REFINITIV

# DELTA REPORT

## 10-Q

FRST - PRIMIS FINANCIAL CORP.

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

The following comparison report has been automatically generated

| TOTAL DELTAS | 5634 |
| --- | --- |
| CHANGES | 490 |
| DELETIONS | 2541 |
| ADDITIONS | 2603 |

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

**FORM 10-Q**

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

**For the Quarterly Period Ended September 30, 2023 March 31, 2024**

**Commission File No. 001-33037**

# PRIMIS FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

**Virginia**
(State or other jurisdiction
of incorporation or organization)

**20-1417448**
(I.R.S. Employer Identification No.)

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

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

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

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

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

Yes ☒ ☐ No ☐ ☒

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

Yes ☒ No ☐

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

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

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

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

As of November 2, 2023 October 17, 2024, there were 24,681,764 24,722,734 shares of common stock, $0.01 par value, outstanding.

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**PRIMIS FINANCIAL CORP.**
**FORM 10-Q**
**September 30, 2023 March 31, 2024**

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**PRIMIS FINANCIAL CORP.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

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

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | *(unaudited)* | |
| Cash and cash equivalents: | | |
| Cash and due from financial institutions | $ 23,966 | $ 6,868 |
| Interest-bearing deposits in other financial institutions | 69,899 | 70,991 |
| Total cash and cash equivalents | 93,865 | 77,859 |
| Securities available-for-sale, at fair value (amortized cost of $255,446 and $269,036, respectively) | 216,875 | 236,315 |
| Securities held-to-maturity, at amortized cost (fair value of $10,582 and $12,449, respectively) | 11,975 | 13,520 |
| Loans held for sale, at fair value | 57,511 | 27,626 |
| Loans held for sale, at lower of cost or market | 8,755 | — |
| Total loans held for sale | 66,266 | 27,626 |
| Loans held for investment | 3,145,867 | 2,946,637 |
| Less: allowance for credit losses | (35,767) | (34,544) |
| Net loans | 3,110,100 | 2,912,093 |
| Stock in Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB) | 12,796 | 25,815 |
| Bank premises and equipment, net | 24,878 | 25,257 |
| Goodwill | 93,459 | 104,609 |
| Intangible assets, net | 2,282 | 3,254 |
| Bank-owned life insurance | 67,176 | 67,201 |
| Deferred tax assets, net | 22,456 | 18,289 |
| Other assets | 91,647 | 57,661 |
| **Total assets** | $ 3,813,775 | $ 3,569,499 |

| | | |
|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Noninterest-bearing demand deposits | $ 490,719 | $ 582,556 |
| Interest-bearing deposits: | | |
| NOW accounts | 803,276 | 617,687 |
| Money market accounts | 800,951 | 811,365 |
| Savings accounts | 746,608 | 245,713 |
| Time deposits | 451,850 | 465,057 |
| Total interest-bearing deposits | 2,802,685 | 2,139,822 |
| Total deposits | 3,293,404 | 2,722,378 |
| Securities sold under agreements to repurchase | 3,838 | 6,445 |
| FHLB advances | — | 325,000 |
| Junior subordinated debt | 9,818 | 9,781 |
| Senior subordinated notes | 85,706 | 85,531 |
| Other liabilities | 38,143 | 27,999 |
| **Total liabilities** | 3,430,909 | 3,177,134 |
| Commitments and contingencies (See Note 8) | | |
| **Stockholders' equity:** | | |
| Preferred stock, $0.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding | — | — |
| Common stock, $0.01 par value. Authorized 45,000,000 shares; 24,686,764 and 24,680,097 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively | 246 | 246 |
| Additional paid in capital | 313,052 | 312,722 |
| Retained earnings | 100,039 | 105,247 |
| Accumulated other comprehensive loss | (30,471) | (25,850) |
| **Total stockholders' equity** | 382,866 | 392,365 |
| **Total liabilities and stockholders' equity** | $ 3,813,775 | $ 3,569,499 |

| | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| | ***(unaudited)*** | |
| **ASSETS** | | |
| Cash and cash equivalents: | | |
| Cash and due from financial institutions | $ 5,817 | $ 1,863 |
| Interest-bearing deposits in other financial institutions | 82,900 | 75,690 |
| Total cash and cash equivalents | 88,717 | 77,553 |
| Securities available-for-sale, at fair value (amortized cost of $260,415 and $255,891, respectively) | 230,617 | 228,420 |
| Securities held-to-maturity, at amortized cost (fair value of $10,052 and $10,839, respectively) | 10,992 | 11,650 |
| Loans held for sale, at fair value | 72,217 | 57,691 |
| Loans held for investment, collateralizing secured borrowings | 21,406 | 20,505 |
| Loans held for investment | 3,206,259 | 3,198,909 |
| Less: allowance for credit losses | (53,456) | (52,209) |
| Net loans | 3,174,209 | 3,167,205 |
| Stock in Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB) | 14,225 | 14,246 |

| | | |
|---|---|---|
| Bank premises and equipment, net | 20,412 | 20,611 |
| Assets held for sale | 6,359 | 6,735 |
| Operating lease right-of-use assets | 10,206 | 10,646 |
| Cloud computing arrangement assets, net | 9,953 | 10,699 |
| Goodwill | 93,459 | 93,459 |
| Intangible assets, net | 1,633 | 1,958 |
| Bank-owned life insurance | 67,685 | 67,588 |
| Deferred tax assets, net | 24,513 | 22,395 |
| Consumer Program derivative asset | 10,685 | 10,806 |
| Other assets | 54,097 | 54,884 |
| **Total assets** | $ 3,889,979 | $ 3,856,546 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Noninterest-bearing demand deposits | $ 463,190 | $ 472,941 |
| Interest-bearing deposits: | | |
| NOW accounts | 771,116 | 773,028 |
| Money market accounts | 834,514 | 794,530 |
| Savings accounts | 823,325 | 783,758 |
| Time deposits | 422,778 | 445,898 |
| Total interest-bearing deposits | 2,851,733 | 2,797,214 |
| Total deposits | 3,314,923 | 3,270,155 |
| | | |
| Securities sold under agreements to repurchase | 3,038 | 3,044 |
| Secured borrowings | 21,298 | 20,393 |
| FHLB advances | 25,000 | 30,000 |
| Junior subordinated debt | 9,843 | 9,830 |
| Senior subordinated notes | 85,823 | 85,765 |
| Operating lease liabilities | 11,353 | 11,686 |
| Other liabilities | 24,102 | 28,080 |
| **Total liabilities** | 3,495,380 | 3,458,953 |
| | | |
| Commitments and contingencies (See Note 9) | | |
| | | |
| **Stockholders' equity:** | | |
| Preferred stock, $0.01 par value. Authorized 5,000,000 shares; no shares issued and outstanding | — | — |
| Common stock, $0.01 par value. Authorized 45,000,000 shares; 24,696,672 and 24,693,172 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively | 247 | 247 |
| Additional paid in capital | 313,812 | 313,548 |
| Retained earnings | 84,133 | 84,143 |
| Accumulated other comprehensive loss | (23,615) | (21,777) |
| **Total Primis stockholders' equity** | 374,577 | 376,161 |
| **Noncontrolling interests** | 20,022 | 21,432 |
| **Total stockholders' equity** | 394,599 | 397,593 |
| **Total liabilities and stockholders' equity** | $ 3,889,979 | $ 3,856,546 |

*See accompanying notes to unaudited condensed consolidated financial statements*.

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**PRIMIS FINANCIAL CORP.**

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

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

| | For the Three Months Ended September 30, 2023 | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 | For the Three Months Ended March 31, 2024 | For the Three Months Ended March 31, 2023 |
|---|---|---|---|---|---|---|
| **Interest and dividend income:** | | | | | | |
| Interest and fees on loans | $ 47,771 | $ 30,488 | $ 133,047 | $ 81,548 | $ 47,732 | $ 38,450 |
| Interest and dividends on taxable securities | 1,491 | 1,417 | 4,423 | 4,082 | 1,615 | 1,483 |
| Interest and dividends on tax exempt securities | 102 | 101 | 305 | 311 | 100 | 101 |
| Interest and dividends on other earning assets | 1,122 | 555 | 12,504 | 1,409 | 898 | 4,224 |
| Total interest and dividend income | 50,486 | 32,561 | 150,279 | 87,350 | 50,345 | 44,258 |
| **Interest expense:** | | | | | | |
| Interest on deposits | 21,576 | 3,287 | 61,403 | 7,971 | 23,014 | 15,044 |
| Interest on other borrowings | 1,785 | 1,859 | 7,229 | 4,558 | 2,062 | 3,892 |
| Total interest expense | 23,361 | 5,146 | 68,632 | 12,529 | 25,076 | 18,936 |
| **Net interest income** | 27,125 | 27,415 | 81,647 | 74,821 | 25,269 | 25,322 |
| Provision for credit losses | 1,648 | 2,890 | 11,136 | 3,411 | 6,508 | 5,263 |
| **Net interest income after provision for credit losses** | 25,477 | 24,525 | 70,511 | 71,410 | 18,761 | 20,059 |
| **Noninterest income:** | | | | | | |
| Account maintenance and deposit service fees | 1,503 | 1,525 | 4,149 | 4,318 | 1,393 | 1,224 |
| Income from bank-owned life insurance | 787 | 394 | 1,601 | 1,147 | 564 | 420 |
| Mortgage banking income | 4,922 | 2,197 | 14,435 | 2,790 | 5,574 | 4,315 |
| Gain on sale of loans | 451 | — | 1,111 | — | 336 | 51 |
| Credit enhancement income | 2,047 | 1,220 | 8,085 | 1,220 | | |
| Gain (loss) on other investments | | | | | 206 | (39) |
| Consumer Program derivative | | | | | 2,041 | 11,443 |
| Other noninterest income | 232 | 284 | 579 | 865 | 193 | 256 |
| Total noninterest income | 9,942 | 5,620 | 29,960 | 10,340 | 10,307 | 17,670 |
| **Noninterest expenses:** | | | | | | |
| Salaries and benefits | 13,809 | 12,594 | 44,120 | 32,792 | 15,735 | 15,028 |
| Occupancy expenses | 1,633 | 1,402 | 4,671 | 4,277 | 1,490 | 1,445 |
| Furniture and equipment expenses | 1,537 | 1,455 | 4,966 | 3,683 | 1,616 | 1,577 |
| Amortization of intangible assets | 317 | 326 | 952 | 1,008 | 317 | 317 |
| Virginia franchise tax expense | 849 | 813 | 2,546 | 2,440 | 631 | 849 |
| FDIC insurance assessment | 820 | 199 | 2,254 | 658 | 610 | 364 |
| Data processing expense | 2,250 | 1,528 | 7,329 | 4,311 | 2,231 | 2,251 |
| Marketing expense | 377 | 938 | 1,467 | 2,134 | 459 | 569 |
| Telephone and communication expense | 356 | 342 | 1,149 | 1,090 | 346 | 377 |
| Professional fees | 1,118 | 1,261 | 3,055 | 3,182 | 1,365 | 862 |
| Credit enhancement costs | 337 | — | 1,725 | — | | |
| Goodwill impairment | 11,150 | — | 11,150 | — | | |
| Miscellaneous lending expenses | | | | | 451 | 885 |
| Other operating expenses | 2,521 | 2,903 | 9,646 | 7,695 | 2,287 | 2,430 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total noninterest expenses | 37,074 | 23,761 | 95,030 | 63,270 | 27,538 | 26,954 |
| **(Loss) income before income taxes** | (1,655) | 6,384 | 5,441 | 18,480 | | |
| **Income before income taxes** | | | | | 1,530 | 10,775 |
| Income tax expense | 1,912 | 1,359 | 3,243 | 3,971 | 718 | 2,412 |
| **Net (loss) income** | $ (3,567) | $ 5,025 | $ 2,198 | $ 14,509 | | |
| **Other comprehensive loss:** | | | | | | |
| Unrealized loss on available-for-sale securities | $ (5,557) | $ (12,068) | (5,850) | (36,167) | | |
| Tax benefit | (1,167) | (2,534) | (1,229) | (7,595) | | |
| Other comprehensive loss | (4,390) | (9,534) | (4,621) | (28,572) | | |
| **Comprehensive loss** | $ (7,957) | $ (4,509) | $ (2,423) | $ (14,063) | | |
| **(Loss) earnings per share, basic** | $ (0.14) | $ 0.21 | $ 0.09 | $ 0.60 | | |
| **(Loss) earnings per share, diluted** | $ (0.14) | $ 0.20 | $ 0.09 | $ 0.59 | | |
| **Net income** | | | | | 812 | 8,363 |
| **Net loss attributable to noncontrolling interests** | | | | | 1,654 | — |
| **Net income attributable to Primis' common stockholders** | | | | | $ 2,466 | $ 8,363 |
| **Other comprehensive income (loss):** | | | | | | |
| Unrealized gain (loss) on available-for-sale securities | | | | | $ (2,327) | $ 3,006 |
| Tax expense (benefit) | | | | | (489) | 631 |
| Other comprehensive income (loss) | | | | | (1,838) | 2,375 |
| **Comprehensive income** | | | | | $ 628 | $ 10,738 |
| **Earnings per share, basic** | | | | | $ 0.10 | $ 0.34 |
| **Earnings per share, diluted** | | | | | $ 0.10 | $ 0.34 |

*See accompanying notes to unaudited condensed consolidated financial statements.*



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**PRIMIS FINANCIAL CORP.**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

**FOR THE THREE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022**

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

| | For the Three Months Ended September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid in | Retained | Accumulated Other Comprehensive | |
| | Shares | Amount | Capital | Earnings | Loss | Total |
| **Balance - June 30, 2023** | 24,690,064 | $ 246 | $ 312,976 | $ 106,075 | $ (26,081) | $ 393,216 |
| Net loss | — | — | — | (3,567) | — | (3,567) |
| Other comprehensive loss | — | — | — | — | (4,390) | (4,390) |
| Dividends on common stock ($0.10 per share) | — | — | — | (2,469) | — | (2,469) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Restricted stock forfeited | (3,300) | — | — | — | — | — |
| Stock-based compensation expense | — | — | 76 | — | — | 76 |
| **Balance - September 30, 2023** | 24,686,764 | $ 246 | $ 313,052 | $ 100,039 | $ (30,471) | $ 382,866 |

| | For the Three Months Ended September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid in | Retained | Accumulated Other Comprehensive | |
| | Shares | Amount | Capital | Earnings | Loss | Total |
| **Balance - June 30, 2022** | 24,650,239 | **$** 246 | $ 312,240 | $ 102,194 | $ (17,926) | $ 396,754 |
| Net income | — | — | — | 5,025 | — | 5,025 |
| Other comprehensive loss | — | — | — | — | (9,534) | (9,534) |
| Dividends on common stock ($0.10 per share) | — | — | — | (2,465) | — | (2,465) |
| Stock-based compensation expense | — | — | 116 | — | — | 116 |
| **Balance - September 30, 2022** | 24,650,239 | $ 246 | $ 312,356 | $ 104,754 | $ (27,460) | $ 389,896 |

*See accompanying notes to unaudited condensed consolidated financial statements.*



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**PRIMIS FINANCIAL CORP.**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

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

| | For the Three Months Ended March 31, 20 | | | | |
|---|---|---|---|---|---|
| | Common Stock | | Additional Paid in | Retained | Accumulated Other Comprehensive |
| | Shares | Amount | Capital | Earnings | Loss |
| **Balance - December 31, 2023** | **24,693,172** | **$ 247** | **$313,548** | **$ 84,143** | **$ (21,777)** |
| Issuance of Panacea Financial Holdings stock, net of costs | — | — | — | — | — |

| | | | | | |
|---|---|---|---|---|---|
| Dividends on common stock ($0.10 per share) | — | — | — | (2,476) | — |
| Stock option exercises | 3,500 | — | 37 | — | — |
| Stock-based compensation expense | — | — | 227 | — | — |
| Net income (loss) | — | — | — | 2,466 | — |
| Other comprehensive loss | — | — | — | — | (1,838) |
| **Balance - March 31, 2024** | **24,696,672** | **$ 247** | **$313,812** | **$ 84,133** | **$ (23,615)** |

| | For the Nine Months Ended September 30, 2023 | | | | | | For the Three Months Ended March 31, 2023 (As | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total | Common Stock | | Additional Paid in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) |
| | Shares | Amount | | | | | Shares | Amount | | | |
| **Balance - December 31, 2022** | 24,680,097 | $ 246 | $312,722 | $105,247 | $ (25,850) | $392,365 | **24,680,097** | **$ 246** | **$312,722** | **$101,850** | **$ (25,850)** |
| Net income | — | — | — | 2,198 | — | 2,198 | | | | | |
| Other comprehensive loss | — | — | — | — | (4,621) | (4,621) | | | | | |
| Dividends on common stock ($0.30 per share) | — | — | — | (7,406) | — | (7,406) | | | | | |
| Dividends on common stock ($0.10 per share) | | | | | | | — | — | — | (2,469) | — |
| Shares retired to unallocated | (1,033) | — | — | — | — | — | (1,033) | — | — | — | — |
| Stock option exercises | 8,000 | — | 85 | — | — | 85 | 8,000 | — | 85 | — | — |
| Restricted stock granted | 5,000 | — | — | — | — | — | | | | | |
| Restricted stock forfeited | (5,300) | — | — | — | — | — | (2,000) | — | — | — | — |
| Repurchase of restricted stock | — | — | (12) | — | — | (12) | — | — | (12) | — | — |
| Stock-based compensation expense | — | — | 257 | — | — | 257 | — | — | 108 | — | — |
| **Balance - September 30, 2023** | 24,686,764 | $ 246 | $313,052 | $100,039 | $ (30,471) | $382,866 | | | | | |
| Net income | | | | | | | — | — | — | 8,363 | — |

| | | | | | |
|---|---|---|---|---|---|
| Other comprehensive income | — | — | — | — | 2,375 |
| **Balance - March 31, 2023** | **24,685,064** | **$ 246** | **$312,903** | **$107,744** | **$ (23,475)** |

| | For the Nine Months Ended September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid in | Retained | Accumulated Other Comprehensive | |
| | Shares | Amount | Capital | Earnings | Income (Loss) | Total |
| **Balance - December 31, 2021** | 24,574,619 | $ 245 | $311,127 | $ 97,632 | $ 1,112 | $410,116 |
| Net income | — | — | — | 14,509 | — | 14,509 |
| Other comprehensive loss | — | — | — | — | (28,572) | (28,572) |
| Dividends on common stock ($0.30 per share) | — | — | — | (7,387) | — | (7,387) |
| Shares retired to unallocated | (538) | — | — | — | — | — |
| Stock option exercises | 27,500 | 1 | 278 | — | — | 279 |
| Restricted stock granted | 1,500 | — | — | — | — | — |
| Repurchase of restricted stock | — | — | (8) | — | — | (8) |
| Stock-based compensation expense | — | — | 959 | — | — | 959 |
| Shares issued in lieu of bonus | 47,158 | — | — | — | — | — |
| **Balance - September 30, 2022** | 24,650,239 | $ 246 | $312,356 | $104,754 | $ (27,460) | $389,896 |

*See accompanying notes to unaudited condensed consolidated financial statements.*

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**PRIMIS FINANCIAL CORP.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE NINE THREE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022**

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

| | For the Nine Months Ended September 30, | | For the Three Months Ended March 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2024 | 2023 |
| **Operating activities:** | | | | |
| Net income | $ 2,198 | $ 14,509 | $ 812 | $ 8,363 |
| Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities: | | | | |
| Depreciation and amortization | 6,943 | 4,941 | 2,270 | 2,138 |
| Net amortization of premiums and (accretion of discounts) | (710) | 505 | | |
| Amortization of FDIC indemnification asset | 11 | — | | |
| Net accretion of discounts | | | (264) | (794) |
| Provision for credit losses | 11,136 | 3,411 | 6,508 | 5,263 |
| Origination of loans held for sale | (292,406) | (90,021) | | |
| Proceeds from sale of loans held for sale | 270,852 | 97,326 | | |
| Proceeds from sales of loans | | | 10,880 | — |
| Net change in mortgage loans held for sale | | | (14,802) | (15,416) |
| Net gains on mortgage banking | (14,435) | (2,790) | (5,574) | (4,315) |
| Net gains on sale of loans | (1,111) | — | (336) | (51) |
| Earnings on bank-owned life insurance | (1,571) | (1,147) | (417) | (390) |
| Gain on bank-owned life insurance death benefit | (30) | — | (148) | (30) |
| Stock-based compensation expense | 257 | 959 | 227 | 108 |
| Gain on other real estate owned | — | (59) | | |
| Credit enhancement income | (8,085) | (1,220) | | |
| Goodwill impairment | 11,150 | — | | |
| (Gain) loss on other investments | | | (206) | 39 |
| Deferred income tax benefit | (2,939) | (700) | (1,629) | (1,772) |
| Net change in fair value of Consumer Program derivative | | | 121 | (10,514) |
| Net increase in other assets | (33,189) | (903) | 5,904 | (684) |
| Net increase (decrease) in other liabilities | 10,144 | (1,662) | (4,311) | 6,126 |
| **Net cash and cash equivalents (used in) provided by operating activities** | (41,785) | 23,149 | (965) | (11,929) |
| **Investing activities:** | | | | |
| Purchases of securities available-for-sale | (10,487) | (32,486) | (8,815) | — |
| Proceeds from paydowns, maturities and calls of securities available-for-sale | 23,496 | 27,650 | 4,165 | 7,599 |
| Proceeds from paydowns, maturities and calls of securities held-to-maturity | 1,518 | 8,478 | 651 | 395 |
| Net decrease (increase) of FRB and FHLB stock | 13,019 | (1,168) | | |
| Net increase in loans | (206,714) | (396,983) | | |
| Net decrease in FRB and FHLB stock | | | 21 | 13,732 |
| Net change in loans held for investment | | | (23,658) | (112,113) |
| Proceeds from bank-owned life insurance death benefit | 873 | 352 | 918 | 873 |
| Proceeds from sales of other real estate owned, net of improvements | — | 181 | | |
| Purchases of bank premises and equipment | — | (706) | | |
| Business acquisition, net of cash acquired | — | (4,554) | | |

| | | | | |
|---|---|---|---|---|
| Proceeds from sales of bank premise and equipment and assets held for sale | | | 373 | — |
| Purchases of bank premises and equipment, net | | | — | (461) |
| Purchases of other investments | | | 2 | — |
| **Net cash and cash equivalents used in investing activities** | (178,295) | (399,236) | (26,343) | (89,975) |
| **Financing activities:** | | | | |
| Net (decrease) increase in deposits | 571,026 | (54,896) | | |
| Net increase in deposits | | | 44,768 | 945,627 |
| Cash dividends paid on common stock | (7,406) | (7,387) | (2,476) | (2,469) |
| Proceeds from exercised stock options | 85 | 279 | 37 | 85 |
| Proceeds from secured borrowings, net of repayments | | | 905 | 15,038 |
| Repurchase of restricted stock | (12) | (8) | — | (12) |
| Repayment of short-term FHLB advances | (325,000) | 25,000 | (5,000) | — |
| Repayment of short-term borrowings | — | (19,254) | — | (325,000) |
| Decrease in securities sold under agreements to repurchase | (2,607) | (76) | (6) | (2,099) |
| **Net cash and cash equivalents provided by (used in) financing activities** | 236,086 | (56,342) | | |
| Issuance of Panacea Financial Holdings stock, net of costs | | | 244 | — |
| Increase in secured borrowings | | | - | — |
| **Net cash and cash equivalents provided by financing activities** | | | 38,472 | 631,170 |
| **Net change in cash and cash equivalents** | 16,006 | (432,429) | 11,164 | 529,266 |
| Cash and cash equivalents at beginning of period | 77,859 | 530,167 | 77,553 | 77,859 |
| **Cash and cash equivalents at end of period** | $ 93,865 | $ 97,738 | $ 88,717 | $ 607,125 |
| **Supplemental disclosure of cash flow information** | | | | |
| Cash payments for: | | | | |
| Interest | $ 65,430 | $ 12,286 | $ 24,739 | $ 16,420 |
| Income taxes | $ 3,908 | $ 3,035 | $ 23 | $ — |
| Non-cash investing and financing activities: | | | | |
| Supplemental schedule of noncash investing and financing activities: | | | | |
| Initial recognition of operating lease right-of-use assets | $ 6,067 | $ — | $ — | $ 4,017 |
| Loans held for investment transferred to loans held for sale | $ 8,755 | $ — | | |

*See accompanying notes to unaudited condensed consolidated financial statements*.



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**PRIMIS FINANCIAL CORP.**
**Notes to Unaudited Condensed Consolidated Financial Statements**

**1. ACCOUNTING POLICIES**

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

At September 30, 2023 As of March 31, 2024, Primis Bank had thirty-two twenty-four full-service branches in Virginia and Maryland and also provided services to customers through certain online and mobile applications. Thirty full-service retail branches are in Virginia and two full-service retail branches are in Maryland. The Company is headquartered in McLean, Virginia and has an administrative office in Glen Allen, Virginia and an operations center in Atlee, Virginia. Primis Mortgage Company ("PMC"), a residential mortgage lenderheadquartered in Wilmington, North Carolina, is also a consolidated subsidiary of Primis Bank. Panacea Financial Holdings, Inc. ("PFH"), headquartered in Little Rock, Arkansas, is consolidated into the Company. PFH owns the rights to the Panacea Financial brand and its intellectual property and partners with the Bank to offer a suite of financial products and services for doctors, their practices, and ultimately the broader healthcare industry.

The accounting policies and practices of Primis and its subsidiaries conform to U.S. generally accepted accounting principles ("U.S. GAAP") and to general practice within the banking industry. A discussion of the Company's material accounting policies are located in our 2022 2023 Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (the "2022 "2023 Form 10-K").

**Principles of Consolidation**

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

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

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





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

**Operating Segments**

The Company, through its Bank subsidiary, provides a broad range of financial services. While the Company's chief operating decision maker monitors the revenue streams of the various financial products and services, operations are managed and financial performance is evaluated on an organization-wide basis. Management has determined that the Company has two reportable operating segments: Primis Mortgage and Primis Bank, as discussed in Note 10 11 – Segment Information.



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**Basis of Presentation**

The unaudited condensed consolidated financial statements and notes thereto have been prepared in accordance with U.S. GAAP for interim financial information and instructions for Form 10-Q and follow general practice within the banking industry. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. However, in the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of the interim periods presented have been made. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the 2022 2023 Form 10-K.

**Reclassifications**

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

**Use of Estimates**

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

**Interest Rate Swaps**

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

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The Company's interest rate swaps meet the definition of derivative instruments under Accounting Standards Codification ("ASC") ASC 815, *Derivatives and Hedging*, and are accounted for both initially and subsequently at its their fair value. The Company assessed the derivative instruments at inception and determined they met the requirements under ASC 815 to be accounted for as fair value hedges. Fair value hedge relationships mitigate exposure to the change in fair value of the hedged risk in an asset, liability or firm commitment. The Company's interest rate swaps are fair value hedges that are accounted for using the portfolio layer method, which allows the Company to hedge the interest rate risk of prepayable loans by designating as the hedged item a stated amount of a two separate and distinct closed portfolio portfolios of consumer and commercial loans that are expected to be outstanding for the designated hedge periods. Under the fair value hedging model, gains or losses attributable to the change in fair value of the derivative instruments, as well as the gains and losses attributable to the change in fair value of the hedged items, are recognized in interest income in the same income statement line item with the hedged item in the period in which the change in fair value occurs. The corresponding adjustment to the hedged asset or liability are included in the basis of the hedged items, while the corresponding change in the fair value of the derivative instruments are recorded as an adjustment to other assets or other liabilities, as applicable.



