities of U.S. treasury and government agency securities outpacing purchases in all sectors of the portfolio. The average yield on the securities portfolio on a taxable-equivalent basis increased 31 basis points to 2.70 percent for the third quarter of 2024 and increased 28 basis points to 2.62 percent for the first nine months of 2024, compared to the same periods in 2023, due primarily to the higher interest rate environment and the maturity of lower-yielding securities.

Average interest-bearing deposits in other banks, consisting primarily of excess cash reserves maintained at the FRB, increased \$200,000 for the third quarter of 2024 and decreased \$2.9 million for the first nine months of 2024, compared to the same periods of 2023. The average yield on interest-bearing deposits in other banks increased 9 basis points for the third quarter of 2024 and increased 21 basis points for the first nine months of 2024, compared to the same periods in 2023, due to the higher interest rate environment.

Average money market, savings and interest-bearing demand deposits combined and average non-interest-bearing demand deposits decreased \$54.8 million and \$39.6 million, respectively, for the third quarter of 2024, and decreased \$93.1 million and \$49.5 million, respectively, for the first nine months of 2024, compared to the same periods in 2023. The decreases in both periods were due primarily to customers seeking higher yielding opportunities as a result of higher interest rates paid on time deposits. Average time deposits increased \$230.2 million and \$243.7 million for the third quarter and first

nine months of 2024, respectively, compared to the same periods in 2023. The average cost of interest-bearing deposits increased 97 basis points for the third quarter of 2024 and increased 114 basis points for the first nine months of 2024, compared to the same periods in 2023, due primarily to higher rates on money market and time deposits, a shift in composition towards time deposits amid the higher interest rate environment and increased competition for deposits.

Average borrowings decreased \$30.5 million and \$37.2 million for the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023, due primarily to fluctuations in repurchase agreements and net paydowns of Federal Home Loan Bank of Atlanta (FHLB) advances. The average cost of borrowings decreased 7 basis points for the third quarter of 2024 and decreased 10 basis points for the first nine months of 2024, compared to the same periods in 2023, due primarily to a shift in the mix of borrowings related to paydowns of higher-rate short-term borrowings, partially offset by the effects of higher interest rates.

The Corporation believes that the effects of declining market interest rates could adversely affect its net interest margin in the short term as its assets typically reprice downward more quickly than its deposits and borrowings. The Corporation also believes that the higher interest rate environment will continue to have a positive effect on yields of renewals of fixed rate loans originated during periods of lower interest rates and purchases of securities available for sale. The Corporation also expects that a portion of the Corporation's funding will continue to be drawn from borrowings in the near term, which may result in a higher cost of funds. The effect of these factors on the Corporation's net interest margin will depend on a number of factors, including the Corporation's ability to grow loans at the community banking segment and consumer finance segment, to compete for deposits, and the extent of its reliance on borrowings. The Corporation can give no assurance as to the timing or extent of changes in market interest rates or the impact of those changes or any other factor on the Corporation's ability to compete for loans and deposits or on its net interest margin. If market interest rates were to rise, net interest margin could be positively impacted in the short term as the Corporation generally expects its assets to reprice upward more quickly than its deposits and borrowings.

Noninterest Income

TABLE 4: Noninterest Income

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Gains on sales of loans | \$ 1,825 | \$ 1,220 | \$ 4,814 | \$ 4,930 |
| Interchange income | 1,571 | 1,558 | 4,618 | 4,658 |
| Service charges on deposit accounts | 1,122 | 1,122 | 3,219 | 3,241 |
| Unrealized gain (loss) on investments held in rabbi trust | 1,005 | (487) | 1,941 | 866 |
| Wealth management services income, net | 757 | 630 | 2,202 | 1,855 |
| Mortgage banking fee income | 650 | 558 | 1,751 | 1,695 |
| Other service charges and fees | 542 | 364 | 1,361 | 1,134 |
| Mortgage lender services income | 486 | 537 | 1,488 | 1,567 |
| Investment income from other equity interests | 334 | 211 | 671 | 480 |
| Net losses on sales, maturities and calls of available for sale securities | — | — | — | (5) |
| Other income, net | 480 | 501 | 1,523 | 1,391 |
| Total noninterest income | \$ 8,772 | \$ 6,214 | \$ 23,588 | \$ 21,812 |

Total noninterest income increased \$2.6 million, or 41.2 percent, for the third quarter of 2024 and increased \$1.8 million, or 8.1 percent, for the first nine months of 2024, compared to the same periods of 2023, due primarily to fluctuations in unrealized gains on the rabbi trust, higher wealth management services income, higher other service charges and fees, and higher investment income from other equity interests. The increase for the third quarter of 2024 also included higher gains on sales of loans due to higher volume of mortgage loan originations.

The Corporation uses a rabbi trust to fund liabilities under its nonqualified deferred compensation plan. Unrealized gains and losses on investments held in the Corporation's rabbi trust are offset by changes in deferred compensation liabilities, recorded in salaries and employee benefits expense.

Noninterest Expense

TABLE 5: Noninterest Expense

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Salaries and employee benefits: | | | | |
| Compensation, payroll taxes and employee benefits | \$ 12,916 | \$ 13,408 | \$ 39,684 | \$ 39,975 |
| Increase (decrease) in nonqualified deferred compensation plan liabilities | 1,005 | (487) | 1,941 | 866 |
| Total salaries and employee benefits | 13,921 | 12,921 | 41,625 | 40,841 |
| Occupancy expense | 2,091 | 1,944 | 6,286 | 5,975 |
| Data processing | 2,893 | 2,567 | 8,685 | 7,863 |
| Professional fees | 868 | 707 | 2,667 | 2,096 |
| Insurance expense | 415 | 414 | 1,230 | 1,203 |
| Marketing and advertising expenses | 460 | 361 | 944 | 1,172 |
| Mortgage banking loan processing expenses | 244 | 272 | 678 | 854 |
| Other expenses: | | | | |
| Other components of net periodic pension cost | (123) | (114) | (409) | (340) |
| Provision for indemnifications | (100) | (200) | (375) | (435) |
| Other expenses | 2,422 | 2,654 | 7,283 | 7,581 |
| Total other noninterest expenses | 2,199 | 2,340 | 6,499 | 6,806 |
| Total noninterest expense | \$ 23,091 | \$ 21,526 | \$ 68,614 | \$ 66,810 |

Total noninterest expenses increased \$1.6 million, or 7.3 percent, in the third quarter of 2024 and increased \$1.8 million, or 2.7 percent, in the first nine months of 2024, compared to the same periods in 2023 due primarily to fluctuations in deferred compensation liabilities, and higher occupancy expense related to branch network improvements, data processing expenses related to investments in operational technology and professional fees, partially offset by lower compensation, payroll taxes and employee benefits and other expenses. Additionally, the mortgage banking segment recorded a net reversal of provision for indemnifications for the third quarter and the first nine months of 2024 of \$100,000 and \$375,000, respectively, compared to a net reversal of provision for indemnifications of \$200,000 and \$435,000 for the third quarter and the first nine months of 2023, respectively.

Changes in deferred compensation liabilities are offset by unrealized gains and losses on investments held in the Corporation's rabbi trust and are recorded in noninterest income.

Income Taxes

The Corporation's consolidated effective income tax rate was 18.7 percent for the third quarter of 2024, an increase compared to 18.6 percent for the same period in 2023 due primarily to a lower share of income at the community banking segment, which is primarily not subject to state income taxes. The Corporation's consolidated effective income tax rate was 17.8 percent for the first nine months of 2024, a decrease compared to 18.8 percent for the same period in 2023 due primarily to a higher share of income at the community banking segment, which is primarily not subject to state income taxes.

Business Segments

The Corporation operates in a decentralized manner in three business segments: community banking, mortgage banking and consumer finance. An overview of the financial results for each of the Corporation's business segments is presented below.

Community Banking: The community banking segment comprises C&F Bank, C&F Wealth Management, C&F Insurance and CVB Title. The following table presents the community banking segment operating results for the periods indicated.

TABLE 6: Community Banking Segment Operating Results

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Interest income | \$ 29,087 | \$ 25,066 | \$ 82,691 | \$ 72,531 |
| Interest expense | 10,822 | 6,675 | 29,768 | 16,268 |
| Net interest income | 18,265 | 18,391 | 52,923 | 56,263 |
| Provision for credit losses | 700 | 500 | 1,650 | 1,550 |
| Net interest income after provision for credit losses | 17,565 | 17,891 | 51,273 | 54,713 |
| Noninterest income: | | | | |
| Interchange income | 1,571 | 1,558 | 4,618 | 4,658 |
| Service charges on deposit accounts | 1,139 | 1,138 | 3,267 | 3,286 |
| Wealth management services income, net | 757 | 630 | 2,202 | 1,855 |
| Investment income from other equity interests | 334 | 211 | 671 | 480 |
| Other income, net | 798 | 684 | 2,116 | 1,894 |
| Total noninterest income | 4,599 | 4,221 | 12,874 | 12,173 |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 8,863 | 9,042 | 27,424 | 26,888 |
| Occupancy expense | 1,723 | 1,531 | 5,139 | 4,731 |
| Data processing | 2,307 | 1,953 | 6,903 | 6,141 |
| Other real estate loss and expense, net | 1 | — | 2 | 1 |
| Other expenses | 2,693 | 2,603 | 7,685 | 7,302 |
| Total noninterest expenses | 15,587 | 15,129 | 47,153 | 45,063 |
| Income before income taxes | 6,577 | 6,983 | 16,994 | 21,823 |
| Income tax expense | 1,240 | 1,298 | 3,074 | 4,081 |
| Net income | \$ 5,337 | \$ 5,685 | \$ 13,920 | \$ 17,742 |

The community banking segment reported net income of \$5.3 million and \$13.9 million for the third quarter and first nine months of 2024, respectively, compared to \$5.7 million and \$17.7 million for the same periods in 2023. The decreases in community banking segment net income were due primarily to:

- higher interest expense due primarily to higher rates on deposits and higher balances of interest-bearing deposits, partially offset by lower balances of borrowings;
- higher salaries and employee benefits expense for the first nine months of 2024, as compared to the same period in 2023, which have generally increased in line with market conditions. Salaries and employee benefits expense decreased to \$8.9 million for the three months ended September 30, 2024, compared to \$9.1 million and \$9.4 million for the three months ended June 30, 2024 and March 31, 2024, respectively, due primarily to a reduction in headcount through attrition;
- higher occupancy expense related to branch network improvements, including the relocation of a branch and the opening of a new branch; and
- higher data processing and consulting costs related to investments in operational technology to improve resilience, efficiency and customer experience;

partially offset by:

- higher interest income resulting from the effects of higher interest rates on asset yields and higher average balances of loans, offset in part by lower average balances of securities; and
- higher wealth management services income as assets under management increased 19.0 percent for the first nine months of 2024, as compared to the same period in 2023.