Table The Company presents interest rate swaps on the balance sheets on a net basis when a right of Contentsoffset exists, based on transactions with a single counterparty and any cash collateral paid to and/or received from that counterparty are subject to legally enforceable master netting arrangements. As of March 31, 2024, the gross amounts of interest rate swap derivative assets and liabilities were $3.2 million and $17 thousand, respectively, and are recorded net in other assets in the consolidated balance sheet.

The following table represents the carrying value of the portfolio layer method hedged assets and the cumulative fair value hedging adjustments included in the carrying value of the hedged assets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

| | September 30, 2023 | | | December 31, 2022 | | | March 31, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Amortized Cost Basis | Hedged Asset | Basis Adjustment | Amortized Cost Basis | Hedged Asset | Basis Adjustment | Amortized Cost Basis | Hedged Asset | Basis Adjustment | Amortized Cost Basis | Hedged Asset | Basis Adjustment |
| Fixed rate assets | $971,810 | $244,646 | $ (5,354) | $ — | $ — | $ — | $911,540 | $246,771 | $ (3,229) | $946,185 | $248,906 | $ (1,094) |

**Goodwill**

Goodwill is required to be tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below the operating segment level, which is referred to as a component. The Company's reporting units for goodwill are its two primary operating segments, Primis Bank and Primis Mortgage Company. The Company completed the annual goodwill impairment testing for its two reporting units as of September 30, 2023. The testing for Primis Mortgage Company concluded that the fair value of the reporting unit was in excess of its carrying amount and no impairment charge was required. The Company's testing of the Primis Bank reporting unit revealed that its carrying amount was in excess of its calculated fair value as of September 30, 2023, resulting in an impairment charge.

The Company's impairment testing included the use of three approaches, each receiving various weightings to determine an ultimate fair value estimate: (1) the comparable transactions method that is based on comparison to pricing ratios recently paid in the sale or merger of comparable banking institutions; (2) the public market peers control premium approach that is based on market pricing ratios of public banking companies adjusted for an industry based control premium, and (3) a discounted cash flow method (an income method), taking into consideration expectations of the Company's growth and profitability going forward. The results of the combined weighted approaches indicated that the Primis Bank reporting unit's fair value was approximately 2.4% less than its book value, resulting in a goodwill impairment charge of $11.2 million. This was a non-cash charge to earnings and had no impact on tangible or regulatory capital, cash flows or the Company's liquidity position.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the goodwill impairment testing as of September 30, 2023 will prove to be an accurate prediction of the future. Changes in assumptions, market data (for market-based assessments), or the discount rate (for income based assessments) could produce different results that lead to higher or lower fair value determinations compared to the results of the annual impairment testing performed as of September 30, 2023.

**Transfers of Financial Assets**

The Company follows the guidance in ASC 860, *Transfers and Servicing*, when accounting for loan participations and other partial loan sales. Transfers of an entire financial asset (i.e. loan sales), a group of entire financial assets, or a participating interest in an entire financial asset (i.e. loan participations sold) are accounted for as sales when control over the assets have been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. Participations or other partial loan sales that do not meet the definition of a participating interest would remain on the balance sheet and the proceeds are recorded as a secured borrowing. Secured borrowings are carried at fair value to correspond with the related investments, which are carried at fair value. There were no loan participations that were accounted for as secured borrowings during the period. The Company transferred $25 million of loans to third-parties during the quarter that met the requirements to be accounted for as a sale.



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The Company retained servicing rights on the loans sold and recorded a servicing asset for each of the sold loans at the time of sale. Subsequent to the date of transfer, the Company has elected to measure servicing assets under the amortization method. Under the amortization method, servicing assets are amortized in proportion to, and over the period of, estimated net servicing income. The amortization of servicing assets is analyzed each reporting period and is adjusted to reflect changes in prepayment speeds, as well as other factors. Servicing assets are evaluated for impairment based on the fair value of those assets. Impairment is determined by assessing the servicing assets based on groupings of predominant risk characteristics, such as interest rate and loan type. If, by servicing asset grouping, the carrying amount of the servicing assets exceeds fair value, a valuation allowance is established through a charge to earnings. The valuation allowance is adjusted as the fair value changes. The Company recorded no impairment of its servicing assets during the three and nine months ended September 30, 2023. Servicing assets are included in other assets in the accompanying condensed consolidated balance sheets. During the three and nine months ended September 30, 2023, the Company had the following activity in regard to its servicing assets (amounts in thousands):

| (dollars in thousands) | For the Three Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2023 |
|---|---|---|
| Beginning balance | $ 574 | $ — |
| Assets acquired | 183 | 792 |
| Amortization | (31) | (66) |
| Ending Balance | $ 726 | $ 726 |

**Retained Earnings Revisions**

During the second quarter of 2023, the Company discovered an employee loan fraud with total exposure of approximately $2.5 million. The fraud dated back to the origination of several loans to a customer in 2010. Management believes, on the advice of its counsel, its insurance broker and a third party forensic auditor, that the losses are recoverable under the Company's insurance policies and is working through the claims process. The Company has evaluated the effect of the error, both qualitatively and quantitatively, and believes the impact to prior years is immaterial to each respective period assessed. However, the Company's quantitative and qualitative assessments of the fraud losses on its projected 2023 annual earnings was expected to be material at the time the evaluation was performed as of June 30, 2023. Accordingly, the Company made the decision to report the losses in the respective periods in which they were incurred in its future Form 10-Q and Form 10-K filings by revising impacted periods beginning with the Quarterly Report on Form 10-Q as of June 30, 2023. For all of its filings on and after June 30, 2023, the Company will revise opening retained earnings of the earliest period presented for losses incurred in earlier periods and revise all prior periods presented in the filing for losses incurred related to the period. Accordingly, the Company has revised prior periods presented in this Form 10-Q to reflect the fraud losses in the respective period incurred, with any losses incurred prior to January 1, 2022 adjusted in the January 1, 2022 opening retained earnings balance. The revisions resulted in retained earnings as of January 1, 2022 being $2.0 million lower than previously reported in prior periods. Additionally, the revisions resulted in a decrease in loans held for investment of $2.0 million and a decrease in net income for the three and nine months ended September 30, 2022, of $29 thousand and $147 thousand, respectively.



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The table below discloses the net change (increase or (decrease)) included in all the consolidated statements of net income (loss) line items in this Form 10-Q, as a result of the revisions discussed above.

| (dollars in thousands) | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2022 |
|---|---|---|
| **Income Statement:** | | |
| Effect to interest income | $ (35) | $ (89) |
| Effect to noninterest expenses | — | 92 |
| Effect on income tax expense (benefit) | (6) | (34) |

| | | |
|---|---|---|
| **Net effect to net income (loss)** | $ (29) | $ (147) |

**Recent Accounting Pronouncements**

In March 2022, November 2023, the Financial Accounting Standards Board ("FASB") FASB issued Accounting Standards Update ("ASU") 2022-02, ASU 2023-07, *Troubled Debt Restructurings and Vintage Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU eliminates expands current disclosure requirements primarily through enhanced disclosures about significant segment expenses. Specifically, the accounting guidance on troubled debt restructurings (TDRs) for creditors in ASC 310-40 and amends the guidance on "vintage disclosures" to require ASU (i) requires disclosure of current-period gross write-offs significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), (ii) requires disclosure of an amount for other segment items by reportable segment and a description of its composition, (iii) requires providing in each interim period all current annual disclosures of a reportable segment's profit or loss and assets, and (iv) allows an entity to provide additional measures of profit or loss used by the CODM in assessing performance and deciding how to allocate resources in addition to providing the measure for this that is most consistent with GAAP, (v) requires disclosure of the title and position of the CODM and an explanation of how the CODM uses reported measures of segment profit or loss in assessing segment performance and deciding how to allocate resources, and (vi) requires an entity that has a single reportable segment to provide all disclosures required by this ASU and Topic 280. This ASU is effective for the Company's annual disclosures beginning for the year ended December 31, 2024 and its interim disclosures thereafter, with early adoption permitted. The Company is currently evaluating the impact of origination. this ASU to its consolidated financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires annual disclosure of certain information relating to the rate reconciliation, income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. The ASU also updates eliminates certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures. This ASU is effective for the requirements related to accounting Company's annual disclosures beginning for credit losses under FASB ASC 326 and adds enhanced disclosures for creditors with respect to loan refinancing and restructurings for borrowers experiencing financial difficulty. the year ended December 31, 2025. The Company adopted is currently evaluating the guidance impact of this ASU to its consolidated financial statement disclosures.



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In March 2024, the FASB issued ASU 2024-01, *Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*. This ASU adds an illustrative example to clarify how an entity should determine whether a profits interest or similar award is within the scope of ASC 718. The amendments in this standard will be effective for the first quarter of 2023, which did Company on January 1, 2025. The Company does not believe this standard will have a material impact on the Company's its consolidated financial statements and disclosures.

In March 2022, FASB issued ASU 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging-Portfolio Layer Method*, to expand the current single-layer method of electing hedge accounting to allow multiple hedged layers of a single closed portfolio under the method. To reflect that expansion, the last-of-layer method was renamed the portfolio layer method. The amendments in this update were effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The Company adopted the update in the second quarter of 2023. The adoption of this standard did not have a material impact on the consolidated financial statements or disclosures. statements.



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## 2. INVESTMENT SECURITIES

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

| | Amortized | Gross Unrealized | | Fair | Amortized | Gross Unrealized | | Fair |
|---|---|---|---|---|---|---|---|---|
| | Cost | Gains | Losses | Value | Cost | Gains | Losses | Value |
| **September 30, 2023** | | | | | | | | |
| **March 31, 2024** | | | | | | | | |
| Residential government-sponsored mortgage-backed securities | $ 113,087 | $ — | $(19,222) | $ 93,865 | $108,200 | $ 26 | $(14,907) | $ 93,319 |
| Obligations of states and political subdivisions | 33,876 | — | (5,564) | 28,312 | 33,725 | 1 | (3,857) | 29,869 |
| Corporate securities | 16,000 | — | (2,686) | 13,314 | 16,000 | — | (2,357) | 13,643 |
| Collateralized loan obligations | 5,019 | — | (64) | 4,955 | 5,017 | — | (9) | 5,008 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Residential government-sponsored collateralized mortgage obligations | 32,324 | — | (2,579) | 29,745 | 43,299 | 37 | (1,839) | 41,497 |
| Government-sponsored agency securities | 16,255 | — | (3,287) | 12,968 | 16,279 | — | (2,654) | 13,625 |
| Agency commercial mortgage-backed securities | 34,391 | — | (5,111) | 29,280 | 33,838 | — | (4,191) | 29,647 |
| SBA pool securities | 4,494 | 8 | (66) | 4,436 | 4,057 | 5 | (53) | 4,009 |
| **Total** | $255,446 | $ 8 | $(38,579) | $216,875 | $260,415 | $ 69 | $(29,867) | $230,617 |

| | **Amortized** | **Gross Unrealized** | | **Fair** | **Amortized** | **Gross Unrealized** | | **Fair** |
|---|---|---|---|---|---|---|---|---|
| | **Cost** | **Gains** | **Losses** | **Value** | **Cost** | **Gains** | **Losses** | **Value** |
| **December 31, 2022** | | | | | | | | |
| **December 31, 2023** | | | | | | | | |
| Residential government-sponsored mortgage-backed securities | $119,371 | $ 1 | $(16,491) | $102,881 | $110,562 | $ 72 | $(13,826) | $ 96,808 |
| Obligations of states and political subdivisions | 34,103 | 2 | (4,927) | 29,178 | 33,801 | 12 | (3,733) | 30,080 |
| Corporate securities | 16,000 | — | (1,172) | 14,828 | 16,000 | — | (1,952) | 14,048 |
| Collateralized loan obligations | 5,022 | — | (146) | 4,876 | 5,018 | — | (36) | 4,982 |
| Residential government-sponsored collateralized mortgage obligations | 28,643 | — | (2,048) | 26,595 | 35,927 | 175 | (1,631) | 34,471 |
| Government-sponsored agency securities | 17,719 | — | (3,103) | 14,616 | 16,267 | — | (2,556) | 13,711 |
| Agency commercial mortgage-backed securities | 42,180 | — | (4,763) | 37,417 | 34,059 | — | (3,949) | 30,110 |
| SBA pool securities | 5,998 | 13 | (87) | 5,924 | 4,257 | 6 | (53) | 4,210 |
| **Total** | $269,036 | $ 16 | $(32,737) | $236,315 | $255,891 | $265 | $(27,736) | $228,420 |

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

| | **Amortized** | **Gross Unrecognized** | | **Allowance for** | **Fair** |
|---|---|---|---|---|---|
| | **Cost** | **Gains** | **Losses** | **Credit Losses** | **Value** |
| **September 30, 2023** | | | | | |
| Residential government-sponsored mortgage-backed securities | $ 9,357 | $ — | $ (1,219) | $ — | $ 8,138 |
| Obligations of states and political subdivisions | 2,390 | — | (153) | — | 2,237 |
| Residential government-sponsored collateralized mortgage obligations | 228 | — | (21) | — | 207 |
| **Total** | $ 11,975 | $ — | $ (1,393) | $ — | $10,582 |

| | **Amortized** | **Gross Unrecognized** | | **Allowance for Credit** | **Fair** |
|---|---|---|---|---|---|
| | **Cost** | **Gains** | **Losses** | **Losses** | **Value** |
| **December 31, 2022** | | | | | |
| Residential government-sponsored mortgage-backed securities | $ 10,522 | $ — | $ (1,007) | $ — | $ 9,515 |
| Obligations of states and political subdivisions | 2,721 | 3 | (46) | — | 2,678 |
| Residential government-sponsored collateralized mortgage obligations | 277 | — | (21) | — | 256 |

| | | | | | |
|---|---|---|---|---|---|
| **Total** | $ 13,520 | $ 3 | $ (1,074) | $ — | $ 12,449 |



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

| | Amortized Cost | Gross Unrecognized Gains | Gross Unrecognized Losses | Allowance for Credit Losses | Fair Value |
|---|---|---|---|---|---|
| **March 31, 2024** | | | | | |
| Residential government-sponsored mortgage-backed securities | $ 8,714 | $ — | $ (869) | $ — | $ 7,845 |
| Obligations of states and political subdivisions | 2,067 | — | (56) | — | 2,011 |
| Residential government-sponsored collateralized mortgage obligations | 211 | — | (15) | — | 196 |
| **Total** | $ 10,992 | $ — | $ (940) | $ — | $ 10,052 |

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

Available-for-sale investment securities of $5.5 million and $10.5 million, respectively, $8.8 million were purchased during the three and nine months ended September 30, 2023. During March 31, 2024 and none were purchased during the three and nine months ended September 30, 2022, $4.9 million and $32.5 million, respectively, of available-for-sale investment securities were purchased. March 31, 2023. No held-to-maturity investments were purchased during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. No investment securities were sold during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

The amortized cost and fair value of available-for-sale and held-to-maturity investment securities as of September 30, 2023 March 31, 2024, by contractual maturity, were as follows (in thousands). Investment securities not due at a single maturity date are shown separately.

| | Available-for-Sale Amortized Cost | Available-for-Sale Fair Value | Held-to-Maturity Amortized Cost | Held-to-Maturity Fair Value | Available-for-Sale Amortized Cost | Available-for-Sale Fair Value | Held-to-Maturity Amortized Cost | Held-to-Maturity Fair Value |
|---|---|---|---|---|---|---|---|---|
| Due within one year | $ — | $ — | $ 871 | $ 861 | $ 245 | $ 242 | $ 548 | $ 545 |
| Due in one to five years | 10,027 | 9,076 | 580 | 557 | 9,788 | 9,094 | 795 | 773 |
| Due in five to ten years | 34,242 | 28,494 | 939 | 819 | 36,719 | 31,595 | 724 | 693 |
| Due after ten years | 26,881 | 21,979 | — | — | 24,269 | 21,214 | — | — |
| Residential government-sponsored mortgage-backed securities | 113,087 | 93,865 | 9,357 | 8,138 | 108,200 | 93,319 | 8,714 | 7,845 |
| Residential government-sponsored collateralized mortgage obligations | 32,324 | 29,745 | 228 | 207 | 43,299 | 41,497 | 211 | 196 |
| Agency commercial mortgage-backed securities | 34,391 | 29,280 | — | — | 33,838 | 29,647 | — | — |
| SBA pool securities | 4,494 | 4,436 | — | — | 4,057 | 4,009 | — | — |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Total** | $ 255,446 | $ 216,875 | $ 11,975 | $ 10,582 | $ 260,415 | $230,617 | $ 10,992 | $ 10,052 |

Investment securities with a carrying amount of approximately $183.2 million $159.2 million and $99.4 million at September 30, 2023 $200.2 million as of March 31, 2024 and December 31, 2022 December 31, 2023, respectively, were pledged to secure public deposits, certain other deposits, a line of credit for advances from the Federal Home Loan Bank ("FHLB") FHLB of Atlanta, and repurchase agreements.

Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. With regard to U.S. Treasury and residential mortgage-backed securities issued by the U.S. government, or agencies thereof, it is expected that the securities will not be settled at prices less than the amortized cost basis of the securities as such securities are backed by the full faith and credit of and/or guaranteed by the U.S. government. Accordingly, no allowance for credit losses has been recorded for these securities. With regard to securities issued by States states and political subdivisions and other held-to-maturity securities, management considers (i) issuer bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities and (iv) internal forecasts. As of September 30, 2023, Primis did not have a material allowance for credit losses on held-to-maturity securities.

The unrealized losses related to investment securities available-for-sale as of September 30, 2023 and December 31, 2022, relate to changes in interest rates relative to when the investment securities were purchased, and do not indicate credit-related impairment. Primis performs quantitative and qualitative analysis in this determination. As a result of the Company's analysis, none of the securities were deemed to require an allowance for credit losses as of September 30, 2023





considers (i) issuer bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and December 31, 2022. interest payments under the contractual terms of the securities and (iv) internal forecasts. As of March 31, 2024, Primis did not have a material allowance for credit losses on held-to-maturity securities.

As of March 31, 2024, there were 140 investment securities available-for-sale that were in an unrealized loss position. The unrealized losses related to investment securities available-for-sale as of March 31, 2024 and December 31, 2023, relate to changes in interest rates relative to when the investment securities were purchased, and do not indicate credit-related impairment. Primis performs quantitative analysis and if needed, a qualitative analysis in this determination. As a result of the Company's analysis, none of the securities were deemed to require an allowance for credit losses. Primis has the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses.

The following tables present information regarding investment securities available-for-sale and held-to-maturity in a continuous unrealized loss position as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 by duration of time in a loss position (in thousands):

| | **Less than 12 months** | | **12 Months or More** | | **Total** | | **Less than 12 months** | | **12 Months or More** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **September 30, 2023** | **Fair** | **Unrealized** | **Fair** | **Unrealized** | **Fair** | **Unrealized** | | | | | | |
| **March 31, 2024** | | | | | | | **Fair** | **Unrealized** | **Fair** | **Unrealized** | **Fair** | **Unrealized** |
| **Available-for-Sale** | **value** | **Losses** | **value** | **Losses** | **value** | **Losses** | **value** | **Losses** | **value** | **Losses** | **value** | **Losses** |
| Residential government-sponsored mortgage-backed securities | $ 2,643 | $ (81) | $ 91,222 | $ (19,141) | $ 93,865 | $ (19,222) | $ 145 | $ — | $ 90,378 | $ (14,907) | $ 90,523 | $ (14,907) |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Obligations of states and political subdivisions | 5,915 | (198) | 21,397 | (5,366) | 27,312 | (5,564) | 3,153 | (13) | 25,715 | (3,844) | 28,868 | (3,857) |
| Corporate securities | 895 | (104) | 12,418 | (2,582) | 13,313 | (2,686) | — | — | 13,643 | (2,357) | 13,643 | (2,357) |
| Collateralized loan obligations | — | — | 4,955 | (64) | 4,955 | (64) | — | — | 5,008 | (9) | 5,008 | (9) |
| Residential government-sponsored collateralized mortgage obligations | 12,186 | (281) | 17,554 | (2,298) | 29,740 | (2,579) | 13,373 | (137) | 16,630 | (1,702) | 30,003 | (1,839) |
| Government-sponsored agency securities | — | — | 12,968 | (3,287) | 12,968 | (3,287) | — | — | 13,625 | (2,654) | 13,625 | (2,654) |
| Agency commercial mortgage-backed securities | — | — | 29,280 | (5,111) | 29,280 | (5,111) | — | — | 29,647 | (4,191) | 29,647 | (4,191) |
| SBA pool securities | 356 | — | 2,776 | (66) | 3,132 | (66) | 359 | (2) | 2,540 | (51) | 2,899 | (53) |
| **Total** | $21,995 | $ (664) | $192,570 | $ (37,915) | $214,565 | $ (38,579) | $17,030 | $ (152) | $197,186 | $ (29,715) | $214,216 | $ (29,867) |

| | **Less than 12 months** | | **12 Months or More** | | **Total** | | **Less than 12 months** | | **12 Months or More** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **September 30, 2023** | **Fair** | **Unrecognized** | **Fair** | **Unrecognized** | **Fair** | **Unrecognized** | | | | | | |
| **March 31, 2024** | | | | | | | **Fair** | **Unrecognized** | **Fair** | **Unrecognized** | **Fair** | **Unrecognized** |
| **Held-to-Maturity** | **value** | **Losses** | **value** | **Losses** | **value** | **Losses** | **value** | **Losses** | **value** | **Losses** | **value** | **Losses** |
| Residential government-sponsored mortgage-backed securities | $ — | $ — | $8,138 | $ (1,219) | $ 8,138 | $ (1,219) | $ — | $ — | $7,845 | $ (869) | $ 7,845 | $ (869) |
| Obligations of states and political subdivisions | 1,870 | (86) | 367 | (67) | 2,237 | (153) | 576 | (4) | 1,435 | (52) | 2,011 | (56) |
| Residential government-sponsored collateralized mortgage obligations | — | — | 207 | (21) | 207 | (21) | — | — | 196 | (15) | 196 | (15) |
| **Total** | $1,870 | $ (86) | $8,712 | $ (1,307) | $10,582 | $ (1,393) | $576 | $ (4) | $9,476 | $ (936) | $10,052 | $ (940) |

| | **Less than 12 months** | **12 Months or More** | **Total** | **Less than 12 months** | **12 Months or More** | **Total** |
|---|---|---|---|---|---|---|

| December 31, 2022 | Fair | Unrealized | Fair | Unrealized | Fair | Unrealized | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| December 31, 2023 | | | | | | | Fair | Unrealized | Fair | Unrealized | Fair | Unrealized |
| Available-for-Sale | value | Losses | value | Losses | value | Losses | value | Losses | value | Losses | value | Losses |
| Residential government-sponsored mortgage-backed securities | $23,484 | $ (2,268) | $ 79,283 | $ (14,223) | $102,767 | $ (16,491) | $ — | $ — | $ 93,782 | $ (13,826) | $ 93,782 | $ (13,826) |
| Obligations of states and political subdivisions | 10,026 | (388) | 17,609 | (4,539) | 27,635 | (4,927) | 3,945 | (19) | 23,002 | (3,714) | 26,947 | (3,733) |
| Corporate securities | 14,828 | (1,172) | — | — | 14,828 | (1,172) | 939 | (61) | 13,109 | (1,891) | 14,048 | (1,952) |
| Collateralized loan obligations | — | — | 4,876 | (146) | 4,876 | (146) | — | — | 4,982 | (36) | 4,982 | (36) |
| Residential government-sponsored collateralized mortgage obligations | 22,343 | (1,375) | 4,252 | (673) | 26,595 | (2,048) | — | — | 17,306 | (1,631) | 17,306 | (1,631) |
| Government-sponsored agency securities | 1,484 | (16) | 13,132 | (3,087) | 14,616 | (3,103) | — | — | 13,711 | (2,556) | 13,711 | (2,556) |
| Agency commercial mortgage-backed securities | 13,031 | (371) | 24,386 | (4,392) | 37,417 | (4,763) | — | — | 30,110 | (3,949) | 30,110 | (3,949) |
| SBA pool securities | 529 | (38) | 3,243 | (49) | 3,772 | (87) | 301 | (1) | 2,693 | (52) | 2,994 | (53) |
| **Total** | $85,725 | $ (5,628) | $146,781 | $ (27,109) | $232,506 | $ (32,737) | $5,185 | $ (81) | $198,695 | $ (27,655) | $203,880 | $ (27,736) |



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| | Less than 12 months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| **December 31, 2022** | **Fair** | **Unrecognized** | **Fair** | **Unrecognized** | **Fair** | **Unrecognized** |
| **Held-to-Maturity** | **value** | **Losses** | **value** | **Losses** | **value** | **Losses** |
| Residential government-sponsored mortgage-backed securities | $ 9,457 | $ (1,002) | $ 58 | $ (5) | $ 9,515 | $ (1,007) |
| Obligations of states and political subdivisions | 1,255 | (46) | — | — | 1,255 | (46) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Residential government-sponsored collateralized mortgage obligations | 75 | (4) | 181 | (17) | 256 | (21) |
| **Total** | $ 10,787 | $ (1,052) | $ 239 | $ (22) | $ 11,026 | $ (1,074) |

| December 31, 2023 | Less than 12 months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| **Held-to-Maturity** | **Fair value** | **Unrecognized Losses** | **Fair value** | **Unrecognized Losses** | **Fair value** | **Unrecognized Losses** |
| Residential government-sponsored mortgage-backed securities | $ — | $ — | $ 8,286 | $ (754) | $ 8,286 | $ (754) |
| Obligations of states and political subdivisions | 1,373 | (4) | 396 | (38) | 1,769 | (42) |
| Residential government-sponsored collateralized mortgage obligations | — | — | 204 | (15) | 204 | (15) |
| **Total** | $ 1,373 | $ (4) | $ 8,886 | $ (807) | $ 10,259 | $ (811) |

## 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the composition of our loan portfolio as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

| | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|
| **Loans held for sale, at fair value** | $ 57,511 | $ 27,626 | $ 72,217 | $ 57,691 |
| **Loans held for sale, at lower of cost or market** | 8,755 | — | | |
| **Total loans held for sale** | $ 66,266 | $ 27,626 | | |
| | | | | |
| **Loans held for investment** | | | | |
| **Loans secured by real estate:** | | | | |

| | | | | |
|---|---|---|---|---|
| Commercial real estate - owner occupied | $ 431,840 | $ 459,866 | | |
| Commercial real estate - owner occupied (1) | | | $ 458,026 | $ 455,397 |
| Commercial real estate - non-owner occupied | 576,881 | 579,733 | 577,752 | 578,600 |
| Secured by farmland | 5,082 | 5,970 | 4,341 | 5,044 |
| Construction and land development | 172,005 | 148,690 | 146,908 | 164,742 |
| Residential 1-4 family | 600,389 | 609,694 | 602,124 | 606,226 |
| Multi-family residential | 129,586 | 140,321 | 128,599 | 127,857 |
| Home equity lines of credit | 59,996 | 65,152 | 57,765 | 59,670 |
| **Total real estate loans** | 1,975,779 | 2,009,426 | 1,975,515 | 1,997,536 |
| Commercial loans | 592,528 | 520,741 | | |
| Commercial loans (2) | | | 623,804 | 602,623 |
| Paycheck Protection Program loans | 2,105 | 4,564 | 2,003 | 2,023 |
| Consumer loans | 569,463 | 405,278 | 620,745 | 611,583 |
| **Total Non-PCD loans** | 3,139,875 | 2,940,009 | 3,222,067 | 3,213,765 |
| **PCD loans** | 5,992 | 6,628 | 5,598 | 5,649 |
| **Total loans held for investment** | $ 3,145,867 | $ 2,946,637 | $ 3,227,665 | $ 3,219,414 |

(1) Includes $8.1 million and $7.7 million related to loans collateralizing secured borrowings as of March 31, 2024 and December 31, 2023, respectively.
(2) Includes $13.3 million and $12.8 million related to loans collateralizing secured borrowings as of March 31, 2024 and December 31, 2023, respectively.