Net interest income for the community banking segment decreased by \$126,000 to \$18.3 million for the third quarter of 2024 and decreased \$3.3 million to \$52.9 million for the first nine months of 2024, compared to the same periods in 2023 due primarily to a decrease in net interest margin, partially offset by higher average balances of earning assets. Included in net interest income is interest income on variable rate loans to the consumer finance and mortgage banking segments. Average loan yields and average costs of interest-bearing deposits were higher for the third quarter and first nine months of 2024, compared to the same periods of 2023, due primarily to the effects of the higher interest rate environment.

The community banking segment recorded \$700,000 and \$1.7 million in provision for credit losses for the third quarter and first nine months of 2024, respectively, due primarily to growth in the loan portfolio, compared to \$500,000 and \$1.6 million in provision for credit losses for the same periods in 2023. Noninterest income increased for the third quarter and first nine months of 2024, compared to the same periods in 2023, due primarily to higher wealth management services income and higher investment income from other equity interests. Noninterest expenses increased for the third quarter and first nine months of 2024, compared to the same periods in 2023, due primarily to higher occupancy, data processing and other expenses.

Mortgage Banking: The following table presents the mortgage banking operating results for the periods indicated.

TABLE 7: Mortgage Banking Segment Operating Results

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|--------|---------------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Interest income | \$ 597 | \$ 517 | \$ 1,411 | \$ 1,312 |
| Interest expense | 307 | 232 | 595 | 513 |
| Net interest income | 290 | 285 | 816 | 799 |
| Provision for credit losses | — | — | — | — |
| Net interest income after provision for credit losses | 290 | 285 | 816 | 799 |
| Noninterest income: | | | | |
| Gains of sales of loans | 1,704 | 1,198 | 5,048 | 4,983 |
| Mortgage banking fee income | 704 | 592 | 1,902 | 1,805 |
| Mortgage lender services fee income | 492 | 537 | 1,494 | 1,567 |
| Other income | 7 | 15 | 47 | 41 |
| Total noninterest income | 2,907 | 2,342 | 8,491 | 8,396 |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 1,818 | 1,762 | 5,381 | 5,610 |
| Occupancy expense | 203 | 251 | 670 | 768 |
| Data processing | 256 | 254 | 743 | 759 |
| Mortgage banking loan processing expenses | 244 | 272 | 678 | 854 |
| Provision for indemnifications | (100) | (200) | (375) | (435) |
| Other expenses | 304 | 292 | 841 | 903 |
| Total noninterest expenses | 2,725 | 2,631 | 7,938 | 8,459 |
| Income (loss) before income taxes | 472 | (4) | 1,369 | 736 |
| Income tax expense | 121 | 1 | 348 | 168 |
| Net income (loss) | \$ 351 | \$ (5) | \$ 1,021 | \$ 568 |

The mortgage banking segment reported net income of \$351,000 for the third quarter of 2024, compared to a net loss of \$5,000 for the same period of 2023, due primarily to:

- higher gains on sales of loans due to higher volume of mortgage loan originations; and
- higher mortgage banking fee income;

partially offset by:

- higher variable expenses tied to mortgage loan origination volume such as commissions and bonuses, reported in salaries and employee benefits, and data processing expenses.

The mortgage banking segment reported net income of \$1.0 million for the first nine months of 2024, compared to \$568,000 for the same period of 2023, due primarily to:

- lower variable expenses tied to mortgage loan origination volume such as commissions and bonuses, reported in salaries and employee benefits, as well as mortgage banking loan processing expenses and data processing expenses;
- lower occupancy expense due to an effort to reduce overhead costs;
- higher mortgage banking fee income; and
- relatively unchanged gains on sales of loans and mortgage loan production volume;

partially offset by:

- lower mortgage lender services income due lower mortgage loan production volume across the industry.

The following table presents mortgage loan originations and mortgage loans sold for the periods indicated.

TABLE 8: Mortgage Loan Originations

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|------------|---------------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Mortgage loan originations: | | | | |
| Purchases | \$ 141,944 | \$ 117,777 | \$ 363,002 | \$ 360,335 |
| Refinancings | 15,024 | 11,881 | 34,322 | 40,224 |
| Total mortgage loan originations ¹ | \$ 156,968 | \$ 129,658 | \$ 397,324 | \$ 400,559 |
| Lock-adjusted originations ² | \$ 146,316 | \$ 114,548 | \$ 416,688 | \$ 399,350 |

¹ Total mortgage loan originations does not include mortgage lender services.

² Lock-adjusted originations includes an estimate of the effect of changes in the volume of mortgage loan applications in process that have not closed, net of volume not expected to close.

Elevated level of mortgage interest rates, combined with higher home prices and lower levels of inventory, has led to a level of mortgage loan originations in 2024 and 2023 for the industry that is lower than levels during 2022 and 2021.

Mortgage loan originations for the mortgage banking segment increased 21.1 percent and decreased less than 1.0 percent for the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023. Gains on sales of loans, while driven in part by mortgage loan originations, also includes the effects of changes in locked loan commitments, which reflect the volume of mortgage loan applications that are in process and have not closed. Lock-adjusted originations for the mortgage banking segment increased 27.7 percent and 4.3 percent for the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023. Locked loan commitments were \$48.2 million at September 30, 2024 compared to \$26.2 million and \$40.9 million at December 31, 2023 and September 30, 2023, respectively. Mortgage loan segment originations include originations of loans sold to the community banking segment, at prices similar to those paid by third-party investors. All interest expense at the mortgage banking segment is on variable rate borrowings from the community banking segment. These transactions are eliminated to reach consolidated totals.

Mortgage lender services fee income is derived from providing mortgage origination functions to third-party mortgage lenders for a fee. Mortgage lender services fee income decreased for the third quarter and first nine months of 2024, compared to the same periods in 2023, due primarily to the negative impacts of reduced mortgage loan volume in the industry, partially offset by an increase in the number of institutional customers and the types of services provided.

During the third quarter and first nine months of 2024, the mortgage banking segment recorded a reversal of provision for indemnification losses of \$100,000 and \$375,000, respectively, compared to a reversal of provision for indemnification losses of \$200,000 and \$435,000 for the third quarter and first nine months of 2023, respectively. The mortgage banking segment increased reserves for indemnification losses during 2020 based on widespread forbearance on mortgage loans

and economic uncertainty related to the COVID-19 pandemic. The release of indemnification reserves in 2024 and 2023 was due primarily to improvement in the mortgage banking segment's assessment of borrower payment performance, lower volume of mortgage loan originations in recent years and other factors affecting expected losses on mortgage loans sold in the secondary market, such as time since origination. Management believes that the indemnification reserve is sufficient to absorb losses related to loans that have been sold in the secondary market.

Consumer Finance: The following table presents the consumer finance operating results for the periods indicated.

TABLE 9: Consumer Finance Segment Operating Results

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Interest income | \$ 12,676 | \$ 12,020 | \$ 37,084 | \$ 35,313 |
| Interest expense | 6,025 | 5,748 | 17,722 | 17,060 |
| Net interest income | 6,651 | 6,272 | 19,362 | 18,253 |
| Provision for credit losses | 3,000 | 1,550 | 8,100 | 4,250 |
| Net interest income after provision for credit losses | 3,651 | 4,722 | 11,262 | 14,003 |
| Noninterest income | 197 | (19) | 678 | 25 |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 2,007 | 2,389 | 6,188 | 6,840 |
| Occupancy expense | 164 | 160 | 477 | 475 |
| Data processing | 322 | 315 | 1,005 | 956 |
| Other expenses | 925 | 897 | 2,693 | 2,638 |
| Total noninterest expenses | 3,418 | 3,761 | 10,363 | 10,909 |
| Income before income taxes | 430 | 942 | 1,577 | 3,119 |
| Income tax expense | 119 | 260 | 435 | 858 |
| Net income | \$ 311 | \$ 682 | \$ 1,142 | \$ 2,261 |

The consumer finance segment reported net income of \$311,000 and \$1.1 million for the third quarter and first nine months of 2024, respectively, compared to net income of \$682,000 and \$2.3 million for the same periods in 2023. The decreases in consumer finance segment net income were due primarily to:

- higher provision for credit losses due primarily to increased net charge-offs and loan growth; and
 - higher interest expense due primarily to increased interest rates and higher balances of borrowings;
- partially offset by:
- higher interest income resulting from the effects of higher interest rates on loan yields and higher average balances of loans;
 - lower salaries and employee benefits expense due to an effort to reduce overhead costs; and
 - lower loan recovery expense related to growth in loans with stronger credit quality and efficiency initiatives within the collections department.

Average loan yields and average cost of borrowings were higher for the third quarter and first nine months of 2024, compared to the same periods of 2023, due primarily to the effects of the higher interest rate environment. All interest expense at the consumer finance segment is on fixed and variable rate borrowings from the community banking segment. These transactions are eliminated to reach consolidated totals.

Provision for credit losses increased due primarily to increased net charge-offs and loan growth. Net charge-offs increased due primarily to an increase in the number of delinquent loans and reposessions and a higher average charge-off per unit as a result of larger loan amounts due to higher automobile values during 2020 and 2021 and a decline in wholesale values of used automobiles since then. Delinquency and loss rates have generally returned to pre-pandemic levels due to the

passage of time since the expiration of stimulus and enhanced unemployment benefits that benefitted borrowers. If loan performance deteriorates, resulting in further elevated delinquencies or net charge-offs, or if values of used vehicles decline, provision for credit losses may increase in future periods.

ASSET QUALITY

Allowance and Provision for Credit Losses

The Corporation conducts an analysis of the collectability of the loan portfolio on a regular basis and uses this analysis to assess the sufficiency of the allowance for credit losses on loans and to determine the necessary provision for credit losses. The Corporation segmented the loan portfolio into three loan portfolios based on common risk characteristics.

Commercial and consumer loans are assigned loan classification ratings based on their credit quality and risk of loss. These loan ratings are reviewed on a quarterly basis and updated as new information becomes available. The characteristics of these loan ratings are as follows:

- Pass rated loans are to persons or business entities with an acceptable financial condition, appropriate collateral margins, appropriate cash flow to service the existing loan, and an appropriate leverage ratio. The borrower has paid all obligations as agreed and it is expected that this type of payment history will continue. When necessary, acceptable personal guarantors support the loan.
- Special mention loans have a specific, identified weakness in the borrower's operations and in the borrower's ability to generate positive cash flow on a sustained basis. The borrower's recent payment history may be characterized by late payments. The Corporation's risk exposure is mitigated by collateral supporting the loan. The collateral is considered to be well-margined, well maintained, accessible and readily marketable.
- Substandard loans are considered to have specific and well-defined weaknesses that jeopardize the viability of the Corporation's credit extension. The payment history for the loan has been inconsistent and the expected or projected primary repayment source may be inadequate to service the loan. The estimated net liquidation value of the collateral pledged and/or ability of the personal guarantor(s) to pay the loan may not adequately protect the Corporation. There is a distinct possibility that the Corporation will sustain some loss if the deficiencies associated with the loan are not corrected in the near term. A substandard loan would not automatically meet the Corporation's definition of impaired unless the loan is significantly past due and the borrower's performance and financial condition provide evidence that it is probable that the Corporation will be unable to collect all amounts due.
- Substandard nonaccrual loans have the same characteristics as substandard loans; however, they have a nonaccrual classification because it is probable that the Corporation will not be able to collect all amounts due.
- Doubtful rated loans have all the weaknesses inherent in a loan that is classified substandard but with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high.