**Consumer Program Loans**

The Company originates a portion of its consumer loans using a third-party that sources and subsequently manages the portfolio of loans (the “Consumer Program”). The Company has $205.1 million and $199.3 million of loans outstanding in the Consumer Program as of March 31, 2024 and December 31, 2023, respectively, or 6% of our total gross loan portfolio as of each date. Loans in the Consumer Program are included within the Consumer Loan category disclosures in this footnote. As of March 31, 2024, 44% of the loans were in a promotional period requiring no payment of interest on their loans with 69% of these promotional loan periods ending in the second half of 2024 through the second quarter of 2025. As of December 31, 2023, 45% of the loans were in a promotional period requiring no payment of interest on their loans with 70% of these promotional loan periods ending in the second half of 2024 through the first quarter of 2025. During the three months ended March 31, 2024, $5.6 million of promotional loans paid off prior to the end of their





promotional periods while $4.8 million of promotional loans reached the end of the promotional period and began amortizing. See “Item 2. Financial Condition – Loans” for more detailed information on the “Consumer Program.”

**Accrued Interest Receivable**

Accrued interest receivable on loans totaled $24.1 million $22.9 million and $13.7 million $20.1 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and is included in other assets in the consolidated balance sheets.

**Nonaccrual and Past Due Loans**

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management’s opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, we consider the borrower’s

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debt service capacity through the analysis of current financial information, if available, and/or current information with regards to our collateral position. Regulatory provisions would typically require the placement of a loan on nonaccrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received in excess of principal due. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least nine six months) of repayment performance by the borrower.

The following tables present the aging of the recorded investment in past due loans by class of loans held for investment as of September 30, 2023 and December 31, 2022 (in thousands):

| September 30, 2023 | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90 Days or More | Total Past Due | Loans Not Past Due | Total Loans |
|---|---|---|---|---|---|---|
| Commercial real estate - owner occupied | $ 801 | $ 53 | $ — | $ 854 | $ 430,986 | $ 431,840 |
| Commercial real estate - non-owner occupied | 225 | — | 13,066 | 13,291 | 563,590 | 576,881 |
| Secured by farmland | — | — | 479 | 479 | 4,603 | 5,082 |
| Construction and land development | 997 | 682 | — | 1,679 | 170,326 | 172,005 |
| Residential 1-4 family | 2,152 | 408 | 1,178 | 3,738 | 596,651 | 600,389 |
| Multi- family residential | — | — | — | — | 129,586 | 129,586 |
| Home equity lines of credit | 551 | 141 | 234 | 926 | 59,070 | 59,996 |
| Commercial loans | 1,012 | — | 1,366 | 2,378 | 590,150 | 592,528 |
| Paycheck Protection Program loans | 3 | — | 1,771 | 1,774 | 331 | 2,105 |
| Consumer loans | 3,069 | 2,308 | 186 | 5,563 | 563,900 | 569,463 |
| **Total Non-PCD loans** | 8,810 | 3,592 | 18,280 | 30,682 | 3,109,193 | 3,139,875 |
| **PCD loans** | 1,201 | — | 1,241 | 2,442 | 3,550 | 5,992 |
| **Total** | $10,011 | $ 3,592 | $19,521 | $33,124 | $3,112,743 | $3,145,867 |

| December 31, 2022 | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90 Days or More | Total Past Due | Loans Not Past Due | Total Loans |
|---|---|---|---|---|---|---|
| Commercial real estate - owner occupied | $ 55 | $ — | $ — | $ 55 | $ 459,811 | $ 459,866 |
| Commercial real estate - non-owner occupied | 290 | 169 | 19,641 | 20,100 | 559,633 | 579,733 |
| Secured by farmland | — | — | — | — | 5,970 | 5,970 |
| Construction and land development | 46 | — | — | 46 | 148,644 | 148,690 |
| Residential 1-4 family | 2,180 | 410 | 304 | 2,894 | 606,800 | 609,694 |
| Multi- family residential | — | — | — | — | 140,321 | 140,321 |
| Home equity lines of credit | 431 | 96 | 249 | 776 | 64,376 | 65,152 |
| Commercial loans | 39 | — | 2,956 | 2,995 | 517,746 | 520,741 |
| Paycheck Protection Program loans | 16 | 15 | 3,360 | 3,391 | 1,173 | 4,564 |
| Consumer loans | 2,079 | 1,421 | 200 | 3,700 | 401,578 | 405,278 |
| **Total Non-PCD loans** | 5,136 | 2,111 | 26,710 | 33,957 | 2,906,052 | 2,940,009 |
| **PCD loans** | — | — | 1,328 | 1,328 | 5,300 | 6,628 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total** | $5,136 | $2,111 | $28,038 | $35,285 | $2,911,352 | $2,946,637 |



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The amortized cost, by class, of loans and leases on nonaccrual status at September 30, 2023 and December 31, 2022, were as follows (in thousands):

| **September 30, 2023** | **90 Days or More** | **Less Than 90 Days Past Due** | **Total Nonaccrual Loans** | **Nonaccrual With No Credit Loss Allowance** |
|---|---|---|---|---|
| Commercial real estate - owner occupied | $ — | $ 427 | $ 427 | $ 427 |
| Commercial real estate - non-owner occupied | 13,066 | — | 13,066 | — |
| Secured by farmland | 479 | — | 479 | 479 |
| Construction and land development | — | 24 | 24 | 24 |
| Residential 1-4 family | 1,178 | 841 | 2,019 | 2,019 |
| Home equity lines of credit | 234 | 483 | 717 | 717 |
| Commercial loans | 1,366 | 47 | 1,413 | 45 |
| Paycheck Protection Program loans | 57 | — | 57 | 57 |
| Consumer loans | 186 | 542 | 728 | 728 |
| **Total Non-PCD loans** | 16,566 | 2,364 | 18,930 | 4,496 |
| **PCD loans** | 1,241 | — | 1,241 | 1,241 |
| **Total** | $ 17,807 | $ 2,364 | $ 20,171 | $ 5,737 |

| **December 31, 2022** | **90 Days or More** | **Less Than 90 Days Past Due** | **Total Nonaccrual Loans** | **Nonaccrual With No Credit Loss Allowance** |
|---|---|---|---|---|
| Commercial real estate - owner occupied | $ — | $ 509 | $ 509 | $ 509 |
| Commercial real estate - non-owner occupied | 19,641 | — | 19,641 | 19,641 |
| Secured by farmland | — | 713 | 713 | 713 |
| Construction and land development | — | 29 | 29 | 29 |
| Residential 1-4 family | 304 | 8,995 | 9,299 | 9,299 |
| Home equity lines of credit | 249 | 301 | 550 | 550 |
| Commercial loans | 2,956 | 121 | 3,077 | 121 |
| Paycheck Protection Program loans | — | 4 | 4 | 4 |
| Consumer loans | 200 | 134 | 334 | 299 |
| **Total Non-PCD loans** | 23,350 | 10,806 | 34,156 | 31,165 |
| **PCD loans** | 1,328 | — | 1,328 | 1,328 |
| **Total** | $ 24,678 | $ 10,806 | $ 35,484 | $ 32,493 |

There were $1.7 million and $3.4 million of Paycheck Protection Program (“PPP”) loans greater than 90 days past due and still accruing as of September 30, 2023 and December 31, 2022, respectively.

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

| March 31, 2024 | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90 Days or More | Total Past Due | Loans Not Past Due | Total Loans |
|---|---|---|---|---|---|---|
| Commercial real estate - owner occupied | $ 2,661 | $ — | $ — | $ 2,661 | $ 455,365 | $ 458,026 |
| Commercial real estate - non-owner occupied | 225 | — | — | 225 | 577,527 | 577,752 |
| Secured by farmland | — | — | — | — | 4,341 | 4,341 |
| Construction and land development | 25 | 13 | 129 | 167 | 146,741 | 146,908 |
| Residential 1-4 family | 568 | 693 | 818 | 2,079 | 600,045 | 602,124 |
| Multi- family residential | — | — | — | — | 128,599 | 128,599 |
| Home equity lines of credit | 792 | 805 | 382 | 1,979 | 55,786 | 57,765 |
| Commercial loans | 331 | 21,600 | 2,037 | 23,968 | 599,836 | 623,804 |
| Paycheck Protection Program loans | — | 188 | 1,721 | 1,909 | 94 | 2,003 |
| Consumer loans | 4,000 | 2,267 | 456 | 6,723 | 614,022 | 620,745 |
| **Total Non-PCD loans** | 8,602 | 25,566 | 5,543 | 39,711 | 3,182,356 | 3,222,067 |
| **PCD loans** | — | 887 | 1,241 | 2,128 | 3,470 | 5,598 |
| **Total** | $ 8,602 | $26,453 | $6,784 | $41,839 | $3,185,826 | $3,227,665 |

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



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

| March 31, 2024 | 90 Days Past Due or More | Less Than 90 Days Past Due | Total Nonaccrual Loans | Nonaccrual With No Credit Loss Allowance |
|---|---|---|---|---|
| Commercial real estate - owner occupied | $ — | $ 671 | $ 671 | $ 671 |
| Secured by farmland | — | 455 | 455 | — |
| Construction and land development | 129 | 21 | 150 | 150 |
| Residential 1-4 family | 818 | 2,221 | 3,039 | 3,039 |
| Home equity lines of credit | 382 | 766 | 1,148 | 1,148 |
| Commercial loans | 2,037 | 9 | 2,046 | 9 |
| Paycheck Protection Program loans | 8 | — | 8 | 8 |
| Consumer loans | 456 | 801 | 1,257 | 1,257 |
| **Total Non-PCD loans** | 3,830 | 4,944 | 8,774 | 6,282 |
| **PCD loans** | 1,240 | 125 | 1,365 | — |
| **Total** | $ 5,070 | $ 5,069 | $ 10,139 | $ 6,282 |

| December 31, 2023 | 90 Days Past Due or More | Less Than 90 Days Past Due | Total Nonaccrual Loans | Nonaccrual With No Credit Loss Allowance |
|---|---|---|---|---|
| Commercial real estate - owner occupied | $ 219 | $ 469 | $ 688 | $ 688 |
| Secured by farmland | — | 480 | 480 | 480 |
| Construction and land development | — | 23 | 23 | 23 |
| Residential 1-4 family | 1,376 | 1,437 | 2,813 | 2,813 |
| Home equity lines of credit | 556 | 571 | 1,127 | 1,127 |
| Commercial loans | 1,203 | 576 | 1,779 | 207 |
| Consumer loans | 310 | 634 | 944 | 944 |
| **Total Non-PCD loans** | 3,664 | 4,190 | 7,854 | 6,282 |
| **PCD loans** | 1,241 | — | 1,241 | 1,241 |
| **Total** | $ 4,905 | $ 4,190 | $ 9,095 | $ 7,523 |

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



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The following table presents nonaccrual loans as of September 30, 2023 March 31, 2024 by class and year of origination (in thousands):

| 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans | Revolving Loans Converted To Term | Total | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans | Revolving Loans Converted To Term | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commercial real estate - owner occupied | $— | $ — | $ — | $ — | $ — | $ 427 | $ — | $ — | $ 427 | $— | $ — | $ — | $ 212 | $— | $ 459 | $ — | $ — | $ 671 |
| Commercial real estate - non-owner occupied | — | — | — | — | — | 13,066 | — | — | 13,066 | | | | | | | | | |
| Secured by farmland | — | — | — | — | — | 479 | — | — | 479 | — | — | — | — | — | 455 | — | — | 455 |
| Construction and land development | — | — | — | — | — | 24 | — | — | 24 | — | — | — | — | — | 151 | — | — | 151 |
| Residential 1-4 family | — | 589 | — | 44 | 162 | 991 | — | 233 | 2,019 | — | — | 564 | — | 18 | 1,868 | — | 589 | 3,039 |
| Home equity lines of credit | — | — | — | — | — | 54 | 646 | 17 | 717 | — | — | — | — | — | 72 | 1,061 | 15 | 1,148 |
| Commercial loans | — | — | — | 2 | — | 1,411 | — | — | 1,413 | — | 615 | — | 383 | — | 1,047 | — | — | 2,045 |
| Paycheck Protection Program loans | — | — | — | 57 | — | — | — | — | 57 | — | — | — | 8 | — | — | — | — | 8 |
| Consumer loans | — | 379 | 345 | 4 | — | — | — | — | 728 | — | 47 | 695 | 419 | — | — | 96 | — | 1,257 |
| **Total non-PCD nonaccruals** | — | 968 | 345 | 107 | 162 | 16,452 | 646 | 250 | 18,930 | — | 662 | 1,259 | 1,022 | 18 | 4,052 | 1,157 | 604 | 8,774 |
| **PCD loans** | — | — | — | — | — | 1,241 | — | — | 1,241 | — | — | — | — | — | 1,365 | — | — | 1,365 |
| **Total nonaccrual loans** | $— | $968 | $345 | $107 | $ 162 | $ 17,693 | $ 646 | $ 250 | $ 20,171 | $— | $662 | $1,259 | $1,022 | $18 | $5,417 | $ 1,157 | $ 604 | $10,139 |

Interest received on nonaccrual loans was zero and $0.6 million $0.4 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively and $0.01 million and $0.9 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

**Modifications Provided to Borrowers Experiencing Financial Difficulty**

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

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

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

For the quarter ended September 30, 2023 quarter-ended March 31, 2024, on one loan in the 1-4 family loan segment with an amortized cost basis three other consumer loans totaling $0.3 million were of $30 thousand, was modified to borrowers a borrower experiencing financial difficulty. difficulty, representing less than 0.01% of that loan segment. This represents 0.10% of the loan was converted to an amortizing note, with a reduction in interest rate to fixed at 6% from variable at 8.5%.

Two existing, other consumer loan portfolio. modifications, with a total $40 thousand in amortized cost and representing 0.01% of this segment, have had no payment delinquencies in the first quarter of 2024. Of these two modifications, one loan with

Two of the other consumer loans, totaling $0.2 million $20 thousand in amortized cost, were was modified to one borrower interest only payments for eleven months, with a return to principal and received payment deferrals interest payments in August 2024. Total contractual payments during the first quarter of 2024 for three this loan prior to modification would have been $549. The other existing consumer loan, with $20 thousand in amortized cost was modified to interest only payments for nine months, with principal and interest payments resuming to resume in August 2023. June 2024. Total contractual payments, for these loans for the quarter, prior to modification, for this quarter would have been approximately $11 thousand. Both loans are current on principal and interest following the deferral period. $645.

The third other consumer loan following table depicts the amortized costs basis as of March 31, 2024, of the performance of loans that have been modified to a borrower borrowers experiencing financial difficulty had an amortized cost of $0.1 million in the last 12 months and the Company reduced monthly payments on the loan for the remaining 84-month term with no change returned to the original rate or maturity. The contractual payments for the quarter would have totaled approximately $9 thousand if the modification had not been provided. The loan is paying as agreed following the modification.

An existing modification of a 1-4 family residential loan ($ in the first quarter of 2023, with an amortized cost of $0.9 million, resumed contractual payments in August following its payment deferral period and has experienced no payment delinquencies since the deferral period ended. This modification is 0.14% of the 1-4 family residential loan portfolio. thousands):

| | Payment Status | | | |
|---|---|---|---|---|
| | **Current** | **30-59 days past due** | **60-89 days past due** | **90 days or more** |
| Commercial real estate - owner occupied | $ 415 | $ — | $ — | $ — |
| Residential 1-4 family | 941 | — | — | — |
| Consumer loans | 58 | 166 | — | — |
| **Total** | $ 1,413 | $ 166 | $ — | $ — |

Two loans modified in the second quarter of 2023 from our owner occupied commercial real estate portfolio with an amortized cost balance of $0.4 million are paying as agreed following the modifications. These loans represent 0.10% of the owner occupied commercial real estate portfolio.

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

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

**Credit Quality Indicators**

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

Special Mention loans are loans that have a potential weakness that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution’s credit position.

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

Doubtful loans have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable or improbable. Primis had no loans classified as Doubtful as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

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



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The following table presents weighted-average risk grades for all loans, by class and year of origination/renewal as of September 30, 2023 March 31, 2024 (in thousands):

| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans | Revolving Loans Converted To Term | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Commercial real estate - owner occupied** | | | | | | | | | |
| Pass | $ 21,109 | $ 47,525 | $ 81,672 | $ 57,690 | $ 17,711 | $ 212,198 | $ 2,970 | $ 6,450 | $ 447,325 |
| Special Mention | — | — | — | — | — | 7,803 | — | — | 7,803 |
| Substandard | — | — | — | 212 | — | 2,686 | — | — | 2,898 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 21,109 | $ 47,525 | $ 81,672 | $ 57,902 | $ 17,711 | $ 222,687 | $ 2,970 | $ 6,450 | $ 458,026 |
| Current period gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | 3.61 | 3.49 | 3.42 | 3.46 | 3.38 | 3.50 | 3.50 | 3.97 | 3.49 |
| **Commercial real estate - nonowner occupied** | | | | | | | | | |
| Pass | $ 1,587 | $ 33,778 | $ 62,208 | $ 118,479 | $ 42,397 | $ 306,198 | $ 3,140 | $ 5,828 | $ 573,615 |
| Special Mention | — | — | — | — | 1,519 | 2,618 | — | — | 4,137 |
| Substandard | — | — | — | — | — | — | — | — | — |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 1,587 | $ 33,778 | $ 62,208 | $ 118,479 | $ 43,916 | $ 308,816 | $ 3,140 | $ 5,828 | $ 577,752 |
| Current period gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | 3.74 | 3.46 | 3.18 | 3.08 | 3.83 | 3.67 | 3.16 | 2.86 | 3.48 |
| **Secured by farmland** | | | | | | | | | |
| Pass | $ 17 | $ 359 | $ — | $ 8 | $ 96 | $ 2,939 | $ 323 | $ 144 | $ 3,886 |
| Special Mention | — | — | — | — | — | — | — | — | — |
| Substandard | — | — | — | — | — | 455 | — | — | 455 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 17 | $ 359 | $ — | $ 8 | $ 96 | $ 3,394 | $ 323 | $ 144 | $ 4,341 |
| Current period gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | 4.00 | 3.81 | N/A | 4.00 | 4.00 | 4.11 | 4.00 | 3.10 | 4.04 |
| **Construction and land development** | | | | | | | | | |
| Pass | $ 6,063 | $ 31,386 | $ 49,700 | $ 44,362 | $ 501 | $ 12,962 | $ 829 | $ — | $ 145,803 |
| Special Mention | — | — | — | — | — | 954 | — | — | 954 |
| Substandard | — | — | — | — | — | 151 | — | — | 151 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 6,063 | $ 31,386 | $ 49,700 | $ 44,362 | $ 501 | $ 14,067 | $ 829 | $ — | $ 146,908 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Current period gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | 3.04 | 3.51 | 3.31 | 3.03 | 3.37 | 3.51 | 3.36 | N/A | 3.28 |
| **Residential 1-4 family** | | | | | | | | | |
| Pass | $ 2,816 | $ 37,339 | $ 167,246 | $ 146,401 | $ 39,749 | $ 195,824 | $ 5,378 | $ 2,108 | $ 596,861 |
| Special Mention | — | — | 1,030 | — | — | 507 | — | — | 1,537 |
| Substandard | — | — | 564 | — | 18 | 2,523 | — | 621 | 3,726 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 2,816 | $ 37,339 | $ 168,840 | $ 146,401 | $ 39,767 | $ 198,854 | $ 5,378 | $ 2,729 | $ 602,124 |
| Current period gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | 3.24 | 3.09 | 3.10 | 3.04 | 3.07 | 3.19 | 3.76 | 3.69 | 3.12 |
| **Multi- family residential** | | | | | | | | | |
| Pass | $ — | $ 459 | $ 8,498 | $ 21,273 | $ 17,580 | $ 74,368 | $ 4,911 | $ 605 | $ 127,694 |
| Special Mention | — | — | — | — | — | — | — | — | — |
| Substandard | — | — | — | — | — | 620 | — | 285 | 905 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ — | $ 459 | $ 8,498 | $ 21,273 | $ 17,580 | $ 74,988 | $ 4,911 | $ 890 | $ 128,599 |
| Current period gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | N/A | 3.00 | 3.66 | 3.00 | 3.91 | 3.33 | 3.98 | 4.64 | 3.41 |
| **Home equity lines of credit** | | | | | | | | | |
| Pass | $ 145 | $ 523 | $ 469 | $ 423 | $ 47 | $ 3,106 | $ 50,892 | $ 845 | $ 56,450 |
| Special Mention | — | — | — | — | — | (1) | 111 | — | 110 |
| Substandard | — | — | — | — | — | 71 | 1,119 | 15 | 1,205 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 145 | $ 523 | $ 469 | $ 423 | $ 47 | $ 3,176 | $ 52,122 | $ 860 | $ 57,765 |
| Current period gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.92 | 3.11 | 3.93 | 3.16 |
| **Commercial loans** | | | | | | | | | |
| Pass | $ 50,999 | $ 124,040 | $ 243,507 | $ 70,194 | $ 5,362 | $ 29,358 | $ 87,859 | $ 6,596 | $ 617,915 |
| Special Mention | — | — | 885 | — | 18 | 100 | 2,422 | — | 3,425 |
| Substandard | — | 615 | — | 383 | 196 | 1,270 | — | — | 2,464 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 50,999 | $ 124,655 | $ 244,392 | $ 70,577 | $ 5,576 | $ 30,728 | $ 90,281 | $ 6,596 | $ 623,804 |
| Current period gross charge offs | $ — | $ — | $ — | $ | $ — | $ 347 | $ | $ — | $ 347 |
| Weighted average risk grade | 2.96 | 2.86 | 3.11 | 3.75 | 3.39 | 3.53 | 3.41 | 3.68 | 3.19 |



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| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans | Revolving Loans Converted To Term | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Paycheck Protection Program loans** | | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Pass | $ — | $ — | $ — | $ 1,073 | $ 922 | $ — | $ — | $ — | $ 1,995 |
| Special Mention | — | — | — | — | — | — | — | — | — |
| Substandard | — | — | — | 8 | — | — | — | — | 8 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ — | $ — | $ — | $ 1,081 | $ 922 | $ — | $ — | $ — | $ 2,003 |
| Current period gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | N/A | N/A | N/A | 2.03 | 2.00 | N/A | N/A | N/A | 2.02 |
| **Consumer loans** | | | | | | | | | |
| Pass | $ 210,628 | $ 92,980 | $ 282,592 | $ 23,831 | $ 847 | $ 3,564 | $ 4,180 | $ 370 | $ 618,992 |
| Special Mention | — | 5 | 45 | — | — | 57 | — | — | 107 |
| Substandard | — | 47 | 1,077 | 425 | — | 1 | 96 | — | 1,646 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 210,628 | $ 93,032 | $ 283,714 | $ 24,256 | $ 847 | $ 3,622 | $ 4,276 | $ 370 | $ 620,745 |
| Current period gross charge offs | $ 101 | $ 1,274 | $ 3,206 | $ 439 | $ — | $ 12 | $ — | $ — | $ 5,032 |
| Weighted average risk grade | 3.91 | 2.31 | 2.56 | 3.51 | 4.00 | 5.83 | 3.17 | 4.00 | 3.05 |
| **PCD** | | | | | | | | | |
| Pass | $ — | $ — | $ — | $ — | $ — | $ 2,808 | $ — | $ — | $ 2,808 |
| Special Mention | — | — | — | — | — | 1,282 | — | — | 1,282 |
| Substandard | — | — | — | — | — | 1,508 | — | — | 1,508 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ — | $ — | $ — | $ — | $ — | $ 5,598 | $ — | $ — | $ 5,598 |
| Current period gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | N/A | N/A | N/A | N/A | N/A | 5.11 | N/A | N/A | 5.11 |
| **Total** | $ 293,364 | $ 369,056 | $ 899,493 | $ 484,762 | $ 126,963 | $ 865,930 | $ 164,230 | $ 23,867 | $ 3,227,665 |
| Current period gross charge offs | $ 101 | $ 1,274 | $ 3,206 | $ 439 | $ — | $ 359 | $ — | $ — | $ 5,379 |
| Weighted average risk grade | 3.70 | 2.94 | 2.99 | 3.22 | 3.51 | 3.50 | 3.33 | 3.61 | 3.26 |



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

| | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans | Revolving Loans Converted To Term | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Commercial real estate - owner occupied** | | | | | | | | | |
| Pass | $ 22,331 42,262 | $ 89,372 97,259 | $ 61,246 61,316 | $ 18,243 17,914 | $ 21,367 23,675 | $ 199,826 191,674 | $ 2,256 4,054 | $ 6,770 6,503 | $ 421,411 444,657 |
| Special Mention | — | — | — | — | — | 5,368 | — | — | 5,368 |
| Substandard | — | — | 219 | — | — 95 | 5,073 5,058 | — | — | 5,292 |
| Substandard | — | — | — | — | 96 | 5,041 | — | — | 5,137 5,372 |
| Doubtful | — | — | — | — | — | — | — | — | — |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 22,331 42,262 | 89,372 97,259 | 61,465 61,535 | 18,243 17,914 | 21,463 23,770 | 209,940 202,100 | 2,256 4,054 | 6,770 6,503 | 431,840 455,397 | |
| Current period gross charge offs | — | — | — | — | — | — | — | — | — | |
| Weighted average risk grade | 3.45 3.52 | 3.31 3.35 | 3.44 | 3.39 3.38 | 3.28 3.37 | 3.54 | 3.83 3.46 | 3.97 | 3.46 3.48 | |
| **Commercial real estate - nonowner occupied** | | | | | | | | | | |
| Pass | 1,581 19,474 | 56,242 65,355 | 120,282 119,065 | 43,124 42,781 | 40,817 37,446 | 272,053 282,497 | 2,421 1,847 | 5,067 5,856 | 541,587 574,321 | |
| Special Mention | — | — | — | 1,539 1,529 | — | 20,126 2,750 | — | 601 — | 22,266 4,279 | |
| Substandard | — | — | — | — | — | 13,028 — | — | — | 13,028 — | |
| Doubtful | — | — | — | — | — | — | — | — | — | |
| | 1,581 19,474 | 56,242 65,355 | 120,282 119,065 | 44,663 44,310 | 40,817 37,446 | 305,207 285,247 | 2,421 1,847 | 5,668 5,856 | 576,881 578,600 | |
| Current period gross charge offs | — | — | — | — | — | 183 1,170 | — | — | 183 1,170 | |
| Weighted average risk grade | 31.21 3.09 | 3.70 3.35 | 3.08 | 3.83 | 3.95 | 3.80 3.64 | 2.91 3.44 | 3.21 2.86 | 3.72 3.50 | |
| **Secured by farmland** | | | | | | | | | | |
| Pass | 512 361 | — | 11 10 | 108 98 | — | 3,535 3,333 | 271 607 | 166 155 | 4,603 4,564 | |
| Special Mention | — | — | — | — | — | — | — | — | — | |
| Substandard | — | — | — | — | — | 479 480 | — | — | 479 480 | |
| Doubtful | — | — | — | — | — | — | — | — | — | |
| | 512 361 | — | 11 10 | 108 98 | — | 4,014 3,813 | 271 607 | 166 155 | 5,082 5,044 | |
| Current period gross charge offs | — | — | — | — | — | | — | — | 3 — | |
| Weighted average risk grade | 3.86 3.81 | N/A | 4.00 | 4.00 | N/A | 4.01 4.04 | 4.00 | 3.11 | 3.99 | 3.12 3.96 |
| **Construction and land development** | | | | | | | | | | |
| Pass | 20,833 32,496 | 51,205 41,304 | 74,119 72,337 | 521 512 | 2,505 2,478 | 21,075 13,912 | 763 727 | 5 1 | 171,026 163,767 | |
| Special Mention | — | — | — | — | — | 955 952 | — | — | 955 952 | |
| Substandard | — | — | — | — | — | 24 23 | — | — | 24 23 | |
| Doubtful | — | — | — | — | — | — | — | — | — | |
| | 20,833 32,496 | 51,205 41,304 | 74,119 72,337 | 521 512 | 2,505 2,478 | 22,054 14,887 | 763 727 | 5 1 | 172,005 164,742 | |
| Current period gross charge offs | — | — | — | — | — | 2 | — | — | 2 | |
| Weighted average risk grade | 3.45 3.44 | 3.27 3.06 | 3.38 3.40 | 3.37 | 3.29 | 3.58 3.44 | 3.39 3.41 | 4.00 | 3.38 3.33 | |
| **Residential 1-4 family** | | | | | | | | | | |
| Pass | 23,985 37,097 | 160,057 163,464 | 152,131 148,845 | 41,421 40,697 | 56,527 56,117 | 155,694 148,066 | 2,654 3,293 | 2,559 2,499 | 595,028 600,078 | |
| Special Mention | — | 1,036 | — | — | — | 514 511 | — | — | 1,550 1,547 | |
| Substandard | — | 589 585 | — | 44 40 | 162 160 | 2,510 3,328 | — | 506 488 | 3,811 4,601 | |
| Doubtful | — | — | — | — | — | — | — | — | — | |
| | 23,985 37,097 | 161,682 165,085 | 152,131 148,845 | 41,465 40,737 | 56,689 56,277 | 158,718 151,905 | 2,654 3,293 | 3,065 2,987 | 600,389 606,226 | |
| Current period gross charge offs | — | — | — | — | 755 572 | 198 | — | — | — | 755 770 |
| Weighted average risk grade | 3.14 3.10 | 3.10 | 3.04 | 3.07 | 3.08 | 3.23 3.25 | 3.72 3.62 | 3.50 | 3.12 | |
| **Multi- family residential** | | | | | | | | | | |
| Pass | — 544 | 8,132 8,105 | 21,545 21,404 | 17,893 17,738 | 6,965 6,925 | 68,951 68,238 | 4,520 3,360 | 638 619 | 128,644 126,933 | |
| Special Mention | — | — | — | — | — | — | — | — | — | |
| Substandard | — | — | — | — | — | 653 637 | — | 289 287 | 942 924 | |
| Doubtful | — | — | — | — | — | — | — | — | — | |
| | — 544 | 8,132 8,105 | 21,545 21,404 | 17,893 17,738 | 6,965 6,925 | 69,604 68,875 | 4,520 3,360 | 927 906 | 129,586 127,857 | |
| Current period gross charge offs | — | — | — | — | — | — | — | — | — | |
| Weighted average risk grade | N/A 3.00 | 3.70 | 3.00 | 3.90 3.91 | 3.00 | 3.35 | 4.00 3.97 | 4.62 4.63 | 3.41 3.40 | |
| **Home equity lines of credit** | | | | | | | | | | |
| Pass | 317 521 | 486 487 | 421 417 | 49 48 | 50 72 | 3,087 3,012 | 53,795 52,923 | 865 856 | 59,070 58,336 | |
| Special Mention | — | — | — | — | — | — | 113 111 | — | 113 111 | |
| Substandard | — | — | — | — | — | 54 75 | 742 1,131 | 17 | 813 1,223 | |
| Doubtful | — | — | — | — | — | — | — | — | — | |
| | 317 521 | 486 487 | 421 417 | 49 48 | 50 72 | 3,141 3,087 | 54,650 54,165 | 882 873 | 59,996 59,670 | |
| Current period gross charge offs | — | — | — | — | — | — | — 32 | — | — 32 | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Weighted average risk grade | 3.03 3.01 | 3.00 | 3.00 | 3.00 | 3.00 | 3.92 3.95 | 3.07 3.10 | 3.93 | 3.13 3.15 | |
| **Commercial loans** | | | | | | | | | | |
| Pass | $ 139,527 155,238 | $ 275,889 269,011 | $ 53,161 50,804 | $ 6,029 5,683 | $ 2,623 2,370 | $ 27,253 30,240 | $ 78,140 78,984 | $ 6,641 7,104 | $ 589,263 599,434 | |
| Special Mention | — | — | — | 11 21 | 130 114 | — | 967 1,180 | 347 — | 1,455 1,315 | |
| Substandard | — | — | — 383 | 218 212 | 60 56 | 1,532 1,223 | — | — | 1,810 1,874 | |
| Doubtful | — | — | — | — | — | — | — | — | — | |
| | $ 139,527 155,238 | $ 275,889 269,011 | $ 53,161 51,187 | $ 6,258 5,916 | $ 2,813 2,540 | $ 28,785 31,463 | $ 79,107 80,164 | $ 6,988 7,104 | $ 592,528 602,623 | |
| Current period gross charge offs | $ — | $ — | $ — | $ — 17 | $ — | $ 1,776 1,240 | $ 1,597 | $ — | $ — | $ 1,776 2,854 |
| Weighted average risk grade | 2.76 2.97 | 3.10 | 3.36 3.35 | 3.41 | 4.01 4.02 | 3.46 3.50 | 3.22 3.26 | 3.81 3.70 | 3.09 | |



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| | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans | Revolving Loans Converted To Term | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Paycheck Protection Program loans** | | | | | | | | | |
| Pass | $ — | $ — | $ 1,100 | $ 948 | $ — | $ — | $ — | $ — | $ 2,048 |
| Special Mention | — | — | — | 57 | — | — | — | — | 57 |
| Substandard | — | — | — | — | — | — | — | — | — |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ — | $ — | $ 1,100 | $ 1,005 | $ — | $ — | $ — | $ — | $ 2,105 |
| Current period gross charge offs | $ — | $ — | $ — | $ | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | N/A | N/A | 2.00 | 2.23 | N/A | N/A | N/A | N/A | 2.11 |
| **Consumer loans** | | | | | | | | | |
| Pass | $ 272,384 | $ 257,348 | $ 26,590 | $ 1,032 | $ 127 | $ 3,904 | $ 6,444 | $ 372 | $ 568,201 |
| Special Mention | — | — | — | — | — | 67 | — | — | 67 |
| Substandard | 75 | 768 | 349 | 3 | — | — | — | — | 1,195 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 272,459 | $ 258,116 | $ 26,939 | $ 1,035 | $ 127 | $ 3,971 | $ 6,444 | $ 372 | $ 569,463 |
| Current period gross charge offs | $ 495 | $ 6,305 | $ 1,076 | $ — | $ — | $ | $ — | $ 80 | $ 7,956 |
| Weighted average risk grade | 3.48 | 2.66 | 3.60 | 4.01 | 3.96 | 5.79 | 2.84 | 4.00 | 3.12 |
| **PCD** | | | | | | | | | |
| Pass | $ — | $ — | $ — | $ — | $ — | $ 2,875 | $ — | $ — | $ 2,875 |
| Special Mention | — | — | — | — | — | 1,601 | — | — | 1,601 |
| Substandard | — | — | — | — | — | 1,516 | — | — | 1,516 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ — | $ — | $ — | $ — | $ — | $ 5,992 | $ — | $ — | $ 5,992 |
| Current period gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | N/A | N/A | N/A | N/A | N/A | 4.68 | N/A | N/A | 4.68 |
| **Total** | $ 481,545 | $ 901,124 | $ 511,174 | $ 131,240 | $ 131,429 | $ 811,426 | $ 153,086 | $ 24,843 | $ 3,145,867 |
| Current period gross charge offs | $ 495 | $ 6,305 | $ 1,076 | $ — | $ 755 | $ 1,964 | $ — | $ 80 | $ 10,675 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Weighted average risk grade | 3.34 | 3.05 | 3.21 | 3.50 | 3.40 | 3.58 | 3.19 | 3.71 | 3.30 |



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The following table presents weighted-average risk grades for all loans, by class and year of origination/renewal as of December 31, 2022 (in thousands):

| | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | Revolving Loans | Revolving Loans Converted To Term | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Commercial real estate - owner occupied** | | | | | | | | | |
| Pass | $ 116,545 | $ 58,202 | $ 19,178 | $ 21,985 | $ 27,397 | $ 202,484 | $ 3,389 | $ 6,740 | $ 455,920 |
| Special Mention | — | — | — | — | — | 988 | — | — | 988 |
| Substandard | — | — | — | — | — | 2,958 | — | — | 2,958 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 116,545 | $ 58,202 | $ 19,178 | $ 21,985 | $ 27,397 | $ 206,430 | $ 3,389 | $ 6,740 | $ 459,866 |
| Weighted average risk grade | 3.25 | 3.45 | 3.38 | 3.27 | 3.43 | 3.50 | 3.52 | 3.96 | 3.42 |
| **Commercial real estate - nonowner occupied** | | | | | | | | | |
| Pass | $ 28,128 | $ 126,291 | $ 44,696 | $ 41,631 | $ 55,702 | $ 228,735 | $ 4,173 | $ 3,065 | $ 532,421 |
| Special Mention | — | — | 1,566 | — | 926 | 24,580 | — | 601 | 27,673 |
| Substandard | — | — | — | — | 13,066 | 6,573 | — | — | 19,639 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 28,128 | $ 126,291 | $ 46,262 | $ 41,631 | $ 69,694 | $ 259,888 | $ 4,173 | $ 3,666 | $ 579,733 |
| Weighted average risk grade | 3.36 | 3.16 | 3.82 | 3.95 | 4.01 | 3.82 | 2.87 | 3.33 | 3.68 |
| **Secured by farmland** | | | | | | | | | |
| Pass | $ 141 | $ 16 | $ 110 | $ — | $ — | $ 2,279 | $ 1,697 | $ 85 | $ 4,328 |
| Special Mention | — | — | — | — | — | 649 | — | 112 | 761 |
| Substandard | — | — | — | 6 | — | 875 | — | — | 881 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 141 | $ 16 | $ 110 | $ 6 | $ — | $ 3,803 | $ 1,697 | $ 197 | $ 5,970 |
| Weighted average risk grade | 4.00 | 4.00 | 4.00 | 6.00 | N/A | 4.20 | 3.98 | 3.70 | 4.13 |
| **Construction and land development** | | | | | | | | | |
| Pass | $ 44,253 | $ 73,226 | $ 847 | $ 3,006 | $ 6,937 | $ 19,553 | $ 822 | $ 17 | $ 148,661 |
| Special Mention | — | — | — | — | — | — | — | — | — |
| Substandard | — | — | — | — | — | 29 | — | — | 29 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 44,253 | $ 73,226 | $ 847 | $ 3,006 | $ 6,937 | $ 19,582 | $ 822 | $ 17 | $ 148,690 |
| Weighted average risk grade | 3.21 | 3.06 | 3.60 | 3.42 | 3.17 | 3.69 | 3.36 | 4.00 | 3.20 |
| **Residential 1-4 family** | | | | | | | | | |
| Pass | $ 152,178 | $ 157,233 | $ 43,812 | $ 61,268 | $ 40,707 | $ 138,782 | $ 1,837 | $ 3,437 | $ 599,254 |
| Special Mention | — | — | — | — | — | 30 | — | — | 30 |
| Substandard | 285 | — | — | 8,099 | — | 1,310 | — | 716 | 10,410 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 152,463 | $ 157,233 | $ 43,812 | $ 69,367 | $ 40,707 | $ 140,122 | $ 1,837 | $ 4,153 | $ 609,694 |
| Weighted average risk grade | 3.09 | 3.04 | 3.07 | 3.41 | 3.13 | 3.23 | 3.92 | 3.54 | 3.15 |
| **Multi- family residential** | | | | | | | | | |
| Pass | $ 9,953 | $ 21,927 | $ 18,338 | $ 7,064 | $ 1,804 | $ 75,370 | $ 4,192 | $ 676 | $ 139,324 |
| Special Mention | — | — | — | — | — | — | — | — | — |
| Substandard | — | — | — | — | — | 702 | — | 295 | 997 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 9,953 | $ 21,927 | $ 18,338 | $ 7,064 | $ 1,804 | $ 76,072 | $ 4,192 | $ 971 | $ 140,321 |
| Weighted average risk grade | 3.58 | 3.00 | 3.90 | 3.00 | 3.21 | 3.31 | 4.00 | 4.61 | 3.37 |
| **Home equity lines of credit** | | | | | | | | | |
| Pass | $ 463 | $ 431 | $ 52 | $ 63 | $ 230 | $ 4,093 | $ 58,312 | $ 957 | $ 64,601 |
| Special Mention | — | — | — | — | — | — | — | — | — |
| Substandard | — | — | — | — | — | 54 | 476 | 21 | 551 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 463 | $ 431 | $ 52 | $ 63 | $ 230 | $ 4,147 | $ 58,788 | $ 978 | $ 65,152 |
| Weighted average risk grade | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.94 | 3.05 | 3.89 | 3.12 |
| **Commercial loans** | | | | | | | | | |
| Pass | $ 295,459 | $ 59,642 | $ 7,332 | $ 6,658 | $ 9,228 | $ 19,830 | $ 100,407 | $ 17,381 | $ 515,937 |
| Special Mention | — | 396 | 64 | 74 | — | — | 519 | 388 | 1,441 |
| Substandard | — | — | 5 | 90 | — | 1,678 | 1,590 | — | 3,363 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ 295,459 | $ 60,038 | $ 7,401 | $ 6,822 | $ 9,228 | $ 21,508 | $ 102,516 | $ 17,769 | $ 520,741 |
| Weighted average risk grade | 3.14 | 3.41 | 3.38 | 3.90 | 3.42 | 3.70 | 3.47 | 3.33 | 3.29 |
| **Paycheck Protection Program loans** | | | | | | | | | |
| Pass | $ — | $ 2,119 | $ 2,435 | $ — | $ — | $ — | $ — | $ — | $ 4,554 |
| Special Mention | — | — | — | — | — | — | — | — | — |
| Substandard | — | 10 | — | — | — | — | — | — | 10 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| | $ — | $ 2,129 | $ 2,435 | $ — | $ — | $ — | $ — | $ — | $ 4,564 |
| Weighted average risk grade | N/A | 2.02 | 2.00 | N/A | N/A | N/A | N/A | N/A | 2.01 |



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| | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | Revolving Loans | Revolving Loans Converted To Term | Total | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans | Revolving Loans Converted To Term | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Paycheck Protection Program loans** | | | | | | | | | | | | | | | | | | |
| Pass | | | | | | | | | | $ — | $ — | $ 1,087 | $ 936 | $ — | $ — | $ — | $ — | $ 2,023 |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Special Mention | | | | | | | | | | — | — | — | — | — | — | — | — | — |
| Substandard | | | | | | | | | | — | — | — | — | — | — | — | — | — |
| Doubtful | | | | | | | | | | — | — | — | — | — | — | — | — | — |
| | | | | | | | | | | $ — | $ — | $ 1,087 | $ 936 | $ — | $ — | $ — | $ — | $ 2,023 |
| Current period gross charge offs | | | | | | | | | | $ — | $ — | $ — | $ | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | | | | | | | | | | N/A | N/A | 2.00 | 2.00 | N/A | N/A | N/A | N/A | 2.00 |
| **Consumer loans** | | | | | | | | | | | | | | | | | | |
| Pass | $ 365,842 | $ 29,184 | $ 1,493 | $ 340 | $ 534 | $ 4,319 | $ 2,918 | $ — | $ 404,630 | $294,825 | $277,640 | $ 25,695 | $ 916 | $ 89 | $ 3,661 | $ 6,998 | $ 368 | $ 610,192 |
| Special Mention | — | — | — | — | — | 65 | — | — | 65 | — | — | — | — | — | 63 | — | — | 63 |
| Substandard | 70 | 513 | — | — | — | — | — | — | 583 | 8 | 831 | 479 | — | 9 | 1 | — | — | 1,328 |
| Doubtful | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| | $ 365,912 | $ 29,697 | $ 1,493 | $ 340 | $ 534 | $ 4,384 | $ 2,918 | $ — | $ 405,278 | $294,833 | $278,471 | $ 26,174 | $ 916 | $ 98 | $ 3,725 | $ 6,998 | $ 368 | $ 611,583 |
| Current period gross charge offs | | | | | | | | | | $ 2,379 | $ 7,910 | $ 621 | $ 3 | $ — | $ 944 | $ 9 | $ | $ 11,866 |
| Weighted average risk grade | 3.24 | 3.74 | 3.99 | 3.98 | 4.00 | 4.02 | 3.81 | N/A | 3.30 | 3.43 | 2.59 | 3.55 | 4.00 | 4.13 | 5.81 | 2.80 | N/A | 3.06 |
| **PCD** | | | | | | | | | | | | | | | | | | |
| Pass | $ — | $ — | $ — | $ — | $ — | $ 3,692 | $ — | $ — | $ 3,692 | $ — | $ — | $ — | $ — | $ — | $ 2,842 | $ — | $ — | $ 2,842 |
| Special Mention | — | — | — | — | — | 1,320 | — | — | 1,320 | — | — | — | — | — | 1,295 | — | — | 1,295 |
| Substandard | — | — | — | — | — | 1,616 | — | — | 1,616 | — | — | — | — | — | 1,512 | — | — | 1,512 |
| Doubtful | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| | $ — | $ — | $ — | $ — | $ — | $ 6,628 | $ — | $ — | $ 6,628 | $ — | $ — | $ — | $ — | $ — | $ 5,649 | $ — | $ — | $ 5,649 |
| Current period gross charge offs | | | | | | | | | | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Weighted average risk grade | N/A | N/A | N/A | N/A | N/A | 4.54 | N/A | N/A | 4.54 | N/A | N/A | N/A | N/A | N/A | 4.66 | N/A | N/A | 4.66 |
| **Total** | $1,013,317 | $529,190 | $139,928 | $150,284 | $156,531 | $742,564 | $ 180,332 | $ 34,491 | $2,946,637 | $582,826 | $925,077 | $502,061 | $129,125 | $129,606 | $770,751 | $ 155,215 | $ 24,753 | $3,219,414 |
| Current period gross charge offs | | | | | | | | | | $ 2,379 | $ 7,910 | $ 621 | $ 20 | $ 572 | $ 3,554 | $ 1,638 | $ — | $ 16,694 |
| Weighted average risk grade | 3.20 | 3.19 | 3.48 | 3.54 | 3.60 | 3.57 | 3.35 | 3.53 | 3.36 | 3.28 | 3.00 | 3.20 | 3.50 | 3.40 | 3.52 | 3.22 | 3.59 | 3.26 |

Revolving loans that converted to term during the reported periods three months ended March 31, 2024 and 2023 were as follows (in thousands):

| | For the three months ended September 30, 2023 | For the nine months ended September 30, 2023 | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|---|---|---|---|---|
| Commercial real estate - owner occupied | $ — | $ 213 | $ — | $ 216 |
| Commercial real estate - non-owner occupied | — | 2,057 | | |
| Residential 1-4 family | — | 124 | — | 155 |
| Commercial loans | — | 179 | 71 | — |
| Consumer loans | 187 | 371 | 11 | — |
| **Total loans** | $ 187 | $ 2,944 | $ 82 | $ 371 |

There were no foreclosed residential real estate property held as of both March 31, 2024 and December 31, 2023. The recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure was $0.3 million and $0.1 million $0.8 million as of September 30, 2023 both March 31, 2024 and December 31, 2022, respectively. December 31, 2023.

**Allowance For Credit Losses – Loans**

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

In calculating the allowance for credit losses, most loans are segmented into pools based upon similar characteristics and risk profiles. For allowance modeling purposes, our loan pools include but are not limited to (i) commercial real estate - owner occupied, (ii) commercial real estate - non-owner occupied, (iii) construction and land development, (iv) commercial, (v) agricultural loans, (vi) residential 1-4 family and (vii) consumer loans. We periodically reassess each pool to ensure the loans within the pool continue to share similar characteristics and risk profiles and to determine whether further segmentation is necessary. For each loan pool, we measure expected credit losses over the life of each loan utilizing a combination of inputs: (i) probability of default, (ii) probability of attrition, (iii) loss given default and (iv) exposure at default. Internal data is supplemented by, but not replaced by, peer data when required, primarily to determine the probability of default input. The various pool-specific inputs may be adjusted for current macroeconomic assumptions. Significant macroeconomic variables utilized in our allowance models include, among other things, (i) Virginia Gross Domestic Product, (ii) Virginia House Price Index, and (iii) Virginia unemployment rates.

Management qualitatively adjusts allowance model results for risk factors that are not considered within our quantitative modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools.



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

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

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

The following tables present details of the allowance for credit losses on loans segregated by loan portfolio segment as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, calculated in accordance with ASC 326 (in thousands).

| September 30, 2023 / March 31, 2024 | Commercial Real Estate Owner Occupied | Commercial Real Estate Non-owner Occupied | Secured by Farmland | Construction and Land Development | 1-4 Family Residential | Multi-Family Residential | Home Equity Lines Of Credit | Commercial Loans | Consumer Loans | PCD Loans | Total | Commercial Real Estate Owner Occupied | Commercial Real Estate Non-owner Occupied | Secured by Farmland | Construction and Land Development | 1-4 Family Residential | Multi-Fa… Resider… |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Modeled expected credit losses | $ 4,394 | $ 5,686 | $ 3 | $ 852 | $ 4,797 | $ 1,321 | $ 354 | $ 4,424 | $ 6,652 | $ — | $ 28,483 | $ 4,248 | $ 4,931 | $ 2 | $ 846 | $ 4,854 | $ 1,… |
| Q-factor and other qualitative adjustments | 267 | 797 | 28 | 322 | 420 | 442 | 23 | 584 | — | — | 2,883 | 315 | 733 | 24 | 350 | 253 | |
| Specific allocations | — | 960 | — | — | — | — | — | 1,149 | 377 | 1,915 | 4,401 | — | — | — | — | — | |
| **Total** | $ 4,661 | $ 7,443 | $ 31 | $ 1,174 | $ 5,217 | $ 1,763 | $ 377 | $ 6,157 | $ 7,029 | $ 1,915 | $ 35,767 | $ 4,563 | $ 5,664 | $ 26 | $ 1,196 | $ 5,107 | $ 1,… |

| | Commercial Real Estate | Commercial Real Estate | | Construction | | | Home Equity | | | | | Commercial Real Estate | Commercial Real Estate | | Construction |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

| | Owner | Non-owner | Secured by | and Land | 1-4 Family | Multi-Family | Lines Of | Commercial | Consumer | PCD | | Owner | Non-owner | Secured by | and Land | 1-4 Family | Multi-Fa |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **December 31, 2022** | **Occupied** | **Occupied** | **Farmland** | **Development** | **Residential** | **Residential** | **Credit** | **Loans** | **Loans** | **Loans** | **Total** | | | | | | |
| **December 31, 2023** | | | | | | | | | | | | **Occupied** | **Occupied** | **Farmland** | **Development** | **Residential** | **Residen** |
| Modeled expected credit losses | $ 5,297 | $ 6,652 | $ 4 | $ 997 | $ 3,579 | $ 1,814 | $ 310 | $ 5,006 | $ 3,851 | $ — | $ 27,510 | $ 3,981 | $ 5,024 | $ 2 | $ 745 | $ 4,559 | $ 1, |
| Q-factor and other qualitative adjustments | 261 | 495 | 21 | 376 | 512 | 387 | 19 | 654 | 2 | — | 2,727 | 274 | 798 | 29 | 384 | 379 | |
| Specific allocations | — | — | — | — | — | — | — | 2,193 | 42 | 2,072 | 4,307 | — | — | — | — | — | |
| **Total** | $ 5,558 | $ 7,147 | $ 25 | $ 1,373 | $ 4,091 | $ 2,201 | $ 329 | $ 7,853 | $ 3,895 | $ 2,072 | $ 34,544 | $ 4,255 | $ 5,822 | $ 31 | $ 1,129 | $ 4,938 | $ 1, |

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

Activity in the allowance for credit losses by class of loan for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 is summarized below (in thousands):

| **Three Months Ended September 30, 2023** | | **Commercial Real Estate Owner Occupied** | **Commercial Real Estate Non-owner Occupied** | **Secured by Farmland** | **Construction and Land Development** | **1-4 Family Residential** | **Multi-Family Residential** | **Home Equity Lines Of Credit** | **Commercial Loans** | **Consumer Loans** | **PCD Loans** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | | | | | | | |
| Beginning balance | $ | 5,015 $ | 9,439 $ | 32 $ | 1,286 $ | 4,452 $ | 1,993 $ | 326 $ | 6,923 $ | 7,016 $ | 1,932 $ | 38,414 |
| Provision (recovery) | | (354) | (1,923) | 2 | (110) | 1,250 | (230) | 44 | (766) | 3,752 | (17) | 1,648 |
| Charge offs | | — | (183) | (3) | (2) | (486) | — | 7 | — | (3,844) | — | (4,511) |
| Recoveries | | — | 110 | — | — | 1 | — | — | — | 105 | — | 216 |
| Ending balance | $ | 4,661 $ | 7,443 $ | 31 $ | 1,174 $ | 5,217 $ | 1,763 $ | 377 $ | 6,157 $ | 7,029 $ | 1,915 $ | 35,767 |
| | | | | | | | | | | | | |
| **Three Months Ended September 30, 2022** | | | | | | | | | | | | |
| **Allowance for credit losses:** | | | | | | | | | | | | |
| Beginning balance | $ | 4,301 $ | 7,917 $ | 49 $ | 1,024 $ | 4,272 $ | 2,160 $ | 363 $ | 6,428 $ | 1,569 $ | 2,126 $ | 30,209 |
| Provision (recovery) | | 532 | (1,287) | (23) | 116 | (273) | (219) | (59) | 2,256 | 1,884 | (37) | 2,890 |
| Charge offs | | — | — | — | — | — | — | — | (1,007) | (146) | — | (1,153) |
| Recoveries | | — | — | — | — | 1 | — | 1 | — | 8 | — | 10 |
| Ending balance | $ | 4,833 $ | 6,630 $ | 26 $ | 1,140 $ | 4,000 $ | 1,941 $ | 305 $ | 7,677 $ | 3,315 $ | 2,089 $ | 31,956 |

| **Three Months Ended March 31, 2024** | | **Commercial Real Estate Owner Occupied** | **Commercial Real Estate Non-owner Occupied** | **Secured by Farmland** | **Construction and Land Development** | **1-4 Family Residential** | **Multi-Family Residential** | **Home Equity Lines Of Credit** | **Commercial Loans** | **Consumer Loans** | **PCD Loans** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | | | | | | | |
| Beginning balance | $ | 4,255 $ | 5,822 $ | 31 $ | 1,129 $ | 4,938 $ | 1,590 $ | 364 $ | 6,320 $ | 26,088 $ | 1,672 $ | 52,209 |
| Provision (recovery) | | 308 | (158) | (5) | 67 | 169 | (49) | (18) | 953 | 5,249 | (8) | 6,508 |
| Charge offs | | — | — | — | — | — | — | — | (347) | (5,032) | — | (5,379) |
| Recoveries | | — | — | — | — | — | — | 2 | — | 116 | — | 118 |
| Ending balance | $ | 4,563 $ | 5,664 $ | 26 $ | 1,196 $ | 5,107 $ | 1,541 $ | 348 $ | 6,926 $ | 26,421 $ | 1,664 $ | 53,456 |
| | | | | | | | | | | | | |
| **Three Months Ended March 31, 2023** | | | | | | | | | | | | |

| | Commercial Real Estate Owner Occupied | Commercial Real Estate Non-owner Occupied | Secured by Farmland | Construction and Land Development | 1-4 Family Residential | Multi-Family Residential | Home Equity Lines Of Credit | Commercial Loans | Consumer Loans | PCD Loans | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | | | | | | |
| Beginning balance | $ 5,558 | $ 7,147 | $ 25 | $ 1,373 | $ 4,091 | $ 2,201 | $ 329 | $ 7,853 | $ 3,895 | $ 2,072 | $ 34,544 |
| Provision (recovery) | (254) | 14 | (4) | (205) | 266 | (114) | 21 | 423 | 5,243 | (127) | 5,263 |
| Charge offs | — | — | — | — | (175) | — | — | (1,766) | (2,483) | — | (4,424) |
| Recoveries | — | — | — | 112 | 161 | — | — | — | 147 | — | 420 |
| Ending balance | $ 5,304 | $ 7,161 | $ 21 | $ 1,280 | $ 4,343 | $ 2,087 | $ 350 | $ 6,510 | $ 6,802 | $ 1,945 | $ 35,803 |