Loss rated loans are not considered collectible under normal circumstances and there is no realistic expectation for any future payment on the loan. Loss rated loans are fully charged off.

The Corporation monitors the consumer finance loan portfolio by past due status and by credit rating at the time of origination, which the Corporation believes serves as a relevant indicator of aggregate credit quality and risk of loan defaults in the portfolio based upon the use of Fair Isaac Corporation (FICO) Scores over time for loan approval decisions and through experience analyzing loss patterns. The characteristics of these credit ratings are as follows:

- Very Good (>739) and Good (670-739) credit rated borrowers are near or above the average FICO Score of consumers. Borrowers generally have limited to no prior credit difficulties or have shown extensive creditworthiness over a recent period of time.
- Fairly Good (625-669) and Fair (580-624) credit rated borrowers are approaching or slightly below the average FICO Score of consumers but typically have a credit profile acceptable to most lenders. Borrowers may have experienced minor credit difficulties or have a relatively limited credit history.
- Marginal (<580) credit rated borrowers are well below the average FICO Score of consumers. Borrowers may have limited access to traditional financing due to having experienced prior credit difficulties or have a limited credit history. The risk of future charge-offs is higher.

The allowance for credit losses represents an amount that, in our judgment, reduces the recorded investment in loans to the net amount expected to be collected. The provision for credit losses increases the allowance, and loans charged off, net of recoveries, reduce the allowance.

The following tables present the Corporation's credit loss experience for the periods indicated.

TABLE 10: Allowance for Credit Losses

| <i>(Dollars in thousands)</i> | Commercial | Consumer ¹ | Consumer Finance | Total |
|---|--------------|-----------------------|------------------|--------------|
| For the three months ended September 30, 2024: | | | | |
| Balance at June 30, 2024 | \$ 12,978 | \$ 3,942 | \$ 23,423 | \$ 40,343 |
| Provision charged to operations | 515 | 185 | 3,000 | 3,700 |
| Loans charged off | — | (124) | (4,135) | (4,259) |
| Recoveries of loans previously charged off | 10 | 27 | 950 | 987 |
| Balance at September 30, 2024 | \$ 13,503 | \$ 4,030 | \$ 23,238 | \$ 40,771 |
| Average loans | \$ 1,036,639 | \$ 380,035 | \$ 481,124 | \$ 1,897,798 |
| Ratio of annualized net (recoveries) charge-offs to average loans | (0.00)% | 0.10 % | 2.65 % | 0.69 % |

¹ Consumer loans includes provision, charge-offs and recoveries related to demand deposit overdrafts.

| <i>(Dollars in thousands)</i> | Commercial | Consumer ¹ | Consumer Finance | Total |
|---|------------|-----------------------|------------------|--------------|
| For the three months ended September 30, 2023: | | | | |
| Balance at June 30, 2023 | \$ 11,738 | \$ 3,603 | \$ 25,187 | \$ 40,528 |
| Provision charged to operations | 407 | 143 | 1,550 | 2,100 |
| Loans charged off | — | (83) | (3,372) | (3,455) |
| Recoveries of loans previously charged off | 19 | 32 | 1,024 | 1,075 |
| Balance at September 30, 2023 | \$ 12,164 | \$ 3,695 | \$ 24,389 | \$ 40,248 |
| Average loans | \$ 885,340 | \$ 340,720 | \$ 472,811 | \$ 1,698,871 |
| Ratio of annualized net (recoveries) charge-offs to average loans | (0.01)% | 0.06 % | 1.99 % | 0.56 % |

¹ Consumer loans includes provision, charge-offs and recoveries related to demand deposit overdrafts.

| <i>(Dollars in thousands)</i> | Commercial | Consumer ¹ | Consumer Finance | Total |
|--|------------------|-----------------------|------------------|------------------|
| For the nine months ended September 30, 2024: | | | | |
| Balance at December 31, 2023 | \$ 12,315 | \$ 3,758 | \$ 23,578 | \$ 39,651 |
| Provision charged to operations | 1,160 | 440 | 8,100 | 9,700 |
| Loans charged off | — | (293) | (11,707) | (12,000) |
| Recoveries of loans previously charged off | 28 | 125 | 3,267 | 3,420 |
| Balance at September 30, 2024 | <u>\$ 13,503</u> | <u>\$ 4,030</u> | <u>\$ 23,238</u> | <u>\$ 40,771</u> |
| Average loans | \$ 992,491 | \$ 369,452 | \$ 477,768 | \$ 1,839,711 |
| Ratio of net (recoveries) charge-offs to average loans | (0.00)% | 0.06 % | 2.36 % | 0.62 % |

¹ Consumer loans includes provision, charge-offs and recoveries related to demand deposit overdrafts.

| <i>(Dollars in thousands)</i> | Commercial | Consumer ¹ | Consumer Finance | Total |
|--|------------------|-----------------------|------------------|------------------|
| For the nine months ended September 30, 2023: | | | | |
| Balance at December 31, 2022 | \$ 11,219 | \$ 3,330 | \$ 25,969 | \$ 40,518 |
| Impact of ASC 326 adoption on non-PCD loans | (617) | 98 | 406 | (113) |
| Impact of ASC 326 adoption on PCD loans | 595 | 9 | — | 604 |
| Provision charged to operations | 839 | 362 | 4,250 | 5,451 |
| Loans charged off | (16) | (240) | (9,306) | (9,562) |
| Recoveries of loans previously charged off | 144 | 136 | 3,070 | 3,350 |
| Balance at September 30, 2023 | <u>\$ 12,164</u> | <u>\$ 3,695</u> | <u>\$ 24,389</u> | <u>\$ 40,248</u> |
| Average loans | \$ 870,130 | \$ 331,411 | \$ 474,738 | \$ 1,676,279 |
| Ratio of net (recoveries) charge-offs to average loans | (0.02)% | 0.04 % | 1.75 % | 0.49 % |

¹ Consumer loans includes provision, charge-offs and recoveries related to demand deposit overdrafts.

For further information regarding the adequacy of our allowance for credit losses, refer to "Table 15: Nonperforming Assets" and the accompanying disclosure below.

The allocation of the allowance for credit losses and the ratio of corresponding outstanding loan balances to total loans are as follows as of the dates indicated.

TABLE 11: Allocation of Allowance for Credit Losses

| <i>(Dollars in thousands)</i> | September 30, 2024 | December 31, 2023 |
|--|-----------------------|----------------------|
| Allocation of allowance for credit losses: | | |
| Commercial | \$ 13,503 | \$ 12,315 |
| Consumer | 4,030 | 3,758 |
| Consumer Finance | 23,238 | 23,578 |
| Total allowance for credit losses | <u>\$ 40,771</u> | <u>\$ 39,651</u> |
| Ratio of loans to total period-end loans: | | |
| Commercial | 55 % | 52 % |
| Consumer | 20 | 21 |
| Consumer Finance | 25 | 27 |
| | <u>100 %</u> | <u>100 %</u> |

Loans are required to be measured at amortized cost and to be presented at the net amount expected to be collected. Off balance sheet credit exposures, including loan commitments, are not recorded on balance sheet, but expected credit losses arising from off balance sheet credit exposures are recorded as a reserve for unfunded commitments and reported in Other Liabilities.

The following table presents a breakdown of the provision for credit losses for the periods indicated:

TABLE 12: Provision for Credit Losses

| <i>(Dollars in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Provision for credit losses: | | | | |
| Provision for loans | \$ 3,700 | \$ 2,100 | \$ 9,700 | \$ 5,451 |
| Provision for unfunded commitments | — | (50) | 50 | 349 |
| Total | <u>\$ 3,700</u> | <u>\$ 2,050</u> | <u>\$ 9,750</u> | <u>\$ 5,800</u> |

TABLE 13: Credit Quality Indicators

Loans by credit quality indicators as of September 30, 2024 were as follows:

| <i>(Dollars in thousands)</i> | Pass | Special Mention | Substandard | Substandard Nonaccrual | Total ¹ |
|---------------------------------------|---------------------|--------------------|---------------|---------------------------|---------------------|
| Commercial real estate | \$ 695,080 | \$ 6,567 | \$ — | \$ — | \$ 701,647 |
| Commercial business | 115,242 | 76 | — | 92 | 115,410 |
| Construction - commercial real estate | 155,072 | — | — | — | 155,072 |
| Land acquisition and development | 33,774 | — | — | — | 33,774 |
| Builder lines | 29,664 | — | — | — | 29,664 |
| Construction - consumer real estate | 16,874 | — | — | — | 16,874 |
| Residential mortgage | 308,706 | 1,092 | 281 | 516 | 310,595 |
| Equity lines | 59,221 | 76 | 89 | 20 | 59,406 |
| Other consumer | 9,667 | — | — | — | 9,667 |
| | <u>\$ 1,423,300</u> | <u>\$ 7,811</u> | <u>\$ 370</u> | <u>\$ 628</u> | <u>\$ 1,432,109</u> |

| <i>(Dollars in thousands)</i> | Very Good | Good | Fairly Good | Fair | Marginal | Total |
|---|------------------|-------------------|-------------------|------------------|------------------|-------------------|
| Consumer finance - automobiles | \$ 43,305 | \$ 106,795 | \$ 137,951 | \$ 93,461 | \$ 24,873 | \$ 406,385 |
| Consumer finance - marine and recreational vehicles | 48,824 | 21,604 | 487 | — | — | 70,915 |
| | <u>\$ 92,129</u> | <u>\$ 128,399</u> | <u>\$ 138,438</u> | <u>\$ 93,461</u> | <u>\$ 24,873</u> | <u>\$ 477,300</u> |

¹ At September 30, 2024, the Corporation did not have any loans classified as Doubtful or Loss.