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Activity in the allowance for credit losses by class of loan for the nine months ended September 30, 2023 and 2022 is summarized below (in thousands):

| Nine Months Ended September 30, 2023 | Commercial Real Estate Owner Occupied | Commercial Real Estate Non-owner Occupied | Secured by Farmland | Construction and Land Development | 1-4 Family Residential | Multi-Family Residential | Home Equity Lines Of Credit | Commercial Loans | Consumer Loans | PCD Loans | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | | | | | | |
| Beginning balance | $ 5,558 | $ 7,147 | $ 25 | $ 1,373 | $ 4,091 | $ 2,201 | $ 329 | $ 7,853 | $ 3,895 | $ 2,072 | $ 34,544 |
| Provision (recovery) | (897) | 369 | 9 | (309) | 1,719 | (438) | 46 | 79 | 10,715 | (157) | 11,136 |
| Charge offs | — | (183) | (3) | (2) | (755) | — | — | (1,776) | (7,956) | — | (10,675) |
| Recoveries | — | 110 | — | 112 | 162 | — | 2 | 1 | 375 | — | 762 |
| Ending balance | $ 4,661 | $ 7,443 | $ 31 | $ 1,174 | $ 5,217 | $ 1,763 | $ 377 | $ 6,157 | $ 7,029 | $ 1,915 | $ 35,767 |
| **Nine Months Ended September 30, 2022** | | | | | | | | | | | |
| **Allowance for credit losses:** | | | | | | | | | | | |
| Beginning balance | $ 4,562 | $ 9,028 | $ 56 | $ 998 | $ 3,588 | $ 3,280 | $ 437 | $ 4,088 | $ 787 | $ 2,281 | $ 29,105 |
| Provision (recovery) | 285 | (2,900) | (30) | 142 | 354 | (1,339) | (120) | 4,426 | 2,785 | (192) | 3,411 |
| Charge offs | (14) | — | — | — | — | — | (14) | (1,007) | (277) | — | (1,312) |
| Recoveries | — | 502 | — | — | 58 | — | 2 | 170 | 20 | — | 752 |
| Ending balance | $ 4,833 | $ 6,630 | $ 26 | $ 1,140 | $ 4,000 | $ 1,941 | $ 305 | $ 7,677 | $ 3,315 | $ 2,089 | $ 31,956 |

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

The following table presents loans that were evaluated for expected credit losses on an individual basis and the related specific allocations, by loan portfolio segment as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

| | September 30, 2023 | | December 31, 2022 | | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|---|---|---|---|
| | Loan Balance | Specific Allocations | Loan Balance | Specific Allocations | Loan Balance | Specific Allocations | Loan Balance | Specific Allocations |
| Commercial real estate - owner occupied | $ 5,041 | $ — | $ 2,795 | $ — | $ 2,547 | $ — | $ 5,404 | $ — |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Commercial real estate - non-owner occupied | 13,066 | 960 | 19,641 | — | — | — | — | — |
| Secured by farmland | 479 | — | 525 | — | 455 | — | 480 | — |
| Residential 1-4 family | 2,234 | — | 9,636 | — | 1,810 | — | 2,695 | — |
| Multi- family residential | 942 | — | 996 | — | 904 | — | 923 | — |
| Home equity lines of credit | — | — | 21 | — | 282 | — | 290 | — |
| Commercial loans | 1,369 | 1,149 | 2,979 | 2,193 | 2,037 | 917 | 2,930 | 581 |
| Consumer loans | 367 | 377 | 259 | 42 | 6,634 | 6,623 | 6,002 | 5,990 |
| **Total non-PCD loans** | 23,498 | 2,486 | 36,852 | 2,235 | 14,669 | 7,540 | 18,724 | 6,571 |
| **PCD loans** | 5,992 | 1,915 | 6,628 | 2,072 | 5,598 | 1,664 | 5,649 | 1,672 |
| **Total loans** | $ 29,490 | $ 4,401 | $ 43,480 | $ 4,307 | $20,267 | $ 9,204 | $24,373 | $ 8,243 |

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

| | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Collateral Dependent Assets | Non Collateral Dependent Assets | Collateral Dependent Assets | Non Collateral Dependent Assets |
| Commercial real estate - owner occupied | $ 3,444 | $ — | $ 5,986 | $ — |
| Commercial real estate - non-owner occupied | 1,345 | — | 1,365 | — |
| Secured by farmland | 1,317 | — | 1,338 | — |
| Construction and land development | 64 | — | 65 | — |
| Residential 1-4 family | 2,610 | — | 3,512 | — |
| Multi- family residential | 906 | — | 925 | — |
| Home equity lines of credit | 282 | — | 289 | — |
| Commercial loans | 1,750 | 615 | 2,097 | — |
| Consumer loans | — | 397 | — | 393 |
| **Total loans** | $ 11,718 | $ 1,012 | $ 15,577 | $ 393 |
| | | | | |
| **Collateral value** | $ 25,987 | $ 12 | $ 30,907 | $ 12 |



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## 4. DERIVATIVES

*Consumer Program Derivative*

The Company has a derivative instrument in connection with its agreement with a third-party that originates loans that are held on the Company's balance sheet. The third-party provides credit support and reimbursement for lost interest under the agreement and the Company provides performance fees to the third-party on performing loans. Specifically, a portion of the originated loans are originated with a promotional period where interest accrues on the loans but is not owed to the Company unless and until the loan begins to amortize. If the borrower prepays the principal on the loan prior to the end of the promotional period the accrued interest is waived, but becomes due to the Company from the third-party under the agreement. This expected payment of waived interest to the Company along with performance fees due to the third-party comprise the value of the derivative. The fair value of the derivative instrument was an asset of $10.7 million and $10.8 million as of March 31, 2024 and December 31, 2023, respectively. The underlying cash flows were $12.1 million and $12.4 million as of March 31, 2024 and December 31, 2023, respectively. The Company calculates the fair value of this derivative using a discounted cash flow model using inputs that are inherently judgmental and reflect management's best estimates of the assumptions a market participant would use to calculate the fair value. The most significant inputs and assumptions in determining the value of the derivative are noted below ($ in thousands).

| | March 31, 2024 | | |
|---|---|---|---|
| | Low | High | Weighted Average |
| Remaining cumulative charge-offs | $ 32,544 | $ 40,932 | n/a |
| Remaining cumulative promotional prepayments | $ 43,393 | $ 79,304 | $ 53,611 |
| Average life (years) | n/a | n/a | 0.8 |
| Discount rate | 4.99% | 15.05% | 15.05% |

| | December 31, 2023 | | |
|---|---|---|---|
| | Low | High | Weighted Average |
| Remaining cumulative charge-offs | $ 25,661 | $ 35,334 | n/a |
| Remaining cumulative promotional prepayments | $ 41,085 | $ 75,086 | $ 49,716 |
| Average life (years) | n/a | n/a | 1.0 |
| Discount rate | 4.63% | 14.64% | 14.64% |

*Mortgage Banking Derivatives and Financial Instruments*

The Company enters into IRLCs ("interest rate lock commitments") to originate residential mortgage loans held for sale, at specified interest rates and within a specified period of time (generally between 30 and 90 days), with borrowers who have applied for a loan and have met certain credit and underwriting criteria. The IRLCs are adjusted for estimated costs tooriginate the loan as well as the probability that the mortgage loan will fund within the terms of the IRLC (the pullthrough rate). Estimated costs to originate include loan officer commissions and overrides. The pullthrough rate is estimated on changes in market conditions, loan stage, and actual borrower behavior using a historical analysis of IRLC closing rates. The Company obtains an analysis from a third party on a monthly basis to support the reasonableness of the pullthrough estimate.

Best efforts and mandatory forward loan sale commitments are commitments to sell individual mortgage loans using both best efforts and mandatory delivery at a fixed price to an investor at a future date. Forward loan sale commitments that are mandatory delivery are accounted for as derivatives and carried at fair value, determined as the amount that would be necessary to settle the derivative financial instrument at the balance sheet date. Forward loan sale commitments that are



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best efforts are not derivatives but can be and have been accounted for at fair value, determined in a similar manner to those that are mandatory delivery.

Our IRLCs are recorded within other liabilities in the condensed consolidated balance sheets. Forward loan sale commitments and best efforts assets are recorded in other assets and forward loan sale commitments and best efforts liabilities are recorded in other liabilities, respectively, in the condensed consolidated balance sheets. Gains and losses on these financial instruments are recorded in mortgage banking income in the condensed consolidated statements of income and comprehensive income. For the three months ended March 31, 2024 and 2023 we recorded gains of $44 thousand and losses of $1.1 million, respectively, on these financial instruments.

The key unobservable inputs used in determining the fair value of IRLCs are as follows for the three months ended March 31, 2024:

| | Inputs |
|---|---|
| Average pullthrough rates | 86.01 % |
| Average costs to originate | 1.31 % |

The following summarizes derivative and non-derivative financial instruments as of March 31, 2024 and December 31, 2023:

| | March 31, 2024 | | |
|---|---|---|---|
| **Derivative financial instruments:** | Fair Value | | Notional Amount |
| Derivative assets (1) | $ | 1,113 | 41,202 |
| Derivative liabilities | $ | 156 | 74,250 |

(1) Pullthrough rate adjusted

| | March 31, 2024 | | |
|---|---|---|---|
| **Non-derivative financial instruments:** | Fair Value | | Notional Amount |
| Best efforts assets | $ | 404 | 18,699 |

| | December 31, 2023 | | | |
|---|---|---|---|---|
| **Derivative financial instruments:** | Fair Value | | Notional Amount | |
| Derivative assets (1) | $ | 611 | $ | 23,077 |
| Derivative liabilities | $ | 200 | $ | 62,250 |

(1) Pullthrough rate adjusted

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

The notional amounts of mortgage loans held for sale not committed to investors was $40.5 million and $46.2 million as of March 31, 2024 and December 31, 2023, respectively.

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

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## 4. 5. FAIR VALUE

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

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

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

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

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

| | | Fair Value Measurements Using | | | | Fair Value Measurements Using | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Total at September 30, 2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total at March 31, 2024 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Assets:** | | | | | | | | |
| **Available-for-sale securities** | | | | | | | | |
| Residential government-sponsored mortgage-backed securities | $ 93,865 | $ — | $ 93,865 | $ — | $ 93,319 | $ — | $ 93,319 | $ — |
| Obligations of states and political subdivisions | 28,312 | — | 28,312 | — | 29,869 | — | 29,869 | — |
| Corporate securities | 13,314 | — | 13,314 | — | 13,643 | — | 13,643 | — |
| Collateralized loan obligations | 4,955 | — | 4,955 | — | 5,008 | — | 5,008 | — |
| Residential government-sponsored collateralized mortgage obligations | 29,745 | — | 29,745 | — | 41,497 | — | 41,497 | — |
| Government-sponsored agency securities | 12,968 | — | 12,968 | — | 13,625 | — | 13,625 | — |
| Agency commercial mortgage-backed securities | 29,280 | — | 29,280 | — | 29,647 | — | 29,647 | — |
| SBA pool securities | 4,436 | — | 4,436 | — | 4,009 | — | 4,009 | — |
| | 216,875 | — | 216,875 | — | 230,617 | — | 230,617 | — |
| **Loans held for investment** | 244,646 | — | — | 244,646 | 246,771 | — | 246,771 | — |
| **Loans held for sale** | 57,511 | — | 57,511 | — | 72,217 | — | 72,217 | — |
| **Consumer Program derivative** | | | | | 10,685 | — | — | 10,685 |
| **Mortgage banking financial assets** | 244 | — | — | 244 | 404 | — | — | 404 |
| **Mortgage banking derivative assets** | 1,937 | — | 1,937 | — | 1,113 | — | — | 1,113 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Interest rate swaps** | 5,307 | — | 5,307 | — | | | | |
| **Interest rate swaps, net** | | | | | 3,178 | — | 3,178 | — |
| **Total assets** | $ 526,520 | $ — | $ 281,630 | $ 244,890 | $564,985 | $ — | $ 552,783 | $ 12,202 |
| | | | | | | | | |
| **Liabilities:** | | | | | | | | |
| **Mortgage banking derivative liabilities** | $ 463 | $ — | $ 463 | $ — | $ 156 | $ — | $ — | $ 156 |
| **Total liabilities** | $ 463 | $ — | $ 463 | $ — | $ 156 | $ — | $ — | $ 156 |



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| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| (dollars in thousands) | Total at December 31, 2022 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Assets:** | | | | |
| **Available-for-sale securities** | | | | |
| Residential government-sponsored mortgage-backed securities | $ 102,881 | $ — | $ 102,881 | $ — |
| Obligations of states and political subdivisions | 29,178 | — | 29,178 | — |
| Corporate securities | 14,828 | — | 14,828 | — |
| Collateralized loan obligations | 4,876 | — | 4,876 | — |
| Residential government-sponsored collateralized mortgage obligations | 26,595 | — | 26,595 | — |
| Government-sponsored agency securities | 14,616 | — | 14,616 | — |
| Agency commercial mortgage-backed securities | 37,417 | — | 37,417 | — |
| SBA pool securities | 5,924 | — | 5,924 | — |
| | 236,315 | — | 236,315 | — |
| **Loans held for sale** | 27,626 | — | 27,626 | — |
| **Mortgage banking financial assets** | 21 | — | — | 21 |
| **Mortgage banking derivative assets** | 1,410 | — | 1,386 | 24 |
| **Total assets** | $ 265,372 | $ — | $ 265,327 | $ 45 |
| | | | | |
| **Liabilities:** | | | | |
| **Mortgage banking financial liabilities** | $ 4 | $ — | $ — | $ 4 |
| **Mortgage banking derivative liabilities** | 122 | — | 115 | 7 |
| **Total liabilities** | $ 126 | $ — | $ 115 | $ 11 |

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| (dollars in thousands) | Total at December 31, 2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Assets:** | | | | |
| **Available-for-sale securities** | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Residential government-sponsored mortgage-backed securities | $ | 96,808 | $ | — | $ | 96,808 | $ | — |
| Obligations of states and political subdivisions | | 30,080 | | — | | 30,080 | | — |
| Corporate securities | | 14,048 | | — | | 14,048 | | — |
| Collateralized loan obligations | | 4,982 | | — | | 4,982 | | — |
| Residential government-sponsored collateralized mortgage obligations | | 34,471 | | — | | 34,471 | | — |
| Government-sponsored agency securities | | 13,711 | | — | | 13,711 | | — |
| Agency commercial mortgage-backed securities | | 30,110 | | — | | 30,110 | | — |
| SBA pool securities | | 4,210 | | — | | 4,210 | | — |
| | | 228,420 | | — | | 228,420 | | — |
| **Loans held for investment** | | 248,906 | | — | | 248,906 | | — |
| **Loans held for sale** | | 57,691 | | — | | 57,691 | | — |
| **Consumer Program derivative** | | 10,806 | | — | | — | | 10,806 |
| **Mortgage banking financial assets** | | 91 | | — | | — | | 91 |
| **Mortgage banking derivative assets** | | 611 | | — | | — | | 611 |
| **Interest rate swaps, net** | | 1,068 | | — | | 1,068 | | — |
| **Total assets** | $ | 547,593 | $ | — | $ | 536,085 | $ | 11,508 |
| | | | | | | | | |
| **Liabilities:** | | | | | | | | |
| **Mortgage banking derivative liabilities** | $ | 200 | | — | $ | — | $ | 200 |
| **Total liabilities** | $ | 200 | $ | — | $ | — | $ | 200 |

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

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | **Fair Value Measurements Using** | | | | | | | | **Fair Value Measurements Using** | | | |
| **(dollars in thousands)** | | **Total at September 30, 2023** | | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | | **Significant Other Observable Inputs (Level 2)** | | **Significant Unobservable Inputs (Level 3)** | | **Total at March 31, 2024** | | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | | **Significant Other Observable Inputs (Level 2)** | | **Significant Unobservable Inputs (Level 3)** |
| Collateral dependent loans | $ | 28,778 | $ | — | $ | — | $ | 28,778 | $ | 11,718 | $ | — | $ | — | $ | 11,718 |
| Assets held for sale | | 3,115 | | — | | — | | 3,115 | | 6,359 | | — | | — | | 6,359 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | **Fair Value Measurements Using** | | | | | | | | **Fair Value Measurements Using** | | | | | |
| **(dollars in thousands)** | | **Total at December 31, 2022** | | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | | **Significant Other Observable Inputs (Level 2)** | | **Significant Unobservable Inputs (Level 3)** | | **Total at December 31, 2023** | | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | | **Significant Other Observable Inputs (Level 2)** | | **Significant Unobservable Inputs (Level 3)** |
| Collateral dependent loans | $ | 47,832 | $ | — | $ | — | $ | 47,832 | $ | 15,577 | $ | — | $ | — | $ | 15,577 |
| Assets held for sale | | 3,115 | | — | | — | | 3,115 | | 6,735 | | — | | — | | 6,735 |

*Fair Value of Financial Instruments*

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

| | | September 30, 2023 | | December 31, 2022 | | | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fair Value Hierarchy Level | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Fair Value Hierarchy Level | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets:** | | | | | | | | | | |
| Cash and cash equivalents | Level 1 | $ 93,865 | $ 93,865 | $ 77,859 | $ 77,859 | Level 1 | $ 88,717 | $ 88,717 | $ 77,553 | $ 77,553 |
| Securities available-for-sale | Level 2 | 216,875 | 216,875 | 236,315 | 236,315 | Level 2 | 230,617 | 230,617 | 228,420 | 228,420 |
| Securities held-to-maturity | Level 2 | 11,975 | 10,582 | 13,520 | 12,449 | Level 2 | 10,992 | 10,052 | 11,650 | 10,839 |
| Stock in Federal Reserve Bank and Federal Home Loan Bank | Level 2 | 12,796 | 12,796 | 25,815 | 25,815 | Level 2 | 14,225 | 14,225 | 14,246 | 14,246 |
| Preferred investment in mortgage company | Level 2 | 3,005 | 3,005 | 3,005 | 3,005 | Level 2 | 3,005 | 3,005 | 3,005 | 3,005 |
| Net loans | Level 3 | 3,110,100 | 3,000,499 | 2,912,093 | 2,809,163 | Level 2 and 3 | 3,174,209 | 3,021,081 | 3,167,205 | 3,068,663 |
| Loans held for sale | Level 2 | 57,511 | 57,511 | 27,626 | 27,626 | Level 2 | 72,217 | 72,217 | 57,691 | 57,691 |
| Accrued interest receivable | Level 2 | 25,585 | 25,585 | 14,938 | 14,938 | | | | | |
| Consumer Program derivative | | | | | | Level 3 | 10,685 | 10,685 | 10,806 | 10,806 |
| Mortgage banking financial assets | Level 3 | 244 | 244 | 21 | 21 | Level 3 | 404 | 404 | 91 | 91 |
| Mortgage banking derivative assets | Level 2 and 3 | 1,937 | 1,937 | 1,410 | 1,410 | Level 3 | 1,113 | 1,113 | 611 | 611 |
| Interest rate swaps | Level 2 | 5,307 | 5,307 | — | — | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Credit enhancement | Level 2 | 5,643 | 5,643 | 1,504 | 1,504 | | | | | |
| Interest rate swaps, net | | | | | | Level 2 | 3,178 | 3,178 | 1,068 | 1,068 |
| **Financial liabilities:** | | | | | | | | | | |
| Demand deposits and NOW accounts | Level 2 | $1,293,995 | $1,293,995 | $1,200,243 | $1,200,243 | Level 2 | $1,234,306 | $1,234,306 | $1,245,969 | $1,245,969 |
| Money market and savings accounts | Level 2 | 1,547,559 | 1,547,559 | 1,057,078 | 1,057,078 | Level 2 | 1,657,839 | 1,657,839 | 1,578,288 | 1,578,288 |
| Time deposits | Level 3 | 451,850 | 449,733 | 465,057 | 462,376 | Level 3 | 422,778 | 419,785 | 445,898 | 443,765 |
| Securities sold under agreements to repurchase | Level 1 | 3,838 | 3,838 | 6,445 | 6,445 | Level 1 | 3,038 | 3,038 | 3,044 | 3,044 |
| FHLB advances | Level 1 | — | — | 325,000 | 325,000 | Level 1 | 25,000 | 25,000 | 30,000 | 30,000 |
| Junior subordinated debt | Level 2 | 9,818 | 9,070 | 9,781 | 9,181 | Level 2 | 9,843 | 9,083 | 9,830 | 9,039 |
| Senior subordinated notes | Level 2 | 85,706 | 83,380 | 85,531 | 84,347 | Level 2 | 85,823 | 84,267 | 85,765 | 84,513 |
| Accrued interest payable | Level 2 | 6,464 | 6,464 | 3,261 | 3,261 | | | | | |
| Mortgage banking financial liabilities | Level 3 | — | — | 4 | 4 | | | | | |
| Secured borrowings | | | | | | Level 3 | 21,298 | 21,298 | 20,393 | 20,393 |
| Mortgage banking derivative liabilities | Level 2 and 3 | 463 | 463 | 122 | 122 | Level 3 | 156 | 156 | 200 | 200 |

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

Fair value of long-term junior subordinated debt is and senior subordinated notes are based on current rates for similar financing. Carrying amount of Federal Reserve Bank and FHLB stock is a reasonable estimate of fair value as these securities are not readily marketable and are based on the ultimate recoverability of the par value. The fair value of off-balance-sheet off-balance sheet items is not considered material. Fair value of net loans, time deposits, junior subordinated debt, and senior subordinated notes are measured using the exit-price notion.

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**5.6.** **LEASES**

The Company leases certain premises under operating leases. In recognizing lease right-of-use assets and related liabilities, we account for lease and non-lease components (such as taxes, insurance, and common area maintenance costs) separately as such amounts are generally readily determinable under our lease contracts. At September 30, 2023 As of March 31, 2024 and December 31, 2022 December 31, 2023, the Company had operating lease liabilities totaling $12.3 million $11.4 million and $5.8 million $11.7 million, respectively, and right-of-use assets totaling $11.4 million $10.2 million and $5.3 million $10.6 million, respectively, reflected in other liabilities and other assets, respectively, in our condensed consolidated balance sheets related to these leases. We do not currently have any financing leases. For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, our net operating lease costs were $0.7 million and $0.6 million, respectively, and for the nine months ended September 30, 2023 and 2022, our net operating lease costs were $1.9 million and $1.8 million, respectively. . These net operating lease costs are reflected in occupancy expenses on our condensed consolidated statements of income and comprehensive income (loss). income.

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

| | For the Nine Months Ended | | For the Three Months Ended | |
|---|---|---|---|---|
| | September 30, 2023 | September 30, 2022 | March 31, 2024 | March 31, 2023 |
| **Other information:** | | | | |
| Weighted-average remaining lease term - operating leases, in years | 7.2 | 4.5 | 7.1 | 7.6 |
| Weighted-average discount rate - operating leases | 3.9 % | 2.8 % | 4.0 % | 3.7 % |

The following table summarizes the maturity of remaining lease liabilities:

| **(dollars in thousands)** | **As of September 30, 2023** | **As of March 31, 2024** |
|---|---|---|
| Lease payments due: | | |
| 2023 | $ 551 | |
| 2024 | 2,123 | $ 1,462 |
| 2025 | 1,972 | 1,958 |
| 2026 | 1,925 | 1,925 |
| 2027 | 1,911 | 1,911 |
| 2028 | | 1,839 |
| Thereafter | 5,893 | 4,054 |
| Total lease payments | 14,375 | 13,149 |
| Less: imputed interest | (2,028) | (1,796) |
| Lease liabilities | $ 12,347 | $ 11,353 |

As of September 30, 2023 March 31, 2024, the Company did not have any operating lease that has not yet commenced that will create additional lease liabilities and right-of-use assets for the Company.

**6 7.** **DEBT AND OTHER BORROWINGS**

Other borrowings can consist of FHLB convertible advances, FHLB of Atlanta overnight advances, FHLB advances maturing within one year, federal funds purchased, Federal Reserve Board Discount Window, secured borrowings and securities sold under agreements to repurchase ("repo") that mature within one year, which are secured transactions with customers. The balance in repo accounts as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was $3.8 million and $6.5 million, respectively. $3.0 million.



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As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had pledged callable agency securities, residential government-sponsored mortgage-backed securities and collateralized mortgage obligations with a carrying value of $6.3 million and $14.2 million $6.8 million, respectively, to customers who require collateral for overnight repurchase agreements and deposits.

We repaid our short-term FHLB advances 29

Table of $325.0 million that were outstanding as of December 31, 2022 and matured in the first quarter of 2023. As a result, we have all of our FHLB capacity available for future liquidity needs. Contents

As of September 30, 2023 March 31, 2024, Primis Bank had lendable collateral value in the form of residential 1-4 family mortgages, HELOCs, commercial mortgage loans, and investment securities supporting borrowing capacity of approximately $558.9 million $603.5 million from the FHLB, of which the Company has used $125.0 million. As of December 31, 2023 the Company had $596.1 million of capacity and had $30.0 million of borrowings outstanding from the FHLB.

In June 2023, the Bank began participating in the Federal Reserve discount window borrowing program. As of September 30, 2023 March 31, 2024, the Bank had borrowing capacity of $548.9 million $709.9 million within the program.

In March 2023, the Federal Reserve established the Bank Term Funding Program ("BTFP") in response to industry disruption, offering loans with up to one year in maturity to eligible depository institutions in exchange for pledged collateral in the form of U.S. Treasuries, agency debt program and mortgage-backed securities and other qualifying assets. Borrowing capacity has not borrowed under the BTFP is based on the par value, not fair value, of the collateral. As of September 30, 2023, we had securities available of $133.8 million for utilization with the BTFP, with no borrowings outstanding under the program as of September 30, 2023. program.

In 2017, the Company assumed $10.3 million of trust preferred securities that were issued on September 17, 2003 and placed through a trust in a pooled underwriting totaling approximately $650 million. At September 30, 2023 As of March 31, 2024 and December 31, 2022 December 31, 2023, there was $10.3 million outstanding, net of approximately $0.5 million of debt issuance costs. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the interest rate payable on the trust preferred securities was 8.62% 8.59% and 7.69% 7.86%, respectively. As of September 30, 2023 March 31, 2024, all of the trust preferred securities qualified as Tier 1 capital.

On January 20, 2017, Primis completed the sale of $27.0 million of its fixed-to-floating rate senior Subordinated Notes due 2027. Interest is currently payable at an annual floating rate equal to three-month CME Term SOFR plus a tenor spread adjustment of 0.26% until maturity or early redemption. As of September 30, 2023 March 31, 2024, 60% 40% of these Notes notes qualified as Tier 2 capital.