Loans by credit quality indicators as of December 31, 2023 were as follows:

| <i>(Dollars in thousands)</i> | Pass | Special Mention | Substandard | Substandard Nonaccrual | Total ¹ |
|---------------------------------------|---------------------|--------------------|---------------|---------------------------|---------------------|
| Commercial real estate | \$ 661,432 | \$ 6,690 | \$ — | \$ — | \$ 668,122 |
| Commercial business | 115,286 | 62 | — | — | 115,348 |
| Construction - commercial real estate | 69,768 | — | — | — | 69,768 |
| Land acquisition and development | 29,064 | — | — | — | 29,064 |
| Builder lines | 24,668 | — | — | — | 24,668 |
| Construction - consumer real estate | 11,223 | — | — | — | 11,223 |
| Residential mortgage | 292,624 | 44 | 268 | 320 | 293,256 |
| Equity lines | 51,425 | 85 | 5 | 77 | 51,592 |
| Other consumer | 10,579 | — | — | 9 | 10,588 |
| | <u>\$ 1,266,069</u> | <u>\$ 6,881</u> | <u>\$ 273</u> | <u>\$ 406</u> | <u>\$ 1,273,629</u> |

| <i>(Dollars in thousands)</i> | Very Good | Good | Fairly Good | Fair | Marginal | Total |
|---|------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| Consumer finance - automobiles | \$ 32,913 | \$ 98,286 | \$ 137,480 | \$ 101,569 | \$ 31,028 | \$ 401,276 |
| Consumer finance - marine and recreational vehicles | 47,246 | 19,398 | 590 | — | — | 67,234 |
| | <u>\$ 80,159</u> | <u>\$ 117,684</u> | <u>\$ 138,070</u> | <u>\$ 101,569</u> | <u>\$ 31,028</u> | <u>\$ 468,510</u> |

¹ At December 31, 2023, the Corporation did not have any loans classified as Doubtful or Loss.

Table 14 summarizes the Corporation's credit ratios on a consolidated basis and Table 15 summarizes nonperforming assets by principal business segment as of September 30, 2024 and December 31, 2023. The mortgage banking segment did not have any nonperforming assets as September 30, 2024 or December 31, 2023.

TABLE 14: Consolidated Credit Ratios

| <i>(Dollars in thousands)</i> | September 30, 2024 | December 31, 2023 |
|-----------------------------------|-----------------------|----------------------|
| Total loans ¹ | \$ 1,909,409 | \$ 1,742,139 |
| Nonaccrual loans | \$ 1,729 | \$ 1,298 |
| Allowance for credit losses (ACL) | \$ 40,771 | \$ 39,651 |
| Nonaccrual loans to total loans | 0.09 % | 0.07 % |
| ACL to total loans | 2.14 % | 2.28 % |
| ACL to nonaccrual loans | 2,358.07 % | 3,054.78 % |

¹ Total loans does not include loans held for sale at the mortgage banking segment.

TABLE 15: Nonperforming Assets

Community Banking Segment

| <i>(Dollars in thousands)</i> | September 30, 2024 | December 31, 2023 |
|--|-----------------------|----------------------|
| Total loans | \$ 1,432,109 | \$ 1,273,629 |
| Nonaccrual loans | \$ 628 | \$ 406 |
| ACL | \$ 17,533 | \$ 16,072 |
| Nonaccrual loans to total loans | 0.04 % | 0.03 % |
| ACL to total loans | 1.22 % | 1.26 % |
| ACL to nonaccrual loans | 2,791.88 % | 3,958.62 % |
| Annualized year-to-date net charge-offs to average total loans | 0.01 % | 0.01 % |

Consumer Finance Segment

| <i>(Dollars in thousands)</i> | September 30, 2024 | December 31, 2023 |
|--|-----------------------|----------------------|
| Total loans | \$ 477,300 | \$ 468,510 |
| Nonaccrual loans | \$ 1,101 | \$ 892 |
| Reposessed assets | \$ 522 | \$ 646 |
| ACL | \$ 23,238 | \$ 23,579 |
| Nonaccrual loans to total loans | 0.23 % | 0.19 % |
| ACL to total loans | 4.87 % | 5.03 % |
| ACL to nonaccrual loans | 2,110.63 % | 2,643.39 % |
| Annualized year-to-date net charge-offs to average total loans | 2.36 % | 1.99 % |

The community banking segment's nonaccrual loans were \$628,000 at September 30, 2024 compared to \$406,000 at December 31, 2023. The community banking segment recorded \$700,000 and \$1.7 million in provision for loans for the third quarter and first nine months of 2024, respectively, compared to \$500,000 and \$1.6 million for the same periods of 2023. At September 30, 2024, the allowance for credit losses increased to \$17.5 million, compared to an allowance for

credit losses of \$16.1 million at December 31, 2023, due primarily to growth in the loan portfolio. The allowance for credit losses as a percentage of total loans decreased to 1.22 percent at September 30, 2024 from 1.26 percent at December 31, 2023, due primarily to improvement in current and expected economic conditions, notably inflation and the prospects of a soft landing. Management believes that the level of the allowance for credit losses is adequate to reflect the net amount expected to be collected.

Nonaccrual loans at the consumer finance segment were \$1.1 million at September 30, 2024 compared to \$892,000 at December 31, 2023. Nonaccrual consumer finance loans remain low relative to the allowance for credit losses and the total consumer finance loan portfolio because the consumer finance segment generally initiates repossession of loan collateral once a loan becomes more than 60 days delinquent. Repossessed vehicles of the consumer finance segment are classified as other assets and consist only of vehicles the Corporation has the legal right to sell. Prior to the reclassification from loans to repossessed vehicles, the difference between the carrying amount of each loan and the fair value of each vehicle (i.e. the deficiency) is charged against the allowance for credit losses. At September 30, 2024, repossessed vehicles available for sale totaled \$522,000 compared to \$646,000 at December 31, 2023.

The consumer finance segment experienced net charge-offs at an annualized rate of 2.65 percent and 2.36 percent of average total loans for the third quarter and first nine months of 2024, respectively, compared to 1.99 percent and 1.75 percent for the same periods of 2023, due primarily to an increase in the number of delinquent loans and repossessions and a higher average charge-off per unit as a result of larger loan amounts due to higher automobile values during 2020 and 2021 and a decline in wholesale values of used automobiles since then. Annualized net charge-offs for third quarter of 2024 increased from 1.88 percent for the second quarter of 2024 due primarily to seasonal trends within the portfolio. At September 30, 2024, total delinquent loans as a percentage of total loans was 3.49 percent compared to 4.09 percent at December 31, 2023 and 3.30 percent at September 30, 2023. Delinquency and loss rates have generally returned to pre-pandemic levels due to the passage of time since the expiration of stimulus and enhanced unemployment benefits that benefitted borrowers. The allowance for credit losses was \$23.2 million at September 30, 2024 and \$23.6 million at December 31, 2023. The allowance for credit losses as a percentage of total loans decreased to 4.87 percent at September 30, 2024, compared to 5.03 percent at December 31, 2023, due primarily to growth in loans with stronger credit quality while balances of loans with lower credit quality declined.

The consumer finance segment at times offers payment deferrals to borrowers as a portfolio management technique to achieve higher ultimate cash collections on select loan accounts. A significant reliance on deferrals as a means of managing collections may result in a lengthening of the loss confirmation period, which would increase expectations of credit losses inherent in the portfolio. Average amounts of payment deferrals of automobile loans on a monthly basis, which are not included in delinquent loans, were 1.91 percent, 2.20 percent and 1.58 percent as a percentage of average automobile loans outstanding for the third quarter of 2024, the third quarter of 2023 and the second quarter of 2024, respectively. Average amounts of payment deferrals of automobile loans on a monthly basis, which are not included in delinquent loans, were 1.70 percent and 1.83 percent as a percentage of average automobile loans outstanding for the first nine months of 2024 and 2023, respectively.

The consumer finance segment is an indirect lender that provides automobile financing through lending programs that are designed to serve customers in both the prime and "non-prime" markets, including those who may have limited access to traditional automobile financing due to having experienced prior credit difficulties. The preferred automobile is a later model, low mileage used vehicle because the value of new vehicles typically depreciates rapidly. In addition to automobile financing, marine and RV loan contracts are also purchased on an indirect basis through a referral program administered by a third party. The marine and RV loan contracts are for prime loans averaging less than \$50,000 made to individuals with higher credit scores.

The consumer finance segment's focus has included non-prime borrowers and, therefore, the anticipated rates of delinquencies, defaults, repossessions and losses on the consumer finance loans are higher than those experienced in the general automobile finance industry and could be more dramatically affected by changes in general economic conditions. Changes in economic conditions may also affect consumer demand for used automobiles and values of automobiles securing outstanding loans, due to changes in demand or changes in levels of inventory of used automobiles, which may directly affect the amount of a loss incurred by the consumer finance segment in the event of default. While we manage the higher risk inherent in loans made to non-prime borrowers through the underwriting criteria, portfolio management

and collection methods employed by the consumer finance segment, we cannot guarantee that these criteria or methods will afford adequate protection against these risks. With the consumer finance segment's use of a scorecard model for purchasing loan contracts, the credit-worthiness of borrowers at origination has improved for automobile loans purchased and the level of credit losses experienced has decreased relative to long-term historical averages. We cannot provide any assurance that the consumer finance segment's net charge-off ratio will not increase in future periods. However, we believe that the current allowance for credit losses is adequate to reflect the net amount expected to be collected on existing consumer finance segment loans that may become uncollectible. If factors influencing the consumer finance segment result in higher net charge-off ratios in future periods, the consumer finance segment may need to increase the level of its allowance for credit losses through additional provisions for credit losses, which could negatively affect future earnings of the consumer finance segment.

FINANCIAL CONDITION

At September 30, 2024, the Corporation had total assets of \$2.6 billion, an increase of \$112.4 million since December 31, 2023. The increase was attributable primarily to growth in loans held for investment and loans held for sale, funded by maturities and paydowns of available for sale securities, increases in deposits, additional borrowings, and deployment of cash on hand. The significant components of the Corporation's Consolidated Balance Sheets are discussed below.

Loan Portfolio

Tables 16, 17 and 18 present information pertaining to the composition of loans held for investment, the composition of commercial real estate loans, and the maturity/repricing of certain loans held for investment, respectively.

TABLE 16: Summary of Loans Held for Investment

| <i>(Dollars in thousands)</i> | September 30, 2024 | | December 31, 2023 | |
|---|--------------------|---------|-------------------|---------|
| | Amount | Percent | Amount | Percent |
| Commercial real estate | \$ 701,647 | 37 % | \$ 668,122 | 38 % |
| Commercial business | 115,410 | 6 | 115,348 | 7 |
| Construction - commercial real estate | 155,072 | 8 | 69,768 | 4 |
| Land acquisition and development | 33,774 | 2 | 29,064 | 1 |
| Builder lines | 29,664 | 1 | 24,668 | 1 |
| Construction - consumer real estate | 16,874 | 1 | 11,223 | 1 |
| Residential mortgage | 310,595 | 16 | 293,256 | 17 |
| Equity lines | 59,406 | 3 | 51,592 | 3 |
| Other consumer | 9,667 | 1 | 10,588 | 1 |
| Consumer finance - automobiles | 406,385 | 21 | 401,276 | 23 |
| Consumer finance - marine and recreational vehicles | 70,915 | 4 | 67,234 | 4 |
| Subtotal | 1,909,409 | 100 % | 1,742,139 | 100 % |
| Less allowance for credit losses | (40,771) | | (39,651) | |
| Loans, net | \$ 1,868,638 | | \$ 1,702,488 | |

The increase in total loans from December 31, 2023 to September 30, 2024 was due primarily to growth in commercial real estate construction, commercial real estate, residential mortgage lending, consumer real estate construction, and equity lines at the community banking segment and an increase in automobile loans at the consumer finance segment.