On August 25, 2020, Primis completed the sale of $60.0 million of its fixed-to-floating rate Subordinated Notes due 2030. Interest is payable at an initial annual fixed rate of 5.40% and after September 1, 2025, at a floating rate equal to a benchmark rate, which is expected to be Three-Month Term SOFR, plus a spread of 531 basis points. As of September 30, 2023 March 31, 2024, all of these notes qualified as Tier 2 capital.

As of September 30, 2023 both March 31, 2024 and December 31, 2022 December 31, 2023, the remaining unamortized debt issuance costs related to the senior Subordinated Notes totaled $1.3 million and $1.5 million, respectively. $1.2 million.

*7.Secured Borrowings*

The Company transferred $23.4 million in principal balance of loans to another financial institution in 2023 that were accounted for as secured borrowings and transferred another $1.1 million under the same agreement during the three months ended March 31, 2024. The balance of secured borrowings was $21.3 million and $20.4 million as of March 31, 2024 and December 31, 2023, respectively, and the remaining amortized cost balance of the underlying loans was $21.4 million and $20.5 million, respectively. None of the loans underlying the secured borrowings were past due 30 days or greater or on nonaccrual as of March 31, 2024 and December 31, 2023 and were all internally rated as “pass” loans as presented in our “credit quality indicators” section of “Note 3 – Loans and Allowance for Credit Losses”. The loans were included in our allowance for credit losses process and an allowance was calculated on the loans as part of their inclusion in a pool with other loans with similar credit risk characteristics. There were no charge-offs of the loans underlying the secured borrowings during the three months ended March 31, 2024. The underlying loans collateralize the borrowings and cannot be sold or pledged by the Company.

**8. STOCK-BASED COMPENSATION**

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



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A summary of stock option activity for the nine three months ended September 30, 2023 March 31, 2024 follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| Options outstanding, beginning of period | 203,300 | $ 11.41 | 1.3 | $ 102 |
| Forfeited | (4,000) | | | |
| Expired | (121,000) | | | |
| Exercised | (8,000) | | | |
| Options outstanding, end of period | 70,300 | $ 11.48 | 1.7 | — |
| Exercisable at end of period | 70,300 | $ 11.48 | 1.7 | $ — |

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| Options outstanding, beginning of period | 54,800 | $ 11.49 | 1.7 | $ 64 |
| Exercised | (3,500) | 10.47 | | |
| Options outstanding, end of period | 51,300 | $ 11.56 | 1.5 | 21 |

| | | | | |
|---|---|---|---|---|
| Exercisable at end of period | 51,300 | $ 11.56 | 1.5 | $ 21 |

There was no stock-based compensation expense associated with stock options for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. As of September 30, 2023 March 31, 2024, we do not have any unrecognized compensation expense associated with the stock options.

A summary of time vested restricted stock awards for the nine three months ended September 30, 2023 March 31, 2024 follows:

| | Shares | Weighted Average Grant-Date Fair Value Per Share | Weighted Average Remaining Contractual Term |
|---|---|---|---|
| Unvested restricted stock outstanding, beginning of period | 68,700 | $ 14.24 | 2.4 |
| Granted | 5,000 | 7.58 | |
| Vested | (24,050) | 14.36 | |
| Forfeited | (5,300) | 15.31 | |
| Unvested restricted stock outstanding, end of period | 44,350 | $ 13.30 | 2.2 |

| | Shares | Weighted Average Grant-Date Fair Value Per Share | Weighted Average Remaining Contractual Term |
|---|---|---|---|
| Unvested restricted stock outstanding, beginning of period | 40,300 | $ 13.59 | 2.3 |
| Granted | — | | |
| Vested | (14,800) | 15.07 | |
| Forfeited | — | | |
| Unvested restricted stock outstanding, end of period | 25,500 | $ 12.73 | 1.7 |

Stock-based compensation expense for time vested restricted stock awards totaled $0.2 million and $0.1 million for the three months ended both September 30, 2023 March 31, 2024 and 2022, and $0.2 million and $1.0 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. As of September 30, 2023 March 31, 2024, unrecognized compensation expense associated with restricted stock awards was $0.4 million $0.3 million, which is expected to be recognized over a weighted average period of 2.2 2.5 years.

A summary of performance-based restricted stock units (the “Units”) for the nine three months ended September 30, 2023 March 31, 2024 follows:

| | Shares | Weighted Average Grant-Date Fair Value Per Share | Weighted Average Remaining Contractual Term |
|---|---|---|---|
| Unvested Units outstanding, beginning of period | 153,960 | $ 13.02 | 3.6 |
| Forfeited | (9,000) | 12.89 | |
| Unvested Units outstanding, end of period | 144,960 | 13.03 | 2.4 |

| | Shares | Weighted Average Grant-Date Fair Value Per Share | Weighted Average Remaining Contractual Term |
|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Unvested Units outstanding, beginning of period | 244,710 | $ | 11.77 | 3.1 |
| Vested | (11,916) | | 12.24 | |
| Forfeited | (9,334) | | 10.67 | |
| Unvested Units outstanding, end of period | 223,460 | | 11.79 | 2.8 |

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



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

The Company did not recognize any recognized no stock-based compensation expense associated with these Units for during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 as a result of the probability of a portion of the Units vesting because it is not probable that these Units will vest. The potential unrecognized compensation expense associated with these Units was $2.9 million $4.4 million and $1.3 million $3.0 million at September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

**8. 9. COMMITMENTS AND CONTINGENCIES**

**Financial Instruments with Off-Balance Sheet Risk**

Primis is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and guarantees of credit card accounts. These instruments involve elements of credit and funding risk in excess of the amount recognized in the consolidated balance sheets. Letters of credit are written conditional commitments issued by Primis to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. We had letters of credit outstanding totaling $10.6 million $9.9 million and $10.7 million $9.6 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

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

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

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

The following table details activity in the allowance for credit losses on off-balance-sheet credit exposures: exposures for the three months ended March 31:

| | 2023 | 2022 | 2024 | 2023 |
|---|---|---|---|---|
| Balance as of January 1 | $ 1,416 | $ 977 | $1,579 | $1,416 |
| Credit loss expense (recovery) | (392) | 92 | | |
| Balance as of June 30, | $ 1,024 | $ 1,069 | | |
| Credit loss expense (benefit) | | | (2) | 98 |
| Balance as of March 31 | | | $1,577 | $1,514 |



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**Commitments**

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments are made predominately for adjustable rate loans, and generally have fixed expiration dates of up to three months or other termination clauses and usually require payment of a fee. Since many of



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the commitments may expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis.

We had $84.5 million $88.5 million of Primis mortgage PMC loan commitments outstanding as of September 30, 2023 March 31, 2024, all of which contractually expire within thirty years.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had unfunded lines of credit and undisbursed construction loan funds totaling $467.3 million $434.2 million and $540.6 million $473.1 million, respectively, not all of which will ultimately be drawn. Virtually Almost all of our unfunded lines of credit and undisbursed construction loan funds are variable rate. The amount of certificate of deposit accounts maturing in less than one year was $394.7 million $378.9 million as of September 30, 2023 March 31, 2024, including $75.0 million of brokered CDs. Management anticipates that funding requirements for these commitments can be met in the normal course. course of business.

Primis also had commitments on the subscription agreements entered into for investments in non-marketable equity securities of $1.9 million $1.5 million and $3.2 million at September 30, 2023 $1.6 million as of March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

**9. 10. EARNINGS PER SHARE**

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

| | Income (Numerator) | Weighted Average Shares (Denominator) | Per Share Amount | Income (Numerator) | Weighted Average Shares (Denominator) | Per Share Amount |
|---|---|---|---|---|---|---|
| **For the three months ended September 30, 2023** | | | | | | |
| **For the three months ended March 31, 2024** | | | | | | |
| Basic EPS | $ (3,567) | 24,642 | $ (0.14) | $ 2,466 | 24,674 | $ 0.10 |
| Effect of dilutive stock options and unvested restricted stock | — | — | — | — | 33 | — |
| Diluted EPS | $ (3,567) | 24,642 | $ (0.14) | $ 2,466 | 24,707 | $ 0.10 |
| **For the three months ended September 30, 2022** | | | | | | |
| Basic EPS | $ 5,025 | 24,577 | $ 0.21 | | | |
| Effect of dilutive stock options and unvested restricted stock | — | 111 | (0.01) | | | |
| Diluted EPS | $ 5,025 | 24,688 | $ 0.20 | | | |
| **For the nine months ended September 30, 2023** | | | | | | |
| Basic EPS | $ 2,198 | 24,636 | $ 0.09 | | | |
| Effect of dilutive stock options and unvested restricted stock | — | — | — | | | |
| Diluted EPS | $ 2,198 | 24,636 | $ 0.09 | | | |
| **For the nine months ended September 30, 2022** | | | | | | |
| **For the three months ended March 31, 2023** | | | | | | |
| Basic EPS | $ 14,509 | 24,548 | $ 0.60 | $ 8,363 | 24,626 | $ 0.34 |
| Effect of dilutive stock options and unvested restricted stock | — | 126 | (0.01) | — | 59 | — |
| Diluted EPS | $ 14,509 | 24,674 | $ 0.59 | $ 8,363 | 24,685 | $ 0.34 |

The Company had 114,650 anti-dilutive options as of September 30, 2023 and did not have any anti-dilutive options as of September 30, 2022 March 31, 2024 and an immaterial amount as of March 31, 2023.

**11. SEGMENT INFORMATION**

The Company's management reporting process measures the performance of its operating segments based on internal operating structure, which is subject to change from time to time. As of March 31, 2024, the Company operates two reportable segments for management reporting purposes as discussed below:



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## 10. SEGMENT INFORMATION

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

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

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

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

| | As of and for the three months ended September 30, 2023 | | | As of and for the nine months ended September 30, 2023 | | | As of and for the three months ended March 3 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Primis Mortgage | Primis Bank | Consolidated | Primis Mortgage | Primis Bank | Consolidated | Primis Mortgage | Primis Bank | Consoli |
| **($ in thousands)** | | | | | | | | | |
| Interest income | | | | | | | $ 907 | $ 49,438 | $ 50 |
| Interest expense | | | | | | | — | 25,076 | 25 |
| Net interest income | | | | | | | 907 | 24,362 | 25 |
| Provision for credit losses | | | | | | | — | 6,508 | 6 |
| Noninterest income | | | | | | | 5,574 | 4,733 | 10 |
| Noninterest expense | | | | | | | 5,122 | 22,416 | 27 |
| Income before income taxes | | | | | | | 1,359 | 171 | 1 |
| Income tax expense | | | | | | | 327 | 391 | |
| **Net income** | | | | | | | $ 1,032 | $ (220) | $ |
| **Total assets** | | | | | | | $ 81,840 | $ 3,808,139 | $ 3,889 |

| | As of and for the three months ended March 3 | | |
|---|---|---|---|
| | Primis Mortgage | Primis Bank | Consoli |

| ($ in thousands) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Interest income | $ 873 | $ 49,613 | $ 50,486 | $ 1,971 | $ 148,308 | $ 150,279 | $ 396 | $ 43,862 | $ 44 |
| Interest expense | — | 23,361 | 23,361 | — | 68,632 | 68,632 | — | 18,936 | 18 |
| Net interest income | 873 | 26,252 | 27,125 | 1,971 | 79,676 | 81,647 | 396 | 24,926 | 25 |
| Provision for credit losses | — | 1,648 | 1,648 | — | 11,136 | 11,136 | — | 5,263 | 5 |
| Noninterest income | 4,932 | 5,010 | 9,942 | 14,463 | 15,497 | 29,960 | 4,315 | 13,355 | 17 |
| Noninterest expense | 5,108 | 31,966 | 37,074 | 15,366 | 79,664 | 95,030 | 4,988 | 21,966 | 20 |
| Income (loss) before income taxes | 697 | (2,352) | (1,655) | 1,068 | 4,373 | 5,441 | (277) | 11,052 | 10 |
| Income tax expense | 174 | 1,738 | 1,912 | 270 | 2,973 | 3,243 | | | |
| Income tax expense (benefit) | | | | | | | (65) | 2,477 | 2 |
| **Net income (loss)** | $ 523 | $ (4,090) | $ (3,567) | $ 798 | $ 1,400 | $ 2,198 | $ (212) | $ 8,575 | $ 8 |
| **Assets** | $ 66,384 | $ 3,747,391 | $ 3,813,775 | $ 66,384 | $ 3,747,391 | $ 3,813,775 | | | |
| **Total assets** | | | | | | | $ 46,877 | $ 4,172,105 | $ 4,218 |



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

Management's discussion and analysis is presented to aid the reader in understanding and evaluating the financial condition and results of operations of Primis. This discussion and analysis should be read with the condensed consolidated financial statements, the footnotes thereto, and the other financial data included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. Results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of results that may be attained for any other period. The emphasis of this discussion will be on the three and nine months ended September 30, 2023 March 31, 2024 compared to the three and nine months ended September 30, 2022 March 31, 2023 for the consolidated statements of income (loss) and comprehensive income (loss). income. For the condensed consolidated balance sheets, the emphasis of this discussion will be the balances as of September 30, 2023 March 31, 2024 compared to December 31, 2022 December 31, 2023. This discussion and analysis contains statements that may be considered "forward-looking statements" as defined in, and subject to the protections of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. See the following section for additional information regarding forward-looking statements.

**FORWARD-LOOKING STATEMENTS**

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

Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements. In addition to the Risk Factors contained in this Quarterly Report on Form 10-Q, as well as the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023December 31, 2023, and the other reports we file with the Securities and Exchange Commission, factors that could contribute to those differences include, but are not limited to:

- the effects of future economic, business and market conditions and disruptions in the credit and financial markets, domestic and foreign;
- potential impacts of the adverse developments in the banking industry during 2023 highlighted by high-profile bank failures, including impacts on customer confidence, deposit outflows, liquidity and the regulatory response thereto;
- potential increases in the provision for credit losses and other general competitive, economic, political, and market factors, including those affecting our business, operations, pricing, products, or services;
- fraudulent and negligent acts by loan applicants, mortgage brokers and our employees;
- our ability to recover certain losses related to fraudulent loans under the Company's insurance policies and to successfully complete the claims process and minimize the financial impact of these loans;
- our ability to implement our various strategic and growth initiatives, including our Panacea Financial and Life Premium Finance Divisions, new digital banking platform, V1BE fulfillment service and Primis Mortgage Company as well as our cost saving project to reduce administrative and branch expenses;
- adverse results from current or future litigation, regulatory examinations or other legal and/or regulatory actions;



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

- government intervention in the U.S. financial system, including the effects of legislative, tax, accounting and regulatory actions and reforms, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the Jumpstart Our Business Startups Act, the Consumer Financial Protection Bureau, the capital ratios of Basel III as adopted by the federal banking authorities, the Tax Cuts and Jobs Act of 2017 and the CARES Act, as well as the possibility that the U.S. could default on its debt obligations and the risk of inflation and interest rate increases resulting from monetary and fiscal stimulus response, which may have unanticipated adverse effects on our customers, and our financial condition and results of operations;
- increased competition for deposits and loans adversely affecting rates and terms;
- the continued service of key management personnel;
- the potential payment of interest on demand deposit accounts to effectively compete for customers;
- potential environmental liability risk associated with properties that we assume upon foreclosure;
- increased asset levels and changes in the composition of assets and the resulting impact on our capital levels and regulatory capital ratios;
- risks of current or future mergers and acquisitions, including the related time and cost of implementing transactions and the potential failure to achieve expected gains, revenue growth or expense savings;
- increases in regulatory capital requirements for banking organizations generally, which may adversely affect our ability to expand our business or could cause us to shrink our business;
- acts of God or of war or other conflicts, including the current conflicts in Ukraine/Russia conflict, and the Middle East, acts of terrorism, pandemics or other catastrophic events that may affect general economic conditions;
- changes in accounting policies, rules and practices and applications or determinations made thereunder, including the impact of the adoption of the current expected credit losses (“CECL”) methodology; thereunder;
- failure to maintain effective internal controls and procedures;



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- any inability or failure to implement and maintain effective internal control over financial reporting and/or disclosure control or inability to remediate our existing material weaknesses in our internal controls deemed ineffective;
- failure to maintain effective internal controls and procedures, including the ability to remediate identified material weaknesses in internal control over financial reporting expediently;
- the risk that our deferred tax assets could be reduced if future taxable income is less than currently estimated, if corporate tax rates in the future are less than current rates, or if sales of our capital stock trigger limitations on the amount of net operating loss carryforwards that we may utilize for income tax purposes;
- our ability to attract and retain qualified employees, including as a result of heightened labor shortages;
- risks related to environmental, social and governance ("ESG") strategies and initiatives, the scope and pace of which could alter our reputation and shareholder, associate, customer and third-party affiliations;
- our ability to de-consolidate Panacea Financial Holdings, Inc. (“PFH”) and recognize gains on our investment in PFH common stock as a result of de-consolidation;
- negative publicity and the impact on our reputation;
- our ability to realize the value of derivative assets that are recorded at fair value due to changes in fair value driven by actual results being materially different than our assumptions; and
- other factors and risks described under “Risk Factors” herein and in any of our subsequent the reports that we file with the Securities and Exchange Commission (the “Commission” or “SEC”) under the Exchange Act.

Forward-looking statements are not guarantees of performance or results and should not be relied upon as representing management’s views as of any subsequent date. A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe we have chosen these assumptions or bases in good faith and that they are reasonable. We caution you, however, that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. When considering forward-looking statements, you should refer to the risk factors and other cautionary statements in this Quarterly Report on Form 10-Q and in our periodic and current reports filed with the SEC for specific factors that could cause our actual results to be different from those expressed or implied by our forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q (or an earlier date to the extent applicable). Except as required by applicable law, we undertake no obligation to update publicly these statements in light of new information or future events.

**OVERVIEW**

Primis Financial Corp. (“Primis,” “we,” “us,” “our” or the “Company”) is the bank holding company for Primis Bank (“Primis Bank” or the “Bank”), a Virginia state-chartered bank which commenced operations on April 14, 2005. Primis Bank provides a range of financial services to individuals and small and medium-sized businesses. As of September 30, 2023 March 31, 2024, Primis Bank had thirty-two twenty-four full-service branches in Virginia and Maryland and also provides services to customers through certain online and mobile applications. Thirty Twenty-two full-service retail branches are in Virginia and two full-service retail branches are in Maryland. The Company is headquartered in McLean, Virginia and has an administrative office in Glen Allen, Virginia and an operations center in Atlee, Virginia. Our deposits are insured, up to applicable limits, by the Federal Deposit Insurance Corporation (the “FDIC”). Primis Mortgage Company, a residential mortgage lender headquartered in Wilmington, North Carolina, is a consolidated subsidiary of Primis Bank.

As part PFH is a consolidated subsidiary of a cost saving initiative, Primis and owns the rights to the Panacea Financial brand and its intellectual property and partners with the Bank consolidated eight branch locations, reducing total branches from thirty-two to twenty-four, in late October 2023. offer a suite of financial products and services for doctors, their practices, and ultimately the broader healthcare industry.

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

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**CURRENT ECONOMIC ENVIRONMENT**

U.S. economic growth accelerated in the third first quarter of 2023, 2024, with Real Gross Domestic Product growing by an annualized 4.9% 1.6%. According to the U.S. Bureau of Labor and Statistics, the rate of unemployment was 3.8% in September 2023 March 2024 and nonfarm payrolls grew at a robust pace. The Federal Reserve (the “Fed”) has raised interest rates 525 500 bps in total since March from May of 2022 through July of 2023, a pace that has not been experienced in more than 40 years, and sits at a range of 5.25% to 5.50% as of March 31, 2024. Inflation, while beginning to show signs of moderating, remains higher than the Fed’s long term target rate of 2.0% and

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the Fed appears committed to maintaining high rates until inflation is back at their target rate. The Fed has indicated that future rate adjustments will be data-dependent. Continued higher inflation, as well as strong employment numbers, could lead to at least one more rate increase in 2023 or early 2024.

This higher rate environment is continuing to put strong margin pressure on all banks, including Primis, as the cost of deposits has increased alongside the Fed rate increases while many loans in banks’ portfolios are fixed due to borrowers locking in historic low rates in the past few years. However, loan growth in the current environment will benefit from the higher rates and should assist in partially offsetting growth in deposit costs.

**FINANCIAL HIGHLIGHTS**

- Net loss income available to our common shareholders for the three months ended September 30, 2023 March 31, 2024 totaled $3.6 million $2.5 million, or $0.14 basic and diluted loss per share, compared to net income of $5.0 million, or $0.21 basic and $0.20 diluted earnings per share for the three months ended September 30, 2022. Net income for the nine months ended September 30, 2023 totaled $2.2 million, or $0.09 $0.10 basic and diluted earnings per share, compared to $14.5 million, or $0.60 basic and $0.59 per diluted earnings per share for the nine months ended September 30, 2022.
- When excluding the non-cash goodwill impairment charge that was incurred in the three and nine months ended September 30, 2023, we had net income of $7.6 million and $13.3 million $8.4 million, respectively.
- Basic or $0.34 basic and diluted earnings per share for the three months ended September 30, 2023 when excluding the $11.2 million impairment and $200 thousand of fraud related expenses due to an employee fraud discovered in the second quarter, was $0.32 which was an increase of $0.11 compared to the same period in 2022. March 31, 2023.
- Basic and diluted earnings per share for the nine months ended September 30, 2023 when excluding the $11.2 million impairment, $200 thousand of fraud related expenses due to an employee fraud discovered in the second quarter, and $1.5 million of branch consolidation costs in the second quarter, was $0.60 which was a small decrease compared to $0.63 and $0.62 basic and diluted, respectively, in the same period in 2022.
- Total assets as of September 30, 2023 March 31, 2024 were $3.81 billion $3.9 billion, an increase of 7% 1% compared to December 31, 2022 December 31, 2023.
- Total loans excluding Paycheck Protection Program ("PPP") balances as of September 30, 2023 March 31, 2024, were $3.14 billion $3.2 billion, an increase of $201.7 million, or 7%, from December 31, 2022 generally flat compared to December 31, 2023.
- Total deposits were $3.29 billion $3.3 billion at September 30, 2023 March 31, 2024, an increase of 21% 1% compared to December 31, 2022 December 31, 2023.
- Non-time deposits increased to $2.84 billion $2.9 billion at September 30, 2023 March 31, 2024, an increase of $584.2 million $67.9 million, or 26% 2%, compared to December 31, 2022 December 31, 2023.
- The ratio of gross loans to deposits declined to 96% 95.8% at September 30, 2023 March 31, 2024, from 108% 96.9% at December 31, 2022 December 31, 2023.
- Net interest margin of 3.02% 2.84% in the third first quarter of 2023 2024 was down up from 3.57% 2.81% in the third first quarter of 2022 2023 and up down from 2.65% 2.86% in the second fourth quarter of 2023.
- Allowance for credit losses to total loans was 1.14% 1.66% at September 30, 2023 March 31, 2024, compared to 1.17% 1.62% at December 31, 2022 December 31, 2023.
- We continued to execute on our loan sale strategy during the third quarter, as previously announced, and sold $15 million in loans and realized a pre-tax gain Noninterest expense of $0.4 million. Additionally, we transferred another $9 million of loans to held for sale pending finalization of diligence efforts by a potential third-party buyer.
- We began to realize costs savings from administrative reductions and other cost controls with noninterest expense, excluding the goodwill impairment charge, of $25.9 million $27.5 million in the third first quarter of 2024 was up $0.6 million compared to the first quarter of 2023 versus $30.6 million in but declined $0.7 million from the second fourth quarter of 2023.
- Asset quality improved meaningfully remained steady from year end with nonperforming assets as a percent of total assets (excluding SBA guarantees) at 0.51% 0.23% at September 30, 2023 March 31, 2024 compared to 0.98% 0.20% at December 31, 2022 December 31, 2023.



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**RESULTS OF OPERATIONS**

**Net Income (Loss)**

***Three-Month Comparison.*** Net loss income for the three months ended September 30, 2023 March 31, 2024 totaled $3.6 million $2.5 million, or $0.14 $0.10 basic and diluted loss earnings per share, compared to net income of $5.0 million $8.4 million, or $0.21 $0.34 basic and $0.20 diluted earnings per share for the three months ended September 30, 2022 March 31, 2023. The 171% 71% decrease in net income (loss) during the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 was driven primarily by a decrease in derivative gains of $9.4 million, an increase in credit loss provisions of $1.2 million, and personnel expenses of $0.7 million, partially offset by an $11.2 million of goodwill impairment charge increase in the third quarter.

Net income for the three months ended September 30, 2023, excluding the goodwill impairment charge and $200 thousand of fraud related expenses from an employee fraud previously disclosed in the second quarter, was $7.7 million. Earnings per basic and diluted share was $0.32 when excluding these items, which is an increase of $0.11 per share from the same period last year. The increase from prior year in income and earnings per share when excluding these items was driven by higher mortgage banking income gains associated with the sale of loans $1.3 million, increases in all other noninterest income categories of $2.0 million, and improved core expense levels when adjusting for mortgage related expenses.

***Nine-Month Comparison.*** Net income for the nine months ended September 30, 2023 totaled $2.2 million, or $0.09 basic and diluted earnings per share, compared to $14.5 million, or $0.60 basic and $0.59 diluted earnings per share for the nine months ended September 30, 2022. The 85% a decrease in net income during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 was primarily related to a $11.2 million tax provision of goodwill impairment charge in the third quarter of 2023. The decrease was also driven by higher noninterest expenses from an increase in employee compensation and benefits expense due to the growth of Primis Mortgage, higher data processing expense driven by the increase in customer accounts and related transactions on our digital deposit platform, and an increase in provision for loan losses associated with several specific loan relationships in the current year, partially offset by higher mortgage banking income due to the growth of Primis Mortgage, net interest income as a result of growth in loans and higher interest rates, and gains associated with the sale of loans in 2023.

Net income for the nine months ended September 30, 2023, excluding the goodwill impairment charge, $200 thousand of fraud related expenses from an employee fraud previously disclosed in the second quarter, and $1.5 million of branch consolidation expenses in the second quarter, was $14.7 million $1.7 million. Earnings per basic and diluted share was $0.60 when excluding these items, compared to $0.63 basic and $0.62 diluted earnings per share from the same period last year. The decrease from the prior year in net income and earnings per share when excluding these items was driven by the previously described factors related to the current year net loss and loss per share inclusive of the goodwill impairment.

**Net Interest Income**

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



Table of Contents***Three-Month Comparison.***

Net interest income was $27.1 million remained steady at $25.3 million for the three months ended September 30, 2023, compared to $27.4 million for the three months ended September 30, 2022. March 31, 2024 and 2023. Primis' net interest margin for the three months ended September 30, 2023 March 31, 2024 was 3.02% 2.84%, compared to 3.57% 2.81% for the three months ended September 30, 2022 March 31, 2023. Net interest margin for three months ended September 30, 2023 compared to the same period in 2022 was affected primarily by the interest spread being less, indicative of the cost of interest bearing liabilities increasing more than the yield on interest bearing assets. We also had interest-bearing liabilities grow, on average, quicker than interest-earning assets over the periods. Total income on interest-earning assets was $50.5 million $50.3 million and $32.6 million $44.3 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, as average interest-earning assets grew approximately $510 million. 2023, respectively. The yield on average interest-earning assets was 5.63% 5.65% and 4.24% 4.92% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Increase in yield on average interest-earnings assets was driven by higher rates a 71 basis point increase on cash and loans in the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023. The cost of average interest-bearing deposits increased 239 96 basis points to 3.03% 3.28% for the three months ended September 30, 2023 March 31, 2024, compared to 0.64% 2.32% for the three months ended September 30, 2022 March 31, 2023, as average interest-bearing liabilities grew approximately $727 million. $0.2 billion and the rates paid on these liabilities grew significantly due to the consistent increases in benchmark interest rates during 2023. The increase



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was driven by higher costs in every interest-bearing deposit category with the largest driver being an increase in average savings deposits of $485 million $206.4 million with an average increase in cost of these those deposits of 3.55%. 80 basis points. This increase was primarily a result of the use growth of our the digital deposit platform by new during 2023 and existing customers which generated approximately $1.0 billion increase in new deposits benchmark interest rates. Average loans during the first quarter. three months ended March 31, 2024 were $3.2 billion, compared to $3.0 billion during the three months ended March 31, 2023. The $0.2 billion increase in average loans combined with the 71 basis point increase in yield on the loan portfolio drove the $9.3 million increase in income on loans.

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

| | Average Balance Sheets and Net Interest Margin Analysis For the Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2023 | | | September 30, 2022 | | |
| | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate |
| | (Dollar amounts in thousands) | | | | | |
| **Assets** | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans held for sale | $ 55,775 | $ 873 | 6.21 % | $ 21,199 | $ 263 | 4.92 % |
| Loans, net of deferred fees (1) (2) | 3,175,454 | 46,898 | 5.86 % | 2,667,406 | 30,225 | 4.50 % |
| Investment securities | 234,601 | 1,593 | 2.69 % | 269,780 | 1,518 | 2.23 % |
| Other earning assets | 93,159 | 1,122 | 4.78 % | 90,268 | 555 | 2.44 % |
| **Total earning assets** | 3,558,989 | 50,486 | 5.63 % | 3,048,653 | 32,561 | 4.24 % |
| Allowance for credit losses | (37,135) | | | (29,830) | | |
| Total non-earning assets | 305,300 | | | 264,472 | | |
| **Total assets** | $ 3,827,154 | | | $ 3,283,295 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Liabilities and stockholders' equity** | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| NOW and other demand accounts | $ 806,339 | $ 4,460 | 2.19 % | $ 660,387 | $ 536 | 0.32 % |
| Money market accounts | 850,892 | 6,555 | 3.06 % | 803,860 | 1,667 | 0.82 % |
| Savings accounts | 703,809 | 6,760 | 3.81 % | 219,167 | 141 | 0.26 % |
| Time deposits | 460,961 | 3,801 | 3.27 % | 343,986 | 943 | 1.09 % |
| **Total interest-bearing deposits** | 2,822,001 | 21,576 | 3.03 % | 2,027,400 | 3,287 | 0.64 % |
| Borrowings | 99,104 | 1,785 | 7.15 % | 166,621 | 1,859 | 4.43 % |
| **Total interest-bearing liabilities** | 2,921,105 | 23,361 | 3.17 % | 2,194,021 | 5,146 | 0.93 % |
| Noninterest-bearing liabilities: | | | | | | |
| Demand deposits | 472,485 | | | 665,020 | | |
| Other liabilities | 37,741 | | | 23,832 | | |
| **Total liabilities** | 3,431,331 | | | 2,882,873 | | |
| Stockholders' equity | 395,823 | | | 400,422 | | |
| **Total liabilities and stockholders' equity** | $ 3,827,154 | | | $ 3,283,295 | | |
| Net interest income | | $ 27,125 | | | $ 27,415 | |
| Interest rate spread | | | 2.46 % | | | 3.31 % |
| Net interest margin | | | 3.02 % | | | 3.57 % |

| | Average Balance Sheets and Net Interest Margin Analysis For the Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2024 | | | March 31, 2023 | | |
| | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate |
| | (Dollar amounts in thousands) | | | | | |
| **Assets** | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans held for sale | $ 58,896 | $ 907 | 6.19 % | $ 25,346 | $ 391 | 6.26 % |
| Loans, net of deferred fees (1) (2) | 3,206,888 | 46,825 | 5.87 % | 2,989,925 | 38,059 | 5.16 % |
| Investment securities | 241,179 | 1,715 | 2.86 % | 246,402 | 1,584 | 2.61 % |
| Other earning assets | 77,067 | 898 | 4.69 % | 388,327 | 4,224 | 4.41 % |
| **Total earning assets** | 3,584,030 | 50,345 | 5.65 % | 3,650,000 | 44,258 | 4.92 % |
| Allowance for credit losses | (51,110) | | | (34,099) | | |
| Total non-earning assets | 299,192 | | | 284,339 | | |
| **Total assets** | $ 3,832,112 | | | $ 3,900,240 | | |
| **Liabilities and stockholders' equity** | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| NOW and other demand accounts | $ 773,943 | $ 4,467 | 2.32 % | $ 722,583 | $ 2,267 | 1.27 % |
| Money market accounts | 814,147 | 6,512 | 3.22 % | 824,541 | 4,801 | 2.36 % |
| Savings accounts | 800,328 | 8,045 | 4.04 % | 593,896 | 4,750 | 3.24 % |
| Time deposits | 431,340 | 3,990 | 3.72 % | 489,066 | 3,226 | 2.68 % |
| **Total interest-bearing deposits** | 2,819,758 | 23,014 | 3.28 % | 2,630,086 | 15,044 | 2.32 % |
| Borrowings | 120,188 | 2,062 | 6.90 % | 285,113 | 3,892 | 5.54 % |
| **Total interest-bearing liabilities** | 2,939,946 | 25,076 | 3.43 % | 2,915,199 | 18,936 | 2.63 % |
| Noninterest-bearing liabilities: | | | | | | |
| Demand deposits | 458,306 | | | 556,495 | | |
| Other liabilities | 34,900 | | | 28,544 | | |
| **Total liabilities** | 3,433,152 | | | 3,500,238 | | |
| Primis common stockholders' equity | 378,008 | | | 400,002 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Noncontrolling interest | 20,952 | | | — | | |
| **Total stockholders' equity** | 398,960 | | | 400,002 | | |
| **Total liabilities and stockholders' equity** | $ 3,832,112 | | | $ 3,900,240 | | |
| Net interest income | | $ 25,269 | | | $ 25,322 | |
| Interest rate spread | | | 2.22 % | | | 2.28 % |
| Net interest margin | | | 2.84 % | | | 2.81 % |

(1) Includes loan fees in both interest income and the calculation of the yield on loans.
(2) Calculations include non-accruing loans in average loan amounts outstanding.

***Nine-Month Comparison.*** Net interest income was $81.6 million for the nine months ended September 30, 2023, compared to $74.8 million for the nine months ended September 30, 2022. Primis' net interest margin for the nine months ended September 30, 2023 was 2.93%, compared to 3.28% for the nine months ended September 30, 2022. The combination in the industry of growth in deposit account rates and consumer preferences shifting from non-interest bearing to higher rate products impacted interest expense and net interest income during the period. Net interest margin was further affected by excess cash balances during the first half of the year, that are part of average other earning assets that earned lower rates compared to the rates earned by our loan portfolio and paid on the related deposits that brought the cash onto the balance sheet. Total income on interest-earning assets was $150.3 million and $87.4 million for the nine months ended September 30, 2023 and 2022, respectively, driven by average interest-earning asset growth of $676 million. The yield on



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average interest-earning assets was 5.40% and 3.83% for the nine months ended September 30, 2023 and 2022, respectively. Increase in yield on average interest-earnings assets was driven by higher rates on cash and loans in 2023 compared to 2022. The cost of average interest-bearing deposits increased 233 basis points to 2.84% for the nine months ended September 30, 2023, compared to 0.51% for the nine months ended September 30, 2022 as average interest-bearing liabilities grew approximately $804 million. The increase was driven by higher costs in every interest-bearing category with the largest driver being an increase in average savings deposits of $553 million with an average increase in cost of those deposits of 3.52%. This increase was primarily a result of the aforementioned growth of the digital deposit platform. Average loans during the nine months ended September 30, 2023 were $3.13 billion, compared to $2.52 billion during the nine months ended September 30, 2022.

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

| | Average Balance Sheets and Net Interest Margin Analysis For the Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2023 | | | September 30, 2022 | | |
| | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate |
| | (Dollar amounts in thousands) | | | | | |
| **Assets** | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans held for sale | $ 43,384 | $ 1,964 | 6.05 % | $ 9,456 | $ 356 | 5.03 % |
| Loans, net of deferred fees (1) (2) | 3,089,010 | 131,083 | 5.67 % | 2,512,388 | 81,192 | 4.32 % |

| | | | | | | |
|---|---|---|---|---|---|---|
| Investment securities | 240,525 | 4,728 | 2.63 % | 286,525 | 4,393 | 2.05 % |
| Other earning assets | 348,831 | 12,504 | 4.79 % | 237,299 | 1,409 | 0.79 % |
| **Total earning assets** | 3,721,750 | 150,279 | 5.40 % | 3,045,668 | 87,350 | 3.83 % |
| Allowance for credit losses | (35,654) | | | (29,640) | | |
| Total non-earning assets | 296,351 | | | 259,826 | | |
| **Total assets** | $ 3,982,447 | | | $ 3,275,854 | | |
| | | | | | | |
| **Liabilities and stockholders' equity** | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| NOW and other demand accounts | $ 785,480 | $ 11,070 | 1.88 % | $ 723,857 | $ 1,758 | 0.32 % |
| Money market accounts | 844,752 | 17,587 | 2.78 % | 808,013 | 3,464 | 0.57 % |
| Savings accounts | 775,024 | 21,915 | 3.78 % | 222,032 | 432 | 0.26 % |
| Time deposits | 481,813 | 10,831 | 3.01 % | 341,160 | 2,317 | 0.91 % |
| **Total interest-bearing deposits** | 2,887,069 | 61,403 | 2.84 % | 2,095,062 | 7,971 | 0.51 % |
| Borrowings | 160,601 | 7,229 | 6.02 % | 148,549 | 4,558 | 4.10 % |
| **Total interest-bearing liabilities** | 3,047,670 | 68,632 | 3.01 % | 2,243,611 | 12,529 | 0.75 % |
| Noninterest-bearing liabilities: | | | | | | |
| Demand deposits | 500,456 | | | 602,872 | | |
| Other liabilities | 34,589 | | | 22,985 | | |
| **Total liabilities** | 3,582,715 | | | 2,869,468 | | |
| Stockholders' equity | 399,732 | | | 406,386 | | |
| **Total liabilities and stockholders' equity** | $ 3,982,447 | | | $ 3,275,854 | | |
| Net interest income | | $ 81,647 | | | $ 74,821 | |
| Interest rate spread | | | 2.39 % | | | 3.09 % |
| Net interest margin | | | 2.93 % | | | 3.28 % |

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

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

**Provision for Credit Losses**

The provision for credit losses is a current charge to earnings made in order to adjust the allowance for credit losses for current expected losses in the loan portfolio based on an evaluation of the loan portfolio characteristics, current economic conditions,



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changes in the nature and volume of lending, historical loan experience and other known internal and external factors affecting loan collectability. collectability, and assessment of reasonable and supportable forecasts of future economic conditions that would impact collectability of the loans. Our allowance for credit losses is calculated by segmenting the loan portfolio by loan type and applying risk factors to each segment. The risk factors are determined by considering historical loss data, peer data, as well as applying management's judgment.

The Company recorded a provision for credit losses for the three and nine months ended September 30, 2023 March 31, 2024 and 2023, of $1.6 million $6.5 million and $11.1 million, respectively, compared to a provision for credit losses for the three and nine months ended September 30, 2022 of $2.9 million and $3.4 million $5.3 million, respectively. The provision during 2023 included amounts calculated in our normal reserve process for a portfolio of third party-managed the Consumer Program loans that includes a credit enhancement from the third-party for losses on the portfolio which totaled $2.0 million $4.9 million and $8.1 million $4.7 million during the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively. As a result Our provision for credit losses was driven by provisions related to the Consumer Program loan portfolio primarily centered around loans originated from the third quarter of 2022 through the credit enhancement, this portion first quarter of the provision is fully offset by a gain recorded in noninterest income and has no effect on net income. 2023. Excluding the provision amounts related to the third-party managed Consumer Program portfolio, we would have recorded a recovery for credit losses of $0.4 million for the three months ended September 30, 2023 and a provision for credit losses of $3.1 million $1.6 million and $0.5 million for the nine three months ended September 30, 2023. March 31, 2024 and 2023, respectively.

We had net charge-offs totaling $4.5 million $5.3 million and $1.2 million $4.0 million during the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $10.7 million and $1.3 million during nine months ended September 30, 2023 and 2022, 2023, respectively. During the three and nine months ended September 30, 2023 March 31, 2024 and 2023, $4.3 million and $1.9 million, the respectively, of net charge-offs were mostly related to the third-party managed loans with a credit enhancement and a majority of the remaining were related to the partial resolution Consumer Program loans. These charge-offs were primarily related to loans originated from the third quarter of 2022 to the assisted living relationship that first quarter of 2023. Excluding the Consumer Program loan charge-offs we had been reserved for in prior quarters. There were recoveries totaling $0.2 million net charge-offs of $1.0 million and $0.01 million $2.1 million during the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $0.8 million during both nine months ended September 30, 2023 and 2022. 2023, respectively.

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

**Noninterest Income**

The following table presents the major categories of noninterest income for the three months ended September 30, 2023 March 31, 2024 and 2022: 2023:

| | For the Three Months Ended September 30, | | | For the Three Months Ended March 31, | | |
|---|---|---|---|---|---|---|
| **(dollars in thousands)** | **2023** | **2022** | **Change** | **2024** | **2023** | **Change** |
| Account maintenance and deposit service fees | $ 1,503 | $ 1,525 | $ (22) | $ 1,393 | $ 1,224 | $ 169 |
| Income from bank-owned life insurance | 787 | 394 | 393 | 564 | 420 | 144 |
| Mortgage banking income | 4,922 | 2,197 | 2,725 | 5,574 | 4,315 | 1,259 |
| Gain on sale of loans | 451 | — | 451 | 336 | 51 | 285 |
| Credit enhancement income | 2,047 | 1,220 | 827 | | | |
| Gain (loss) on other investments | | | | 206 | (39) | 245 |
| Consumer Program derivative | | | | 2,041 | 11,443 | (9,402) |
| Other noninterest income | 232 | 284 | (52) | 193 | 256 | (63) |
| **Total noninterest income** | $ 9,942 | $ 5,620 | $ 4,322 | $10,307 | $17,670 | $(7,363) |

Noninterest income increased 77% decreased 42% to $9.9 million $10.3 million for the three months ended September 30, 2023 March 31, 2024, compared to $5.6 million $17.7 million for the three months ended September 30, 2022 March 31, 2023. The increase decrease in noninterest income was primarily related to $2.7 million a decline in the Consumer Program derivative income of higher mortgage banking income and $0.8 million of increased credit enhancement income. The Company began accounting for certain third party credit enhancements on consumer lending during the third quarter of 2022. During that time, the portfolio of third-party managed loans was materially smaller with a higher percentage of newly originated loans than it was during the third quarter of 2023 with a larger portfolio and more seasoning. We purchased Primis Mortgage on May 31, 2022, which had smaller operations at that time compared to the third quarter of 2023. In the first nine months of 2023, Primis Mortgage grew significantly, resulting in materially more loan origination and sales volume. During the third quarter of 2023, the Bank also realized $0.4 million of gains associated with the sale of Panacea commercial and consumer loans. Noninterest income also increased $9.4 million during the three months ended September 30, 2023 March 31, 2024. This decline was driven by $10.5 million of fair value gains on the derivative in the prior year compared to a $0.1 million loss in the current year, partially offset by $1.0 million of additional income under the Consumer Program agreement in the current



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year compared to September 30, 2022 due to increased BOLI income, partially due the prior year. The fair value gain in the prior year was driven primarily by higher expected cash flows related to a death benefit recognized during significant increase in promotional interest loans in the third quarter.

Consumer Program portfolio and higher credit losses in the same portfolio resulting in less expected payments owed by us to the counterparty, which did not re-occur in the current year. The following table presents the major categories of noninterest income for the nine months ended September 30, 2023 and 2022:

| (dollars in thousands) | For the Nine Months Ended September 30, 2023 | 2022 | Change |
|---|---|---|---|
| Account maintenance and deposit service fees | $ 4,149 | $ 4,318 | $ (169) |
| Income from bank-owned life insurance | 1,601 | 1,147 | 454 |
| Mortgage banking income | 14,435 | 2,790 | 11,645 |
| Gain on sale of loans | 1,111 | — | 1,111 |
| Credit enhancement income | 8,085 | 1,220 | 6,865 |
| Other noninterest income | 579 | 865 | (286) |
| **Total noninterest income** | $ 29,960 | $ 10,340 | $ 19,620 |

Noninterest income increased 190% to $30.0 million for the nine months ended September 30, 2023, compared to $10.3 million for the nine months ended September 30, 2022. The increase decrease in noninterest income driven by the Consumer Program derivative was primarily related to $11.6 million partially offset by $1.3 million of higher mortgage banking income and $6.9 million of credit enhancement income during the nine months ended September 30, 2023. The increase due to growth in the mortgage banking income is related to the purchase of Primis Mortgage in May 2022, resulting in only four months of operations in the results of last year compared to a full nine months in 2023, coupled with meaningful growth in the business in the year since the purchase. Mortgage banking income includes fair value adjustments, origination income, and gains on sales of mortgage loans held for sale. The increase in the credit enhancement income was due to the significant increase in the consumer loan portfolio that receives the enhancement when comparing 2023 to 2022 and the increase in charge-offs in that portfolio over that time. Increase in noninterest income was also attributable to $1.1 million of gains associated with the sale of loans in 2023, primarily related to Panacea commercial and consumer loans. business.

**Noninterest Expense**

The following table presents the major categories of noninterest expense for the three months ended September 30, 2023 March 31, 2024 and 2022: 2023:

| (dollars in thousands) | For the Three Months Ended September 30, 2023 | 2022 | Change | For the Three Months Ended March 31, 2024 | 2023 | Change |
|---|---|---|---|---|---|---|
| Salaries and benefits | $ 13,809 | $ 12,594 | $ 1,215 | $15,735 | $15,028 | $ 707 |
| Occupancy expenses | 1,633 | 1,402 | 231 | 1,490 | 1,445 | 45 |
| Furniture and equipment expenses | 1,537 | 1,455 | 82 | 1,616 | 1,577 | 39 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Amortization of core deposit intangible | 317 | 326 | (9) | 317 | 317 | — |
| Virginia franchise tax expense | 849 | 813 | 36 | 631 | 849 | (218) |
| FDIC insurance assessment | 820 | 199 | 621 | 610 | 364 | 246 |
| Data processing expense | 2,250 | 1,528 | 722 | 2,231 | 2,251 | (20) |
| Marketing expense | 377 | 938 | (561) | 459 | 569 | (110) |
| Telephone and communication expense | 356 | 342 | 14 | 346 | 377 | (31) |
| Net loss on bank premises and equipment | — | 64 | (64) | | | |
| Professional fees | 1,118 | 1,261 | (143) | 1,365 | 862 | 503 |
| Credit enhancement costs | 337 | — | 337 | | | |
| Goodwill impairment | 11,150 | — | 11,150 | | | |
| Miscellaneous lending expenses | | | | 451 | 885 | (434) |
| Other operating expenses | 2,521 | 2,839 | (318) | 2,287 | 2,430 | (143) |
| **Total noninterest expenses** | $ 37,074 | $ 23,761 | $ 13,313 | $27,538 | $26,954 | $ 584 |

Noninterest expenses were $37.1 million $27.5 million during the three months ended September 30, 2023 March 31, 2024, compared to $23.8 million $27.0 million during the three months ended September 30, 2022 March 31, 2023. The 56% 2% increase in noninterest expenses was primarily related to a $0.7 million increase in employee compensation and benefits expense and $0.5 million increase in professional fees. The increase in salaries and benefits expense related to increased head count at the Bank that was driven by the Panacea Financial division and Primis Mortgage during the to the first quarter of 2024 compared to the first quarter of 2023. The increase in professional fees expense was driven by higher attorney costs and expenses related to our annual financial audit. The noninterest expense increase was partially offset by decreases in miscellaneous lending expenses and lower franchise tax expense. The miscellaneous lending expense decline was driven by lower collection expenses due to improving credit quality in the loan portfolio and also due to less servicing expenses on the Consumer Program portfolio. The franchise tax declined as a result of a lower assessment base in the current year compared to the prior year.



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related to a $11.2 million of goodwill impairment charge in the third quarter of 2023. Increase in noninterest expense was also driven by a $1.2 million increase in employee compensation in the third quarter of 2023 related to increased head count at the Bank, Primis Mortgage, and Panacea compared to the third quarter of 2022, along with personnel costs incurred related to the cost savings initiative announced at the end of the second quarter of 2023. We also experienced an increase in occupancy expenses of $0.2 million in the third quarter of 2023 compared to 2022 primarily due to the impact of expenses related to new leases for Primis Mortgage and the Company's new headquarters. The increase in noninterest expense during the three months ended September 30, 2023 was also attributable to a $0.7 million increase in data processing expense driven by substantially higher application volume on the digital deposit platform as a result of a savings account rate promotion offered during 2023. Noninterest expense for the three months ended September 30, 2023 included $0.3 million of credit enhancement costs related to servicing and other expenses for the third-party managed loan portfolio which were immaterial in the prior year period due to the relatively small size of the portfolio during the same period in 2022. Other notable drivers of the change in noninterest expense was higher other operating expenses in the third quarter of 2023 that was driven higher by FDIC insurance costs due to the significant growth in deposits partially offset by a decline in marketing expense.

When excluding the non-cash goodwill impairment charge, total noninterest expenses increased 6% from the three months ended September 30, 2022, compared to the 56% increase described above that includes the impairment charge. The increase was driven by higher salaries and benefits, FDIC insurance, and data processing expenses, partially offset by lower marketing and other operating expenses along with less professional fees.

The following table presents the major categories of noninterest expense for the nine months ended September 30, 2023 and 2022:

| (dollars in thousands) | For the Nine Months Ended September 30, 2023 | 2022 | Change |
|---|---|---|---|
| Salaries and benefits | $44,120 | $32,792 | $ 11,328 |
| Occupancy expenses | 4,671 | 4,277 | 394 |
| Furniture and equipment expenses | 4,966 | 3,683 | 1,283 |
| Amortization of core deposit intangible | 952 | 1,008 | (56) |
| Virginia franchise tax expense | 2,546 | 2,440 | 106 |
| FDIC insurance assessment | 2,254 | 658 | 1,596 |
| Data processing expense | 7,329 | 4,311 | 3,018 |
| Marketing expense | 1,467 | 2,134 | (667) |
| Telephone and communication expense | 1,149 | 1,090 | 59 |
| Net (gain) loss on other real estate owned | — | (59) | 59 |
| Net loss on bank premises and equipment | — | 684 | (684) |
| Professional fees | 3,055 | 3,182 | (127) |
| Credit enhancement costs | 1,725 | — | 1,725 |
| Goodwill impairment | 11,150 | — | 11,150 |
| Other operating expenses | 9,646 | 7,070 | 2,576 |
| **Total noninterest expenses** | $95,030 | $63,270 | $ 31,760 |

Noninterest expenses were $95.0 million during the nine months ended September 30, 2023, compared to $63.3 million during the nine months ended September 30, 2022. The 50% increase in noninterest expenses was primarily attributable to a $11.2 million of goodwill impairment charge in the third quarter of 2023 and $11.3 million increase in employee compensation and benefits expense mainly related to increased head count at the Bank, Primis Mortgage and Panacea in the nine months ended September 30, 2023 compared to 2022 and also due to expenses associated with the branch consolidation announced in the second quarter of 2023. The increase in noninterest expense during the nine months ended September 30, 2023 was also driven by a $3.0 million increase in data processing expense in 2023 driven by substantially higher application volume on the digital deposit platform as a result of a savings account rate promotion offered during 2023. Noninterest expense for the nine months ended September 30, 2023 included $1.7 million of credit enhancement costs related to servicing and other expenses for a third-party managed loan portfolio due to significant growth and charge-offs in that loan portfolio during 2023. Furniture and equipment expenses increased $1.3 million due to growth in the Bank, Primis Mortgage, and Panacea, and also due to write-downs of assets related to the cost savings initiative announced



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in the second quarter of 2023. Other operating expenses increased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, largely driven by higher expenses related to Primis Mortgage as its operations grew meaningfully since 2022 and included nine months of activity in the current year period compared to only four months in the prior year period and higher FDIC insurance costs in 2023.

When excluding the non-cash goodwill impairment charge and the $1.5 million of branch consolidation expenses incurred in the second quarter, total noninterest expenses were $82.5 million, which is an increase of approximately 30% from the nine months ended September 30, 2022 compared to the 50% increase described above when including these items. The increase was driven by higher salaries and benefits, FDIC insurance, data processing, furniture and equipment, and credit enhancement expenses, partially offset by lower marketing costs and less losses on premises and equipment as previously described in the discussion of the results not excluding the goodwill and branch consolidation costs.

**FINANCIAL CONDITION**

The following illustrates key balance sheet categories as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

| | September 30, 2023 | December 31, 2022 | Change | March 31, 2024 | December 31, 2023 | Change |
|---|---|---|---|---|---|---|
| | (in thousands, except per share amounts) | | | | | |
| Total cash and cash equivalents | $ 93,865 | $ 77,859 | $ 16,006 | $ 88,717 | $ 77,553 | $11,164 |
| Securities available-for-sale | 216,875 | 236,315 | (19,440) | 230,617 | 228,420 | 2,197 |
| Securities held-to-maturity | 11,975 | 13,520 | (1,545) | 10,992 | 11,650 | (658) |
| Loans held for sale | 8,755 | — | 8,755 | 72,217 | 57,691 | 14,526 |
| Net loans | 3,110,100 | 2,912,093 | 198,007 | 3,174,209 | 3,167,205 | 7,004 |
| Other assets | 372,205 | 329,712 | 42,493 | 313,227 | 314,027 | (800) |
| **Total assets** | $ 3,813,775 | $ 3,569,499 | $ 244,276 | $3,889,979 | $ 3,856,546 | $33,433 |
| Total deposits | $ 3,293,404 | $ 2,722,378 | $ 571,026 | $3,314,923 | $ 3,270,155 | $44,768 |
| Borrowings | 99,362 | 426,757 | (327,395) | 145,002 | 149,032 | (4,030) |
| Other liabilities | 38,143 | 27,999 | 10,144 | 35,455 | 39,766 | (4,311) |
| Total liabilities | 3,430,909 | 3,177,134 | 253,775 | 3,495,380 | 3,458,953 | 36,427 |
| Total stockholders' equity | 382,866 | 392,365 | (9,499) | | | |
| **Total liabilities and stockholders' equity** | $ 3,813,775 | $ 3,569,499 | $ 244,276 | | | |
| Total equity | | | | 394,599 | 397,593 | (2,994) |
| **Total liabilities and equity** | | | | $3,889,979 | $ 3,856,546 | $33,433 |

**Loans**

Total loans were $3.15 billion $3.2 billion as of March 31, 2024 and $2.95 billion at September 30, 2023 and December 31, 2022, respectively. PPP loans totaled $2.1 million at September 30, 2023 and $4.6 million at December 31, 2022, respectively. Excluding PPP loans, loans outstanding increased $201.7 million, or 7%, since December 31, 2022 December 31, 2023.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, a majority of our loans were to customers located in Virginia and Maryland. We are not dependent on any single customer or group of customers whose insolvency would have a material adverse effect on our operations. Our loan portfolio grew 0.1% in the first quarter of 2024 which included declines in real estate secured loans and increases in commercial and consumer loans. The consumer loan growth was primarily driven by the increase in life insurance premium finance loans followed by originations in the Consumer Program portfolio during the first quarter of 2024. The increase in commercial loans was driven primarily by commercial loan growth in our Panacea Financial division, which are diversified geographically and are spread across the nation.