TABLE 17: Commercial Real Estate Loans

| <i>(Dollars in thousands)</i> | September 30, 2024 | | |
|----------------------------------|--------------------|-----------------------------|---------------|
| | Amount | % of Commercial Real Estate | % of Total |
| Multifamily | \$ 134,978 | 19.2 % | 7.1 % |
| Retail | 130,448 | 18.6 | 6.8 |
| Office | 112,552 | 16.0 | 5.9 |
| 1-4 family investment properties | 82,928 | 11.8 | 4.3 |
| Hotels | 59,163 | 8.4 | 3.1 |
| Industrial/warehouse | 58,907 | 8.4 | 3.1 |
| Medical office | 35,043 | 5.0 | 1.8 |
| Mini-storage | 15,424 | 2.2 | 0.8 |
| Other | 72,204 | 10.4 | 3.8 |
| | <u>\$ 701,647</u> | <u>100 %</u> | <u>36.7 %</u> |

| <i>(Dollars in thousands)</i> | December 31, 2023 | | |
|----------------------------------|-------------------|-----------------------------|---------------|
| | Amount | % of Commercial Real Estate | % of Total |
| Multifamily | \$ 132,883 | 19.9 % | 7.6 % |
| Retail | 107,883 | 16.1 | 6.2 |
| Office | 107,692 | 16.1 | 6.2 |
| 1-4 family investment properties | 87,218 | 13.1 | 5.0 |
| Industrial/warehouse | 58,137 | 8.7 | 3.3 |
| Hotels | 53,206 | 8.0 | 3.1 |
| Medical office | 40,784 | 6.1 | 2.3 |
| Mini-storage | 9,766 | 1.5 | 0.6 |
| Other | 70,553 | 10.5 | 4.1 |
| | <u>\$ 668,122</u> | <u>100 %</u> | <u>38.4 %</u> |

TABLE 18: Maturity/Repricing Schedule of Loans Held for Investment

| <i>(Dollars in thousands)</i> | September 30, 2024 | | | |
|-------------------------------|---------------------|-------------------|-------------------|---------------------|
| | Commercial | Consumer | Consumer Finance | Total |
| Variable Rate: | | | | |
| Within 1 year | \$ 280,380 | \$ 60,256 | \$ — | \$ 340,636 |
| 1 to 5 years | 110,128 | 1,060 | — | 111,188 |
| 5 to 15 years | 9,078 | — | — | 9,078 |
| After 15 years | — | — | — | — |
| Fixed Rate: | | | | |
| Within 1 year | 121,378 | 8,720 | 5,023 | 135,121 |
| 1 to 5 years | 247,778 | 60,831 | 241,652 | 550,261 |
| 5 to 15 years | 268,960 | 209,501 | 230,625 | 709,086 |
| After 15 years | 14,739 | 39,300 | — | 54,039 |
| | <u>\$ 1,052,441</u> | <u>\$ 379,668</u> | <u>\$ 477,300</u> | <u>\$ 1,909,409</u> |

Securities

The investment portfolio plays a primary role in the management of the Corporation's interest rate sensitivity. In addition, the portfolio serves as a source of liquidity and is used as needed to meet collateral requirements. The investment portfolio consists of securities available for sale, which may be sold in response to changes in market interest rates, changes in prepayment risk, increases in loan demand, general liquidity needs and other similar factors. These securities are carried at estimated fair value. At September 30, 2024 and December 31, 2023, all securities in the Corporation's investment portfolio were classified as available for sale.

The following table sets forth the composition of the Corporation's securities available for sale in dollar amounts at fair value and as a percentage of the Corporation's total securities available for sale at the dates indicated.

TABLE 19: Securities Available for Sale

| <i>(Dollars in thousands)</i> | September 30, 2024 | | December 31, 2023 | |
|---|--------------------|--------------|-------------------|--------------|
| | Amount | Percent | Amount | Percent |
| U.S. Treasury securities | \$ 10,684 | 3 % | \$ 45,103 | 10 % |
| U.S. government agencies and corporations | 63,669 | 16 | 87,094 | 19 |
| Mortgage-backed securities | 166,977 | 41 | 161,696 | 35 |
| Obligations of states and political subdivisions | 147,176 | 35 | 147,111 | 31 |
| Corporate and other debt securities | 20,539 | 5 | 21,440 | 5 |
| Total available for sale securities at fair value | <u>\$ 409,045</u> | <u>100 %</u> | <u>\$ 462,444</u> | <u>100 %</u> |

Securities available for sale decreased by \$53.4 million to \$409.0 million at September 30, 2024 compared to \$462.4 million at December 31, 2023 due primarily to decreases in U.S. treasury and government agency securities. Net unrealized losses in the market value of securities available for sale decreased to \$21.7 million at September 30, 2024, compared to \$31.6 million at December 31, 2023.

For more information about the Corporation's securities available for sale, including information about securities in an unrealized loss position at September 30, 2024 and December 31, 2023, see Part I, Item 1, "Financial Statements" under the heading "Note 2: Securities" in this Quarterly Report on Form 10-Q.

The following table presents additional information pertaining to the composition of the securities portfolio at amortized cost, by the earlier of contractual maturity or expected maturity. Expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations with or without call or prepayment penalties. The total effective duration of the investment portfolio is 4.1 years as of September 30, 2024.

TABLE 20: Maturity of Securities

| | September 30, 2024 | |
|---|--------------------|-------------------------------------|
| | Amortized Cost | Weighted Average Yield ¹ |
| (Dollars in thousands) | | |
| U.S. Treasury securities: | | |
| Maturing within 1 year | \$ 5,992 | 1.71 % |
| Maturing after 1 year, but within 5 years | 4,985 | 1.38 |
| Total U.S. Treasury securities | 10,977 | 1.56 |
| U.S. government agencies and corporations: | | |
| Maturing within 1 year | 5,315 | 1.69 |
| Maturing after 1 year, but within 5 years | 37,498 | 1.30 |
| Maturing after 5 years, but within 10 years | 21,485 | 1.78 |
| Maturing after 10 years | 6,098 | 2.16 |
| Total U.S. government agencies and corporations | 70,396 | 1.55 |
| Mortgage-backed securities: | | |
| Maturing within 1 year | 28,818 | 2.07 |
| Maturing after 1 year, but within 5 years | 81,489 | 2.09 |
| Maturing after 5 years, but within 10 years | 49,456 | 2.26 |
| Maturing after 10 years | 17,613 | 3.68 |
| Total mortgage-backed securities | 177,376 | 2.29 |
| States and municipals: ¹ | | |
| Maturing within 1 year | 29,054 | 3.59 |
| Maturing after 1 year, but within 5 years | 35,774 | 1.98 |
| Maturing after 5 years, but within 10 years | 41,510 | 3.52 |
| Maturing after 10 years | 42,298 | 4.41 |
| Total states and municipals | 148,636 | 3.42 |
| Corporate and other debt securities: | | |
| Maturing within 1 year | 1,908 | 3.48 |
| Maturing after 1 year, but within 5 years | 16,250 | 4.10 |
| Maturing after 5 years, but within 10 years | 5,250 | 4.10 |
| Total corporate and other debt securities | 23,408 | 4.05 |
| Total securities: | | |
| Maturing within 1 year | 71,087 | 2.67 |
| Maturing after 1 year, but within 5 years | 175,996 | 2.06 |
| Maturing after 5 years, but within 10 years | 117,701 | 2.70 |
| Maturing after 10 years | 66,009 | 4.01 |
| Total securities | \$ 430,793 | 2.63 |

¹. Yields on tax-exempt securities have been computed on a taxable-equivalent basis using the federal corporate income tax rate of 21 percent. The weighted average yield is calculated based on the relative amortized costs of the securities.

Deposits

The Corporation's predominant source of funds is depository accounts, which are comprised of demand deposits, savings and money market accounts and time deposits. The Corporation's deposits are principally provided by individuals and businesses located within the communities served.

During the first nine months of 2024, deposits increased \$69.8 million to \$2.14 billion at September 30, 2024. Noninterest bearing demand deposits decreased \$7.7 million, savings and interest-bearing demand deposits decreased \$60.1 million, and time deposits increased \$137.6 million during the same period. The decrease in non-time deposits was due in part to a shift in balances toward time deposits amid a higher interest rate environment and to seasonal factors related to municipal deposits, which tend to increase with tax collections primarily in the fourth quarter of each year and decline with spending thereafter. The Corporation had \$122.9 million in municipal deposits at September 30, 2024 compared to \$167.9 million at December 31, 2023.

The Corporation had \$25.0 million in brokered money market and time deposits outstanding at both September 30, 2024 and December 31, 2023. The Corporation may continue to use brokered deposits on a limited basis as a means of maintaining and diversifying liquidity and funding sources.

Borrowings

Borrowings increased to \$142.3 million at September 30, 2024 from \$109.5 million at December 31, 2023 due primarily to increased borrowings from the FHLB to support lending activities.

Liquidity

The objective of the Corporation's liquidity management is to ensure the continuous availability of funds to satisfy the credit needs of our customers and the demands of our depositors, creditors and investors. Stable core deposits and a strong capital position are the components of a solid foundation for the Corporation's liquidity position. Additional sources of liquidity available to the Corporation include cash flows from operations, loan payments and payoffs, deposit growth, maturities, calls and sales of securities, the issuance of brokered certificates of deposit and the capacity to borrow additional funds.

Liquid assets, which include cash and due from banks, interest-bearing deposits at other banks and nonpledged securities available for sale, totaled \$287.4 million at September 30, 2024 compared to \$338.8 million at December 31, 2023. The Corporation's funding sources, including capacity, amount outstanding and amount available at September 30, 2024 are presented in Table 21. The Corporation's capacity and amount available increased \$66.2 million and \$33.7 million, respectively, from December 31, 2023 as a result of pledging additional loans in order to increase funding capacity under secured funding arrangements with the FRB and FHLB.

TABLE 21: Funding Sources

| <i>(Dollars in thousands)</i> | September 30, 2024 | | |
|------------------------------------|--------------------|------------------|-------------------|
| | Capacity | Outstanding | Available |
| Unsecured federal funds agreements | \$ 75,000 | \$ — | \$ 75,000 |
| Borrowings from FHLB | 254,445 | 60,000 | 194,445 |
| Borrowings from FRB | 314,385 | — | 314,385 |
| Total | <u>\$ 643,830</u> | <u>\$ 60,000</u> | <u>\$ 583,830</u> |

| <i>(Dollars in thousands)</i> | December 31, 2023 | | |
|---|-------------------|------------------|-------------------|
| | Capacity | Outstanding | Available |
| Unsecured federal funds agreements ¹ | \$ 95,000 | \$ 18 | \$ 94,982 |
| Repurchase lines of credit ¹ | 35,000 | — | 35,000 |
| Borrowings from FHLB | 228,382 | 27,500 | 200,882 |
| Borrowings from FRB | 219,244 | — | 219,244 |
| Total | <u>\$ 577,626</u> | <u>\$ 27,518</u> | <u>\$ 550,108</u> |

- ¹. Amounts include \$20.0 million and \$35.0 million of certain unsecured federal funds agreements and repurchase lines of credit, respectively, at December 31, 2023 that subsequently terminated in January 2024 when the corresponding third-party ended all federal funds agreements and repurchase lines of credit with all financial institutions.

We have no reason to believe these arrangements will not be renewed at maturity. Additional loans and securities are available that can be pledged as collateral for future borrowings from the FHLB and FRB above the current lendable collateral value. Our ability to maintain sufficient liquidity may be affected by numerous factors, including economic conditions nationally and in our markets. Depending on our liquidity levels, our capital position, conditions in the capital markets, our business operations and initiatives, and other factors, we may from time to time consider the issuance of debt, equity or other securities or other possible capital market transactions, the proceeds of which could provide additional liquidity for our operations.

Uninsured deposits represent an estimate of amounts above the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000. As of September 30, 2024, the Corporation's uninsured deposits were approximately \$607.6 million, or 28.5 percent of total deposits. Excluding intercompany cash holdings and municipal deposits which are secured with pledged securities, amounts uninsured were approximately \$455.6 million, or 21.3 percent of total deposits as of September 30, 2024, compared to \$404.1 million, or 19.6 percent of total deposits as of December 31, 2023. The Corporation's liquid assets and borrowing availability as of September 30, 2024 totaled \$871.2 million, exceeding uninsured deposits, excluding intercompany cash holdings and secured municipal deposits, by \$415.6 million.

The Corporation's internal policy limits brokered deposits to 20 percent of total deposits, representing approximately \$402.1 million of additional net availability for additional brokered deposits as of September 30, 2024.

As a result of the Corporation's management of liquid assets and the ability to generate liquidity through liability funding, management believes that the Corporation maintains overall liquidity sufficient to satisfy its operational requirements and contractual obligations.

Capital Resources

The assessment of capital adequacy depends on such factors as asset quality, liquidity, earnings performance, and changing competitive conditions and economic forces. We regularly review the adequacy of the Corporation's and the Bank's capital. We maintain a structure that will assure an adequate level of capital to support anticipated asset growth and to absorb potential losses. While we will continue to look for opportunities to invest capital in profitable growth, share repurchases are another tool that facilitates improving shareholder return, as measured by ROE and earnings per share.

The disclosure below presents the Corporation's and the Bank's actual capital amounts and ratios under currently applicable regulatory capital standards. Under the small bank holding company policy statement of the Federal Reserve Board, which applies to certain bank holding companies with consolidated total assets of less than \$3 billion, the Corporation is not subject to regulatory capital requirements. The table below reflects the Corporation's consolidated capital as determined under regulations that apply to bank holding companies that are not small bank holding companies and minimum capital requirements that would apply to the Corporation if it were not a small bank holding company. Although the minimum regulatory capital requirements are not applicable to the Corporation, the Corporation calculates these ratios for its own planning and monitoring purposes. Total risk-weighted assets at September 30, 2024 for the Corporation were \$2.13 billion and for the Bank were \$2.11 billion. Total risk-weighted assets at December 31, 2023 for the Corporation were \$1.95 billion and for the Bank were \$1.92 billion. As of September 30, 2024, the Bank met all capital adequacy requirements to which it is subject.

TABLE 22: Regulatory Capital

| <i>(Dollars in thousands)</i> | September 30, 2024 | | | | | |
|------------------------------------|--------------------|-------|------------------------------|-------|-------------------------------|--------|
| | Actual | | Minimum Capital Requirements | | Well Capitalized Requirements | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| The Corporation | | | | | | |
| Total risk-based capital ratio | \$ 295,131 | 13.8% | \$ 170,724 | 8.0 % | \$ N/A | N/A % |
| Tier 1 risk-based capital ratio | 248,267 | 11.6 | 128,043 | 6.0 | N/A | N/A |
| Common Equity Tier 1 capital ratio | 223,267 | 10.5 | 96,032 | 4.5 | N/A | N/A |
| Tier 1 leverage ratio | 248,267 | 9.8 | 101,457 | 4.0 | N/A | N/A |
| The Bank | | | | | | |
| Total risk-based capital ratio | \$ 281,355 | 13.4% | \$ 168,618 | 8.0 % | \$ 210,772 | 10.0 % |
| Tier 1 risk-based capital ratio | 254,816 | 12.1 | 126,463 | 6.0 | 168,618 | 8.0 |
| Common Equity Tier 1 capital ratio | 254,816 | 12.1 | 94,847 | 4.5 | 137,002 | 6.5 |
| Tier 1 leverage ratio | 254,816 | 10.1 | 100,648 | 4.0 | 125,810 | 5.0 |

| <i>(Dollars in thousands)</i> | December 31, 2023 | | | | | |
|------------------------------------|-------------------|--------|------------------------------|-------|-------------------------------|--------|
| | Actual | | Minimum Capital Requirements | | Well Capitalized Requirements | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| The Corporation | | | | | | |
| Total risk-based capital ratio | \$ 289,396 | 14.8 % | \$ 155,927 | 8.0 % | \$ N/A | N/A % |
| Tier 1 risk-based capital ratio | 244,830 | 12.6 | 116,945 | 6.0 | N/A | N/A |
| Common Equity Tier 1 capital ratio | 219,830 | 11.3 | 87,709 | 4.5 | N/A | N/A |
| Tier 1 leverage ratio | 244,830 | 10.1 | 97,449 | 4.0 | N/A | N/A |
| The Bank | | | | | | |
| Total risk-based capital ratio | \$ 271,952 | 14.1 % | \$ 153,816 | 8.0 % | \$ 192,270 | 10.0 % |
| Tier 1 risk-based capital ratio | 247,712 | 12.9 | 115,362 | 6.0 | 153,816 | 8.0 |
| Common Equity Tier 1 capital ratio | 247,712 | 12.9 | 86,522 | 4.5 | 124,976 | 6.5 |
| Tier 1 leverage ratio | 247,712 | 10.3 | 96,655 | 4.0 | 120,819 | 5.0 |

The regulatory risk-based capital amounts presented above include: (1) common equity tier 1 capital (CET1) which consists principally of common stock (including surplus) and retained earnings with adjustments for goodwill and intangible assets; (2) Tier 1 capital which consists principally of CET1 plus the Corporation's "grandfathered" trust preferred securities; and (3) Tier 2 capital which consists principally of Tier 1 capital plus a limited amount of the allowance for credit losses and \$20.0 million of outstanding subordinated notes of the Corporation. The Total Capital ratio, Tier 1 Capital ratio and CET1 ratio are calculated as a percentage of risk-weighted assets. The Tier 1 Leverage ratio is calculated as a percentage of average tangible assets. The decrease in these ratios at September 30, 2024 compared to December 31, 2023 was due primarily to growth in risk-weighted assets resulting from higher balances of loans outpacing growth in equity. In addition, the Corporation has made the one-time irrevocable election to continue treating accumulated other comprehensive income (AOCI) under regulatory standards that were in place prior to the Basel III Final Rule in order to eliminate volatility of regulatory capital that can result from fluctuations in AOCI and the inclusion of AOCI in regulatory capital, as would otherwise be required under the Basel III Capital Rule. As a result of this election, changes in AOCI, including unrealized losses on securities available for sale, do not affect regulatory capital amounts shown in the table above for the Corporation or the Bank. For additional information about the Basel III Final Rules, see "Item 1. Business" under the heading "Regulation and Supervision" and "Item 8. Financial Statements and Supplementary Data," under the heading "Note 17: Regulatory Requirements and Restrictions" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2023.

The Basel III rules established a "capital conservation buffer" of 2.5 percent above the regulatory minimum risk-based capital ratios, which is not included in the table above. Including the capital conservation buffer, the minimum ratios are a common equity Tier 1 risk-based capital ratio of 7.0 percent, a Tier 1 risk-based capital ratio of 8.5 percent, and a total risk-based capital ratio of 10.5 percent. The Corporation and the Bank exceeded these ratios at September 30, 2024 and December 31, 2023.

The Corporation's capital resources are impacted by its share repurchase programs. The Board of Directors authorized a program, effective January 1, 2024, to repurchase up to \$10.00 million of the Corporation's common stock through December 31, 2024 (the 2024 Repurchase Program). Repurchases under the 2024 Repurchase Program may be made through privately negotiated transactions or open market transactions, including pursuant to a trading plan in accordance with Rule 10b5-1 and/or Rule 10b-18 under the Securities Exchange Act of 1934, as amended, (Exchange Act) and shares repurchased will be returned to the status of authorized and unissued shares of common stock. The timing, number and purchase price of shares repurchased under the program will be determined by management in its discretion and will depend on a number of factors, including the market price of the shares, general market and economic conditions, applicable legal requirements and other conditions, and there is no assurance that the Corporation will purchase any shares under the 2024 Repurchase Program. The 2024 Repurchase Program is authorized through December 31, 2024, and, as of September 30, 2024, there was \$2.7 million remaining available for repurchases of the Corporation's common stock under the 2024 Repurchase Program.

USE OF CERTAIN NON-GAAP FINANCIAL MEASURES

The accounting and reporting policies of the Corporation conform to GAAP in the United States and prevailing practices in the banking industry. However, certain non-GAAP measures are used by management to supplement the evaluation of the Corporation's performance. These include net tangible income attributable to the Corporation, ROTCE, tangible book value per share, and the following fully-taxable equivalent (FTE) measures: interest income on loans-FTE, interest income on securities-FTE, total interest income-FTE and net interest income-FTE. Interest on tax-exempt loans and securities is presented on a taxable-equivalent basis (which converts the income on loans and investments for which no income taxes are paid to the equivalent yield as if income taxes were paid) using the federal corporate income tax rate of 21 percent that was applicable for all periods presented.

Management believes that the use of these non-GAAP measures provides meaningful information about operating performance by enhancing comparability with other financial periods, other financial institutions, and between different sources of interest income. The non-GAAP measures used by management enhance comparability by excluding the effects of balances of intangible assets, including goodwill, that vary significantly between institutions, and tax benefits that are not consistent across different opportunities for investment. These non-GAAP financial measures should not be considered an alternative to GAAP-basis financial statements, and other bank holding companies may define or calculate these or similar measures differently. A reconciliation of the non-GAAP financial measures used by the Corporation to evaluate and measure the Corporation's performance to the most directly comparable GAAP financial measures is presented below.

TABLE 23: Non-GAAP Table

| <i>(Dollars in thousands, except for share and per share data)</i> | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|--|---|-------------------|--|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Reconciliation of Certain Non-GAAP Financial Measures | | | | |
| Return on Average Tangible Common Equity | | | | |
| Average total equity, as reported | \$ 222,532 | \$ 204,840 | \$ 218,642 | \$ 203,606 |
| Average goodwill | (25,191) | (25,191) | (25,191) | (25,191) |
| Average other intangible assets | (1,242) | (1,507) | (1,303) | (1,572) |
| Average noncontrolling interest | (573) | (484) | (670) | (668) |
| Average tangible common equity | <u>\$ 195,526</u> | <u>\$ 177,658</u> | <u>\$ 191,478</u> | <u>\$ 176,175</u> |
| Net income | \$ 5,420 | \$ 5,777 | \$ 13,889 | \$ 18,658 |
| Amortization of intangibles | 66 | 68 | 196 | 204 |
| Net (income) loss attributable to noncontrolling interest | (31) | 12 | (92) | (122) |
| Net tangible income attributable to C&F Financial Corporation | <u>\$ 5,455</u> | <u>\$ 5,857</u> | <u>\$ 13,993</u> | <u>\$ 18,740</u> |
| Annualized return on average equity, as reported | 9.74 % | 11.28 % | 8.47 % | 12.22 % |
| Annualized return on average tangible common equity | 11.16 % | 13.19 % | 9.74 % | 14.18 % |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-----------|---------------------------------|-----------|
| <i>(Dollars in thousands, except for share and per share data)</i> | 2024 | 2023 | 2024 | 2023 |
| Fully Taxable Equivalent Net Interest Income¹ | | | | |
| Interest income on loans | \$ 33,021 | \$ 28,369 | \$ 94,014 | \$ 81,845 |
| FTE adjustment | 49 | 54 | 152 | 154 |
| FTE interest income on loans | \$ 33,070 | \$ 28,423 | \$ 94,166 | \$ 81,999 |
| Interest income on securities | \$ 2,721 | \$ 2,938 | \$ 8,326 | \$ 9,048 |
| FTE adjustment | 237 | 196 | 707 | 541 |
| FTE interest income on securities | \$ 2,958 | \$ 3,134 | \$ 9,033 | \$ 9,589 |
| Total interest income | \$ 36,131 | \$ 31,686 | \$ 103,151 | \$ 91,729 |
| FTE adjustment | 286 | 250 | 859 | 695 |
| FTE interest income | \$ 36,417 | \$ 31,936 | \$ 104,010 | \$ 92,424 |
| Net interest income | \$ 24,689 | \$ 24,462 | \$ 71,675 | \$ 73,765 |
| FTE adjustment | 286 | 250 | 859 | 695 |
| FTE net interest income | \$ 24,975 | \$ 24,712 | \$ 72,534 | \$ 74,460 |

¹ Assuming a tax rate of 21%.

| | September 30, 2024 | December 31, 2023 |
|---|-----------------------|----------------------|
| <i>(Dollars in thousands except for per share data)</i> | | |
| Tangible Book Value Per Share | | |
| Equity attributable to C&F Financial Corporation | \$ 227,340 | \$ 216,878 |
| Goodwill | (25,191) | (25,191) |
| Other intangible assets | (1,211) | (1,407) |
| Tangible equity attributable to C&F Financial Corporation | \$ 200,938 | \$ 190,280 |
| Shares outstanding | 3,234,363 | 3,374,098 |
| Book value per share | \$ 70.29 | \$ 64.28 |
| Tangible book value per share | \$ 62.13 | \$ 56.40 |

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This report contains statements concerning the Corporation's expectations, plans, objectives or beliefs regarding future financial performance and other statements that are not historical facts, which may constitute "forward-looking statements" as defined by federal securities laws. Forward-looking statements generally can be identified by the use of words such as "believe," "expect," "anticipate," "estimate," "plan," "may," "will," "intend," "should," "could," or similar expressions, are not statements of historical fact, and are based on management's beliefs, assumptions and expectations regarding future events or performance as of the date of this report, taking into account all information currently available.

These statements may include, but are not limited to: statements regarding expected future operations and financial performance; expected trends in yields on loans; expected future recovery of investments in debt securities; future dividend payments; deposit trends, charge-offs and delinquencies; changes in cost of funds and net interest margin and items affecting net interest margin; expected renewal of unsecured federal funds agreements; expected impact of unrealized losses on earnings and regulatory capital of the Corporation or the Bank; competition, our loan portfolio; our digital services; deposits; improving operational efficiencies; retention of qualified loan officers; higher quality automobile loan contracts, marine and RV lending; strategic business initiatives and the anticipated effects thereof on mortgage loan originations; technology initiatives; our diversified business strategy; asset quality; credit quality; adequacy of allowances for credit losses and the level of future charge-offs; market interest rates and housing inventory and resulting effects in mortgage loan origination volume; sources of liquidity; adequacy of the reserve for indemnification losses related to loans sold in the secondary market; capital levels; the effect of future market and industry trends; the effects of future interest rate levels and fluctuations; cybersecurity risks and inflation. These forward-looking statements are subject to significant risks and uncertainties due to factors that could have a material adverse effect on the operations and future prospects of the Corporation including, but not limited to, changes in:

- interest rates, such as volatility in short-term interest rates or yields on U.S. Treasury bonds, increases in interest rates following actions by the Federal Reserve and increases or volatility in mortgage interest rates
- general business conditions, as well as conditions within the financial markets
- general economic conditions, including unemployment levels, inflation rates, supply chain disruptions and slowdowns in economic growth
- general market conditions, including disruptions due to pandemics or significant health hazards, severe weather conditions, natural disasters, terrorist activities, financial crises, political crises, war and other military conflicts (including the ongoing military conflicts between Russia and Ukraine and in the Middle East) or other major events, or the prospect of these events
- average loan yields and average costs of interest-bearing deposits
- financial services industry conditions, including bank failures or concerns involving liquidity
- labor market conditions, including attracting, hiring, training, motivating and retaining qualified employees
- the legislative and regulatory climate, regulatory initiatives with respect to financial institutions, products and services, the Consumer Financial Protection Bureau (the CFPB) and the regulatory and enforcement activities of the CFPB
- monetary and fiscal policies of the U.S. Government, including policies of the FDIC, U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System (the Federal Reserve Board), and the effect of these policies on interest rates and business in our markets
- demand for financial services in the Corporation's market areas
- the value of securities held in the Corporation's investment portfolios
- the quality or composition of the loan portfolios and the value of the collateral securing those loans
- the inventory level, demand and fluctuations in the pricing of used automobiles, including sales prices of repossessed vehicles
- the level of automobile loan delinquencies or defaults and our ability to repossess automobiles securing delinquent automobile finance installment contracts
- the level of net charge-offs on loans and the adequacy of our allowance for credit losses
- the level of indemnification losses related to mortgage loans sold
- demand for loan products
- deposit flows
- the strength of the Corporation's counterparties

- the availability of lines of credit from the FHLB and other counterparties
- the soundness of other financial institutions and any indirect exposure related to the closing of other financial institutions and their impact on the broader market through other customers, suppliers and partners, or that the conditions which resulted in the liquidity concerns experienced by closed financial institutions may also adversely impact, directly or indirectly, other financial institutions and market participants with which the Corporation has commercial or deposit relationships
- competition from both banks and non-banks, including competition in the automobile finance and marine and recreational vehicle finance markets
- services provided by, or the level of the Corporation's reliance upon third parties for key services
- the commercial and residential real estate markets, including changes in property values
- the demand for residential mortgages and conditions in the secondary residential mortgage loan markets
- the Corporation's technology initiatives and other strategic initiatives
- the Corporation's branch expansion and consolidation plans
- cyber threats, attacks or events
- C&F Bank's product offerings
- accounting principles, policies and guidelines, and elections made by the Corporation thereunder, including, for example, our adoption of the CECL methodology and the potential volatility in the Corporation's operating results due the application of the CECL methodology

These risks and uncertainties, and the risks discussed in more detail in Item 1A. "Risk Factors," of Part I of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2023 should be considered in evaluating the forward-looking statements contained herein.

Readers should not place undue reliance on any forward-looking statement. There can be no assurance that actual results will not differ materially from historical results or those expressed in or implied by such forward-looking statements, or that the beliefs, assumptions and expectations underlying such forward-looking statements will be proven to be accurate. Forward-looking statements are made as of the date of this report and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which the statement was made, except as otherwise required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Corporation's primary component of market risk is interest rate volatility. Fluctuations in interest rates will affect the amount of interest income and expense the Corporation receives or pays on a significant portion of its assets and liabilities and the market value of its interest-earning assets and interest-bearing liabilities, excluding those which have a very short term until maturity. The Corporation does not subject itself to foreign currency exchange rate risk or commodity price risk due to the current nature of its operations. The Corporation has established a comprehensive enterprise risk management program to monitor risks related to its operations, including market risk, and the Corporation's Chief Risk Officer has primary responsibility for the enterprise risk management program.

The Corporation's Asset/Liability Committee meets at least quarterly with the primary objective of maximizing current and future net interest income within acceptable levels of interest rate risk while satisfying liquidity and capital requirements. Management recognizes that a certain amount of interest rate risk is inherent and appropriate. Thus the goal of interest rate risk management is to maintain a balance between risk and reward such that net interest income is maximized while risk is maintained at an acceptable level. The objective of the Corporation's liquidity management is to meet the Corporation's liquidity requirements by ensuring the continuous availability of funds to satisfy the credit needs of our customers and the demands of our depositors, creditors and investors. Stable core deposits and a strong capital position are the components of a solid foundation for the Corporation's liquidity position. Management continuously monitors cash flows, including deposit flows, loan fundings and draws, securities payments and borrowing maturities, and the impact of changes in interest rates on these cash flows. Additionally, management tracks uninsured deposits, unplugged securities and unplugged loans among other liquidity metrics.

The Corporation assumes interest rate risk in the normal course of operations. The fair values of most of the Corporation's financial instruments will change when interest rates change and that change may be either favorable or unfavorable to the Corporation. Management attempts to match maturities and repricing dates of assets and liabilities to the extent believed necessary to balance minimizing interest rate risk and increasing net interest income in current market conditions. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates, maturities and repricing dates of assets and liabilities and attempts to manage interest rate risk by adjusting terms of new loans, deposits and borrowings, by investing in securities with terms that manage the Corporation's overall interest rate risk, and in some cases by using derivative contracts to reduce the Corporation's overall exposure to changes in interest rates. The Corporation does not enter into interest rate-sensitive instruments for trading purposes.

We use simulation analysis to assess earnings at risk and economic value of equity (EVE) analysis to assess economic value at risk. These methods allow management to regularly monitor both the direction and magnitude of the Corporation's interest rate risk exposure. These modeling techniques involve assumptions and estimates that inherently cannot be measured with complete precision. Key assumptions in the analyses include maturity and repricing characteristics of both assets and liabilities, prepayments on amortizing assets, other embedded options, non-maturity deposit sensitivity and loan and deposit pricing. These assumptions are inherently uncertain due to the timing, magnitude and frequency of rate changes and changes in market conditions and management strategies, among other factors. However, the analyses are useful in quantifying risk and provide a relative gauge of the Corporation's interest rate risk position over time.

Simulation analysis evaluates the potential effect of upward and downward changes in market interest rates on future net interest income. The analysis involves changing the interest rates used in determining net interest income over the next twelve months. The resulting percentage change in net interest income in various rate scenarios is an indication of the Corporation's shorter-term interest rate risk. The analysis utilizes a "static" balance sheet approach, which assumes changes in interest rates without any management response to change the composition of the balance sheet. The measurement date balance sheet composition is maintained over the simulation time period with maturing and repayment dollars being rolled back into like instruments for new terms at current market rates. Additional assumptions are applied to modify volumes and pricing under the various rate scenarios. These assumptions include loan prepayments, time deposit early withdrawals, the sensitivity of deposit repricing to changes in market rates, withdrawal behavior of non-maturing deposits, and other factors that management deems significant.

The simulation analysis results, based on a measurement date balance sheet as of September 30, 2024, for hypothetical changes in net interest income over the next twelve months are presented in the table below.

One-Year Net Interest Income Simulation (dollars in thousands)

| Assumed Market Interest Rate Shift | Hypothetical Change in Net Interest Income Over the Next Twelve Months as of | | | |
|------------------------------------|--|------------|-------------------|------------|
| | September 30, 2024 | | December 31, 2023 | |
| | Dollars | Percentage | Dollars | Percentage |
| -300 BP shock | \$ (8,709) | (7.86)% | \$ (8,372) | (8.22)% |
| -200 BP shock | (5,619) | (5.07) | (5,137) | (5.04) |
| -100 BP shock | (2,585) | (2.33) | (2,352) | (2.31) |
| +100 BP shock | 677 | 0.61 | 1,081 | 1.06 |
| +200 BP shock | 1,132 | 1.02 | 2,094 | 2.06 |
| +300 BP shock | 1,474 | 1.33 | 3,013 | 2.96 |

These results indicate that the Corporation would expect net interest income to decrease over the next twelve months assuming an immediate downward shift in market interest rates of 100 BP to 300 BP and to increase if rates shifted upward to the same degree. The simulation analysis results show the Corporation's sensitivity to an upward shift in rates relative to a downward shift in rates was less pronounced as of September 30, 2024 compared to the results as of December 31, 2023 due primarily to shifts in the mix of deposits and borrowings.

The EVE analysis provides information on the risk inherent in the balance sheet that might not be taken into account in the simulation analysis due to the shorter time horizon used in that analysis. The EVE of the balance sheet is defined as the discounted present value of expected asset cash flows minus the discounted present value of the expected liability cash flows. The analysis involves changing the interest rates used in determining the expected cash flows and in discounting the cash flows. The resulting percentage change in net present value in various rate scenarios is an indication of the longer term repricing risk and options embedded in the balance sheet.

The EVE analysis results are presented in the table below.

Static EVE Change (dollars in thousands)

| Assumed Market Interest Rate Shift | Hypothetical Change in EVE as of | | | |
|------------------------------------|----------------------------------|------------|-------------------|------------|
| | September 30, 2024 | | December 31, 2023 | |
| | Dollars | Percentage | Dollars | Percentage |
| -300 BP shock | \$ (42,604) | (10.87)% | \$ (28,719) | (7.51)% |
| -200 BP shock | (19,787) | (5.05) | (10,881) | (2.85) |
| -100 BP shock | (5,431) | (1.39) | (1,397) | (0.37) |
| +100 BP shock | (2,951) | (0.75) | (1,945) | (0.51) |
| +200 BP shock | (8,688) | (2.22) | (5,012) | (1.31) |
| +300 BP shock | (15,851) | (4.05) | (11,062) | (2.89) |

These results as of September 30, 2024 indicate that the EVE would decrease assuming an immediate downward shift in market interest rates of 100 BP to 300 BP, and would decrease assuming an immediate upward shift in market interest rates of 100 BP to 300 BP. As of September 30, 2024, the Corporation's EVE is more sensitive to changes in rates compared to its position as of December 31, 2023 due primarily to shifts in the mix of earning assets and in the mix of deposits and borrowings, which impacted the overall duration of both assets and liabilities. The lower interest rate environment as of September 30, 2024 compared to December 31, 2023 increased the prepayment expectations of certain earning assets, which also contributed to the Corporation's EVE sensitivity to changes in rates.

Certain shortcomings are inherent in the methodology used in the above interest rate risk analyses. Modeling changes in forecasted cash flows and EVE requires making certain assumptions that may or may not reflect the manner in which

actual yields and costs respond to changes in market interest rates, and certain assumed scenarios may be impractical to model under different economic circumstances. In a falling rate environment, the analyses assume that rate-sensitive assets are repriced downward, subject to floors on certain loans, while certain deposit rates are not allowed to decrease below zero.

The Corporation uses interest rate swaps to manage select exposures to interest rate risk. Interest rate swaps involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date with no exchange of underlying principal amounts. The Corporation has interest rate swaps that qualify as cash flow hedges. The cash flow hedges effectively modify the Corporation's exposure to interest rate risk associated with the Corporation's trust preferred capital notes by converting variable rates of interest on the trust preferred capital notes to fixed rates of interest for periods ending between June 2026 and June 2029. Also, as part of the Corporation's overall strategy for maximizing net interest income while managing interest rate risk, the Corporation enters into interest rate swaps in connection with originating loans to certain commercial borrowers as a means to offer a fixed-rate instrument to the borrower while effectively retaining a variable-rate exposure.

The mortgage banking segment enters into IRLCs with customers to originate loans for which the interest rates are determined prior to funding. The mortgage banking segment then mitigates interest rate risk on these IRLCs and loans held for sale by entering into forward sales contracts with investors at the time that interest rates are locked for loans to be delivered on a best efforts basis. IRLCs are derivative financial instruments.

We believe that our current interest rate exposure is manageable and does not indicate any significant exposure to interest rate changes.

ITEM 4. CONTROLS AND PROCEDURES

The Corporation's management, including the Corporation's Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective as of September 30, 2024 to ensure that information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that the Corporation's disclosure controls and procedures will detect or uncover every situation involving the failure of persons within the Corporation or its subsidiary to disclose material information required to be set forth in the Corporation's periodic reports.

There were no changes in the Corporation's internal control over financial reporting during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors faced by the Corporation from those disclosed in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2023.

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

Issuer Purchases of Equity Securities

The Corporation's Board of Directors authorized a program, effective January 1, 2024, to repurchase up to \$10.0 million of the Corporation's common stock through December 31, 2024 (the 2024 Repurchase Program). Repurchases under the 2024 Repurchase Program may be made through privately negotiated transactions or open market transactions, including pursuant to a trading plan in accordance with Rule 10b5-1 and/or Rule 10b-18 under the Exchange Act and shares repurchased will be returned to the status of authorized and unissued shares of common stock. There were 60,520 shares repurchased under the 2024 Repurchase Program during the third quarter of 2024. As of September 30, 2024, the Corporation has made aggregate common stock repurchases of 149,594 shares for an aggregate cost of \$7.3 million under the 2024 Repurchase Program.

The following table summarizes repurchases of the Corporation's common stock that occurred during the three months ended September 30, 2024.

| | Total Number of Shares Purchased ¹ | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|--|--|---------------------------------|--|--|
| July 1, 2024 - July 31, 2024 | 28,125 | \$ 49.78 | 28,057 | \$ 4,575,782 |
| August 1, 2024 - August 31, 2024 | 22,274 | \$ 56.13 | 22,218 | \$ 3,328,607 |
| September 1, 2024 - September 30, 2024 | 10,245 | \$ 58.36 | 10,245 | \$ 2,730,731 |
| Total | 60,644 | \$ 53.56 | 60,520 | |

¹ During the three months ended September 30, 2024, 124 shares were withheld upon the vesting of restricted shares granted to employees of the Corporation and its subsidiaries in order to satisfy tax withholding obligations.

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

ITEM 6. EXHIBITS

- 3.1 [Amended and Restated Articles of Incorporation of C&F Financial Corporation, effective March 7, 1994 \(incorporated by reference to Exhibit 3.1 to Form 10-Q filed November 8, 2017\)](#)
- 3.1.1 [Amendment to Articles of Incorporation of C&F Financial Corporation, effective January 8, 2009 \(incorporated by reference to Exhibit 3.1.1 to Form 8-K filed January 14, 2009\)](#)
- 3.2 [Amended and Restated Bylaws of C&F Financial Corporation, as adopted December 15, 2020 \(incorporated by reference to Exhibit 3.1 to Form 8-K filed December 17, 2020\)](#)
- 31.1 [Certification of CEO pursuant to Rule 13a-14\(a\)](#)
- 31.2 [Certification of CFO pursuant to Rule 13a-14\(a\)](#)
- 32 [Certification of CEO/CFO pursuant to 18 U.S.C. Section 1350](#)
- 101 The following financial statements from the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL, filed herewith: (i) the Consolidated Balance Sheets (unaudited), (ii) the Consolidated Statements of Income (unaudited), (iii) the Consolidated Statements of Comprehensive Income (unaudited), (iv) the Consolidated Statements of Equity (unaudited), (v) the Consolidated Statements of Cash Flows (unaudited) and (vi) the Notes to Consolidated Financial Statements (unaudited)
- 104 The cover page from the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL (included within Exhibit 101)

SIGNATURES

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

C&F FINANCIAL CORPORATION
(Registrant)

Date: November 4, 2024

By: /s/ Thomas F. Cherry
Thomas F. Cherry
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2024

/s/ Jason E. Long
Jason E. Long
Executive Vice President, Chief Financial Officer
and Secretary
(Principal Financial and Accounting Officer)

CERTIFICATIONS

I, Thomas F. Cherry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of C&F Financial Corporation;

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

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

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

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

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

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

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

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

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

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

Date November 4, 2024

/s/ Thomas F. Cherry

Thomas F. Cherry
President and Chief Executive Officer

CERTIFICATIONS

I, Jason E. Long, certify that:

1. I have reviewed this quarterly report on Form 10-Q of C&F Financial Corporation;

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

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

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

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

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

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

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

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

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

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

Date November 4, 2024

/s/ Jason E. Long

Jason E. Long
Executive Vice President, Chief Financial Officer and
Secretary

CERTIFICATION

The undersigned, as the chief executive officer and the chief financial officer of C&F Financial Corporation, respectively, certify that to the best of their knowledge and belief the Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, which accompanies this certification, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of C&F Financial Corporation at the dates and for the periods indicated. The foregoing certification is made pursuant to §906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1350), and shall not be relied upon for any other purpose. The undersigned expressly disclaim any obligation to update the foregoing certification except as required by law.

Date November 4, 2024/s/ Thomas F. CherryThomas F. Cherry
President and Chief Executive OfficerDate November 4, 2024/s/ Jason E. LongJason E. Long
Executive Vice President, Chief Financial Officer and
Secretary