The composition of our loans held for investment portfolio consisted of the following at September 30, 2023 as of March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|---|---|

| | Amount | Percent | Amount | Percent |
|---|---|---|---|---|
| Loans secured by real estate: | | | | |
| Commercial real estate - owner occupied | $ 458,026 | 14.2 % | $ 455,397 | 14.1 % |
| Commercial real estate - non-owner occupied | 577,752 | 17.9 % | 578,600 | 18.0 % |
| Secured by farmland | 4,341 | 0.1 % | 5,044 | 0.2 % |
| Construction and land development | 146,908 | 4.6 % | 164,742 | 5.1 % |
| Residential 1-4 family | 602,124 | 18.7 % | 606,226 | 18.8 % |
| Multi- family residential | 128,599 | 4.0 % | 127,857 | 4.0 % |
| Home equity lines of credit | 57,765 | 1.8 % | 59,670 | 1.9 % |
| Total real estate loans | 1,975,515 | 61.2 % | 1,997,536 | 62.0 % |
| Commercial loans | 623,804 | 19.3 % | 602,623 | 18.7 % |
| Paycheck protection program loans | 2,003 | 0.1 % | 2,023 | 0.1 % |
| Consumer loans | 620,745 | 19.2 % | 611,583 | 19.0 % |
| Total Non-PCD loans | 3,222,067 | 99.8 % | 3,213,765 | 99.8 % |
| PCD loans | 5,598 | 0.2 % | 5,649 | 0.2 % |
| Total loans | $ 3,227,665 | 100.0 % | $ 3,219,414 | 100.0 % |



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| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Loans secured by real estate: | | | | |
| Commercial real estate - owner occupied | $ 431,840 | 13.7 % | $ 459,866 | 15.6 % |
| Commercial real estate - non-owner occupied | 576,881 | 18.3 % | 579,733 | 19.7 % |
| Secured by farmland | 5,082 | 0.2 % | 5,970 | 0.2 % |
| Construction and land development | 172,005 | 5.5 % | 148,690 | 5.0 % |
| Residential 1-4 family | 600,389 | 19.1 % | 609,694 | 20.7 % |
| Multi- family residential | 129,586 | 4.1 % | 140,321 | 4.8 % |
| Home equity lines of credit | 59,996 | 1.9 % | 65,152 | 2.2 % |
| Total real estate loans | 1,975,779 | 62.8 % | 2,009,426 | 68.2 % |
| Commercial loans | 592,528 | 18.8 % | 520,741 | 17.7 % |
| Paycheck protection program loans | 2,105 | 0.1 % | 4,564 | 0.2 % |
| Consumer loans | 569,463 | 18.1 % | 405,278 | 13.8 % |
| Total Non-PCD loans | 3,139,875 | 99.8 % | 2,940,009 | 99.8 % |
| PCD loans | 5,992 | 0.2 % | 6,628 | 0.2 % |
| Total loans | $ 3,145,867 | 100.0 % | $ 2,946,637 | 100.0 % |

The following table sets forth the contractual maturity ranges of our loans held for investment portfolio and the amount of those loans with fixed and floating interest rates in each maturity range as of September 30, 2023 March 31, 2024 (in thousands):

| | After 1 Year Through 5 Years | | After 5 Years Through 15 Years | | After 15 Years | |
|---|---|---|---|---|---|---|
| One Year | Fixed | Floating | Fixed | Floating | Fixed | Floating |

| | After 1 Year Through 5 Years | | After 5 Years Through 15 Years | | Af |
|---|---|---|---|---|---|
| One Year | Fixed | Floating | Fixed | Floating | Fixed |

| | or Less | Rate | Rate | Rate | Rate | Rate | Rate | Total | or Less | Rate | Rate | Rate | Rate | Rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Loans secured by real estate: | | | | | | | | | | | | | | |
| Commercial real estate - owner occupied | $ 27,431 | $111,535 | $ 20,049 | $101,970 | $103,185 | $ 2,293 | $ 65,377 | $ 431,840 | $ 28,367 | $ 98,008 | $ 21,025 | $125,452 | $124,009 | $ 2,24 |
| Commercial real estate - non-owner occupied | 17,328 | 192,171 | 39,581 | 62,609 | 67,710 | 1,374 | 196,108 | 576,881 | 43,616 | 209,772 | 28,511 | 53,674 | 65,594 | 11,05 |
| Secured by farmland | 1,544 | 853 | 288 | 223 | 864 | — | 1,310 | 5,082 | 1,224 | 762 | 154 | 114 | 812 | - |
| Construction and land development | 123,815 | 24,637 | 15,430 | 748 | 5,068 | 677 | 1,630 | 172,005 | 91,883 | 19,780 | 20,302 | 2,604 | 6,289 | 66 |
| Residential 1-4 family | 17,545 | 44,730 | 8,239 | 28,556 | 53,692 | 71,436 | 376,191 | 600,389 | 20,207 | 41,321 | 8,599 | 26,364 | 53,003 | 70,28 |
| Multi- family residential | 9,391 | 61,921 | 11,709 | 1,351 | 18,422 | — | 26,792 | 129,586 | 9,167 | 68,731 | 6,240 | — | 18,127 | - |
| Home equity lines of credit | 6,322 | 3,294 | 9,929 | 49 | 2,250 | 30 | 38,122 | 59,996 | 5,111 | 3,263 | 8,184 | 64 | 1,728 | 1 |
| Total real estate loans | 203,376 | 439,141 | 105,225 | 195,506 | 251,191 | 75,810 | 705,530 | 1,975,779 | 199,575 | 441,637 | 93,015 | 208,272 | 269,562 | 84,26 |
| Commercial loans | 110,201 | 114,276 | 136,474 | 178,077 | 49,586 | 1,120 | 2,794 | 592,528 | 89,009 | 131,231 | 113,597 | 237,189 | 49,018 | 1,10 |
| Paycheck protection program loans | 24 | 1,887 | — | 194 | — | — | — | 2,105 | 25 | 1,790 | — | 188 | — | - |
| Consumer loans | 3,800 | 265,179 | 111,417 | 87,371 | 99,567 | 2,106 | 23 | 569,463 | 3,491 | 288,857 | 143,276 | 82,444 | 100,602 | 2,06 |
| Total Non-PCD loans | 317,401 | 820,483 | 353,116 | 461,148 | 400,344 | 79,036 | 708,347 | 3,139,875 | 292,100 | 863,515 | 349,888 | 528,093 | 419,182 | 87,43 |
| PCD loans | 3,036 | 1,320 | — | — | 1,241 | 395 | - | 5,992 | 2,730 | 1,222 | 42 | — | 1,214 | 39 |
| Total loans | $320,437 | $821,803 | $353,116 | $461,148 | $401,585 | $79,431 | $708,347 | $3,145,867 | $294,830 | $864,737 | $349,930 | $528,093 | $420,396 | $87,82 |

The following table sets forth the contractual maturity ranges of our Consumer Program loan portfolio as of March 31, 2024, which is only originated at fixed rates (in thousands):

| | One Year or Less | After One Year to Five Years | After Five Through Ten Years | After Ten Years | Total |
|---|---|---|---|---|---|
| Consumer Program Loans | $ 10 | $ 141,367 | $ 49,678 | $ 14,030 | $ 205,085 |

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

| | Amount ending No Interest Promo Period in next 12 months | Amount ending No Interest Promo Period in next 13-24 months | Total Interest Promo as of 3/31/24 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Consumer Program Loans | $ 68,371 | $ 22,461 | $ 90,832 |

During the three months ended March 31, 2024, $5.6 million of loans paid off during the no interest promo period and $4.8 million of loans ended their no interest promo period and began to amortize.



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**Asset Quality Quality; Past Due Loans and Nonperforming Assets**

While the financial impact The following table presents a comparison of COVID-19 largely subsided in 2023, the residual effect nonperforming assets as of COVID-19 March 31, 2024 and its variants, as well as new risks emerging from geopolitical conflict, inflation, bank failures and the threat of a recession continue to cause economic instability. Despite this economic uncertainty, our asset December 31, 2023 (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Nonaccrual loans | $ 10,139 | $ 9,095 |
| Loans past due 90 days and accruing interest | 1,714 | 1,714 |
| Total nonperforming assets | 11,853 | 10,809 |
| SBA guaranteed amounts included in nonperforming loans | $ 3,095 | $ 3,115 |
| Allowance for credit losses to total loans | 1.66 % | 1.62 % |
| Allowance for credit losses to nonaccrual loans | 527.22 % | 574.06 % |
| Allowance for credit losses to nonperforming loans | 451.00 % | 483.04 % |
| Nonaccrual to total loans | 0.32 % | 0.28 % |
| Nonperforming assets excluding SBA guaranteed loans to total assets | 0.23 % | 0.20 % |

Asset quality remained strong relatively stable during 2023 and improved from December 31, 2022. the first quarter of 2024 as noted in the table above. We will generally place a loan on nonaccrual status when it becomes 90 days past due. Loans will also be placed on nonaccrual status in cases where we are uncertain whether the borrower can satisfy the contractual terms of the loan agreement. Cash payments received while a loan is categorized as nonaccrual will be recorded as a reduction of principal as long as doubt exists as to future collections.

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

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

Total calculated reserves increased We originate a portion of our consumer loans (the Consumer Program) using a third party that sources and subsequently manages the portfolio of loans. As of March 31, 2024, the principal balance outstanding was $205.1 million. These loans are accounted for similar to our other consumer loans and are not placed on nonaccrual because they are charged off when they become 90 days past due. The allowance on this portfolio of loans was $23.0 million as of March 31, 2024 and represented 43% of our total allowance for credit losses. Net charge-offs on this portfolio were $4.3 million and $1.9 million during the three months ended March 31, 2024 and 2023, respectively, and represented approximately 82% and 47%, respectively, of net charge-offs recorded during the periods.

The Company tightened its origination criteria in regard to this portfolio in April of 2023 and from that point forward we generally originated loans to consumer borrowers being managed by $1.2 million the third party with FICO scores over 720, whereas prior periods loan production included approximately 40% of loans to $35.7 million at borrowers with weaker credit scores. This older vintage lower credit score portion of the end portfolio has driven the uptick in related charge-offs during 2023 which continued into the first quarter of September 30, 2023 compared to $34.5 million at December 31, 2022, driven by growth 2024 and necessitated the update of the Company's expected loss rates on this portfolio for purposes of determining the allowance for credit losses as discussed in the third-party managed loan Provision for Credit Losses section of this MD&A. The newer production represented approximately 29% of the portfolio at March 31, 2024 and is expected to improve the quality mix of the portfolio and secondarily due to the $199.2 million result in overall loan growth experienced lower realized net charge-offs in 2023. future periods.

The following table presents a comparison of nonperforming assets as of September 30, 2023 and December 31, 2022 (in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Nonaccrual loans | $ 20,171 | $ 35,484 |
| Loans past due 90 days and accruing interest | 1,714 | 3,361 |
| Total nonperforming assets | 21,885 | 38,845 |
| SBA guaranteed amounts included in nonperforming loans | $ 2,290 | $ 3,969 |
| Allowance for credit losses to total loans | 1.14 % | 1.17 % |
| Allowance for credit losses to nonaccrual loans | 177.32 % | 97.35 % |
| Allowance for credit losses to nonperforming loans | 163.44 % | 88.93 % |
| Nonaccrual to total loans | 0.64 % | 1.20 % |
| Nonperforming assets excluding SBA guaranteed loans to total assets | 0.51 % | 0.98 % |

Nonaccrual loans decreased 43% to $20.2 million (excluding $0.6 million of loans fully covered by SBA guarantees) as of September 30, 2023, compared to $35.5 million (excluding $0.6 million of loans fully covered by SBA guarantees) as of December 31, 2022. Included in the Bank's nonperforming assets is one remaining assisted living problem credit outstanding as of September 30, 2023 related to the relationship discussed in previous quarters and with a book balance of $13.1 million. This credit was resolved in early October 2023, bringing pro forma nonperforming assets to $6.5 million as of September 30, 2023.

As of September 30, 2023, our total substandard loans were $28.8 million, compared to $41.0 million at December 31, 2022, a 30% decline. Included in the total substandard loans were SBA guarantees of $0.8 million in both periods. Special mention loans totaled $33.3 million as of September 30, 2023 and $32.3 million as of December 31, 2022.



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For the quarter ended September 30, 2023, on an amortized cost basis, three other consumer loans totaling $0.3 million were modified to borrowers experiencing financial difficulty. This represents 0.10% of the other consumer loan portfolio.

Two of the loans, totaling $0.2 million in amortized cost, were to one borrower and received payment deferrals for three months, with principal and interest payments resuming August 2023. Total contractual payments for these loans for the quarter, prior to modification, would have been approximately $11 thousand. Both loans are current on principal and interest following the deferral period.

The third other consumer loan modified to a borrower experiencing financial difficulty, had an amortized cost of $0.1 million and the Company reduced monthly payments on the loan for the remaining 84-month term with no change to the original rate or maturity. The contractual payments for the quarter would have totaled approximately $9 thousand if the modification had not been provided. The loan is paying as agreed following the modification.

An existing modification of a 1-4 family residential loan in the first quarter of 2023, with an amortized cost of $0.9 million, resumed contractual payments in August following its payment deferral period and has experienced no payment delinquencies since the deferral period ended. This modification is 0.14% of the 1-4 family residential loan portfolio.

Two loans modified in the second quarter of 2023 from our owner occupied commercial real estate portfolio with an amortized cost balance of $0.4 million are paying as agreed following the modifications. These loans represent 0.10% of the owner occupied commercial real estate portfolio.

**Investment Securities**

Our

The following table sets forth a summary of the investment securities portfolio provides us with required liquidity and collateral to pledge secure public deposits, certain other deposits, advances from as of the FHLB of Atlanta, and repurchase agreements.

We classify our dates indicated. Available-for-sale investment securities as either are reported at fair value, and held-to-maturity or available-for-sale. investment securities are reported at amortized cost (in thousands).

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Available-for-sale investment securities: | | |
| Residential government-sponsored mortgage-backed securities | $ 93,319 | $ 96,808 |
| Obligations of states and political subdivisions | 29,869 | 30,080 |
| Corporate securities | 13,643 | 14,048 |
| Collateralized loan obligations | 5,008 | 4,982 |
| Residential government-sponsored collateralized mortgage obligations | 41,497 | 34,471 |
| Government-sponsored agency securities | 13,625 | 13,711 |
| Agency commercial mortgage-backed securities | 29,647 | 30,110 |
| SBA pool securities | 4,009 | 4,210 |
| Total | $ 230,617 | $ 228,420 |
| | | |
| Held-to-maturity investment securities: | | |
| Residential government-sponsored mortgage-backed securities | $ 8,714 | $ 9,040 |
| Obligations of states and political subdivisions | 2,067 | 2,391 |
| Residential government-sponsored collateralized mortgage obligations | 211 | 219 |
| Total | $ 10,992 | $ 11,650 |

Debt investment securities that Primis has we have the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at amortized cost. Investment securities classified as available-for-sale are those debt securities that may be sold in response to changes in interest rates, liquidity needs or other similar factors. Investment securities available-for-sale are carried at fair value, with unrealized gains or losses net of deferred taxes, included in accumulated other comprehensive income (loss) in stockholders' equity. Our portfolio of available-for-sale securities currently contains a material amount of unrealized mark-to-market adjustments due to increases in market interest rates since the original purchase of many of these securities. We have the intention intend to hold these securities until maturity or recovery of the value and do not anticipate realizing any losses on the investments.

Investment securities, available-for-sale and held-to-maturity, totaled $228.9 million $241.6 million as of September 30, 2023 March 31, 2024, a decrease an increase of 8% 0.6% from $249.8 million $240.1 million as of December 31, 2022 December 31, 2023, primarily due to purchases of available-for-sale securities, partially offset by paydowns, maturities, and calls of the investments over the past nine three months.

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

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Available-for-sale investment securities: | | |
| Residential government-sponsored mortgage-backed securities | $ 93,865 | $ 102,881 |
| Obligations of states and political subdivisions | 28,312 | 29,178 |
| Corporate securities | 13,314 | 14,828 |
| Collateralized loan obligations | 4,955 | 4,876 |
| Residential government-sponsored collateralized mortgage obligations | 29,745 | 26,595 |
| Government-sponsored agency securities | 12,968 | 14,616 |
| Agency commercial mortgage-backed securities | 29,280 | 37,417 |
| SBA pool securities | 4,436 | 5,924 |
| Total | $ 216,875 | $ 236,315 |
| | | |
| Held-to-maturity investment securities: | | |
| Residential government-sponsored mortgage-backed securities | $ 9,357 | $ 10,522 |
| Obligations of states and political subdivisions | 2,390 | 2,721 |
| Residential government-sponsored collateralized mortgage obligations | 228 | 277 |
| Total | $ 11,975 | $ 13,520 |

We recognized an immaterial amount of credit impairment charges related to credit losses on our held-to-maturity investment securities during the three and nine months ended September 30, 2023 and no March 31, 2023. No credit losses impairment charges were taken during the three and nine months ended September 30, 2022 March 31, 2024.

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

**Deposits and Other Borrowings**

*Deposits*

The market for deposits is competitive. We offer a line of traditional deposit products that currently include noninterest-bearing and interest-bearing checking (or NOW accounts), commercial checking, money market accounts, savings accounts and certificates of deposit. We compete for deposits through our banking branches with competitive pricing, as well as nationally through advertising and online banking. We use deposits as a principal source of funding for our lending, purchasing of investment securities and for other business purposes.

Total deposits increased 21% to $3.29 billion as 45

Table of September 30, 2023 from $2.72 billion as of December 31, 2022. The increase in deposits from year-end was primarily driven by the substantial growth in the Bank’s digital deposit platform in 2023. The majority of the overall deposit growth was in savings accounts with the remainder largely in NOW accounts (both largely coming from the digital platform). Savings accounts increased 204% from $245.7 million as of December 31, 2022 to $746.6 million as of September 30, 2023. NOW accounts increased 30% from $617.7 million as of December 31, 2022 to $803.3 million as of September 30, 2023. Our deposits are diversified in type and by underlying customer and lack significant concentrations to any type of customer (i.e. commercial, consumer, government) or industry. Contents

Uninsured deposits are defined as the portion of deposit accounts in U.S. offices that exceed the FDIC insurance limit and amounts in any other uninsured investment or deposit account that are classified as deposits and are not subject to any federal or state deposit insurance regimes. Total uninsured deposits as calculated per regulatory guidance were $1.11 billion, or 34% of total deposits, at September 30, 2023. Liquidity sources represent almost 185% of uninsured or unsecured deposits, up substantially from December 31, 2022.

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

Total deposits were $3.3 billion as of March 31, 2024, a 1% increase from December 31, 2023. The increase in deposits from year end was primarily driven by growth in money market and savings accounts due to our competitive rates on these products. Savings accounts increased 5% from $783.8 million as of December 31, 2023 to $823.3 million as of March 31, 2024. Money market accounts also increased 5% from $794.5 million as of December 31, 2023 to $834.5 million as of March 31, 2024. Our deposits are diversified in type and by underlying customer and lack significant concentrations to any type of customer (i.e. commercial, consumer, government) or industry.

Uninsured deposits are defined as the portion of deposit accounts in U.S. offices that exceed the FDIC insurance limit and amounts in any other uninsured investment or deposit account that are classified as deposits and are not subject to any federal or state deposit insurance regimes. Total uninsured deposits as calculated per regulatory guidance were $1.1 billion, or 34% of total deposits, at March 31, 2024.

*Other Borrowings*

We use other borrowed funds to support our liquidity needs and to temporarily satisfy our funding needs from increased loan demand and for other shorter term purposes. We are a member of the FHLB and are authorized to obtain advances from the FHLB from time to time as needed. The FHLB has a credit program for members with different maturities and interest rates, which may be fixed or variable. We are required to collateralize our borrowings from the FHLB with purchases of FHLB stock and other collateral acceptable to the FHLB. As of March 31, 2024 and December 31, 2023, total FHLB borrowings were $25.0 million and $30.0 million, respectively. The decrease in FHLB borrowings was a result of the deposit growth during the first quarter of 2024 that primarily funded our loan growth and supported other funding needs. As of March 31, 2024, we had $478.5 million of unused and available FHLB lines of credit.

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

We had secured borrowings of $21.3 million and $20.4 million as of March 31, 2024 and December 31, 2023, respectively, related to loan transfers to another financial institution during 2023 that did not meet the criteria to be treated as a sale under relevant accounting guidance. These borrowings reflect the cash received for transferring the loans to the other financial institution and any unamortized sale premium and are secured by approximately the same amount of loans held for investment that are recorded in our balance sheet. We retained the servicing of the loans that were transferred and accordingly receive principal and interest from the borrower as contractually required and transfer the interest to the other financial institution net of our contractually agreed upon servicing fee. The loans transferred have an average maturity of approximately ten years which will be the time over which the principal balance of the loans in our balance sheet and secured borrowings will pay down, absent borrower prepayments. During the three months ended March 31, 2024, additional advances were made to borrowers under the loans previously transferred in 2023 and were accordingly treated as additional secured borrowings as of March 31, 2024. For additional information on secured borrowings refer to "Note 1 –Accounting Policies" in this Form 10-Q.



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**Junior Subordinated Debt and Senior Subordinated Notes**

For our deposit agreements with certain customers, we hold the collateral information about junior subordinated debt and senior subordinated notes and their anticipated principal repayments refer to "Note 7 –Debt and Other Borrowings" in a segregated custodial account. We are required to maintain adequate collateral levels. In the event the collateral fair value falls below stipulated levels, we will pledge additional securities. We closely monitor collateral levels to ensure adequate levels are maintained, while mitigating the potential risk of over-collateralization. this Form 10-Q.

**Liquidity and Funds Management**

The objective of our liquidity management is to ensure the ability to meet our financial obligations. These obligations include the payment of deposits on demand or at maturity, the repayment of borrowings at maturity and the ability to fund commitments and other new business opportunities. We obtain funding from a variety of sources, including customer deposit accounts, customer certificates of deposit and payments on our loans and investments. If our level of core deposits are not sufficient to fully fund our lending activities, we have access to funding from additional sources, including but not limited to borrowing from the Federal Home Loan Bank of Atlanta and institutional certificates of deposits. In addition, we maintain federal funds lines of credit with two correspondent banks, totaling $75 million, and utilize securities sold under agreements to repurchase ("repo") and reverse repurchase agreement borrowings from approved securities dealers as needed. For additional information about borrowings and anticipated principal repayments refer to "Note 7 –Debt and Other Borrowings" and "Note 9 – Commitments and Contingencies" in this Form 10-Q.

We prepare a cash flow forecast on a 30, 60 and 90 day basis along with a one and two year basis. These projections incorporate expected cash flows on loans, investment securities, and deposits based on data used to prepare our interest rate risk analyses.

As of September 30, 2023, we had substantial liquidity on the balance sheet with cash and equivalents of $93.9 million versus $77.9 million as of December 31, 2022 largely due to the growth in digital platform deposits described above.

As of September 30, 2023 and December 31, 2022, we had pledged callable agency securities, residential government-sponsored mortgage-backed securities and collateralized mortgage obligations with a carrying value of $6.4 million and $14.2 million, respectively, to customers who require collateral for overnight repurchase agreements and deposits.

The balance in repo accounts as of September 30, 2023 and December 31, 2022 was $3.8 million and $6.5 million, respectively.

We repaid our short-term FHLB advances of $325.0 million that were outstanding as of December 31, 2022 and matured in the first quarter of 2023. As a result, we have all of our FHLB capacity available for future liquidity needs. As of September 30, 2023, Primis Bank had lendable collateral value in the form of residential 1-4 family mortgages, HELOCs, commercial mortgage loans, and investment securities supporting borrowing capacity of approximately $558.9 million from the FHLB.

In June 2023, the Bank began participating in the Federal Reserve discount window borrowing program. As of September 30, 2023, the Bank had borrowing capacity of $548.9 million within the program. Since we began participating we have not utilized any of our available capacity.

In March 2023, the Federal Reserve established the Bank Term Funding Program ("BTFP") in response to recent industry disruption, offering loans with up to one year in maturity to eligible depository institutions in exchange for pledged collateral in the form of U.S. Treasuries, agency debt and mortgage-backed securities and other qualifying assets. Borrowing capacity under the BTFP is based on the par value, not fair value, of the collateral. As of September 30, 2023, we had securities available of $133.8 million for utilization with the BTFP, with no borrowings outstanding under the program as of September 30, 2023.

The Bank also utilizes institutional and brokered certificates of deposit to supplement customer funding. As of September 30, 2023, we had $75.0 million of brokered deposits outstanding, which are schedule to mature in the fourth quarter of 2023. We had remaining brokered CD capacity under internal policy of approximately $321.0 million.

As of September 30, 2023, we had $467.3 million of unfunded lines of credit and undisbursed construction loan funds, not all of which will ultimately be drawn. The amount of certificate of deposit accounts maturing in less than one year was



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$394.7 million as of September 30, 2023, including $75.0 million of brokered CDs as discussed above. Management anticipates that funding requirements for these commitments can be met in the normal course of our operations.

As of September 30, 2023 March 31, 2024, Primis was not aware of any known trends, events or uncertainties that have or are reasonably likely to have a material impact on our liquidity. As of September 30, 2023 March 31, 2024, Primis has no material commitments or long-term debt for capital expenditures.

**Stockholder's equity**

Stockholder's equity balances decreased $4.6 million from December 31, 2022 to September 30, 2023 as a result of an increase in unrealized mark-to-market adjustments on the Company's available-for-sale securities portfolio due to increases in market interest rates during the nine months ended September 30, 2023 and dividends on common stock exceeding earnings in the period. The Company has the intent and ability to hold the available-for-sale securities that are currently in an unrealized loss position until maturity or recovery of the value and does not anticipate realizing any losses on the investments.

**Capital Resources**

Capital management consists of providing equity to support both current and future operations. Primis Financial Corp. and its subsidiary, Primis Bank, are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action ("PCA"), we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the most recent regulatory notifications categorized the Bank as well capitalized under regulatory framework for PCA. Federal banking agencies do not provide a similar well capitalized threshold for bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require Primis us to maintain minimum amounts and ratios of Total and Tier I capital (as defined in the regulations) to average assets (as defined). Management believes, as of September 30, 2023 March 31, 2024, that Primis meets all capital adequacy requirements to which it is subject.



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The following table provides a comparison of the leverage and risk-weighted capital ratios of Primis Financial Corp. and Primis Bank at the periods indicated to the minimum and well-capitalized required regulatory standards. These ratios were not impacted by the goodwill impairment charge incurred during the period because goodwill is not a component of the calculations: standards:

| Minimum Required for Capital | To Be | Actual Ratio at | Minimum Required for Capital | To Be | Actual Ratio at |
|---|---|---|---|---|---|

| | Adequacy Purposes | Categorized as Well Capitalized (1) | September 30, 2023 | December 31, 2022 | Adequacy Purposes | Categorized as Well Capitalized (1) | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|---|---|---|---|
| **Primis Financial Corp.** | | | | | | | | |
| Leverage ratio | 4.00 % | n/a | 8.78 % | 9.68 % | 4.00 % | n/a | 8.38 % | 8.37 % |
| Common equity tier 1 capital ratio | 4.50 % | n/a | 9.64 % | 10.30 % | 4.50 % | n/a | 8.98 % | 8.96 % |
| Tier 1 risk-based capital ratio | 6.00 % | n/a | 9.94 % | 10.63 % | 6.00 % | n/a | 9.27 % | 9.25 % |
| Total risk-based capital ratio | 8.00 % | n/a | 13.37 % | 14.57 % | 8.00 % | n/a | 12.62 % | 13.44 % |
| | | | | | | | | |
| **Primis Bank** | | | | | | | | |
| Leverage ratio | 4.00 % | 5.00 % | 10.60 % | 11.39 % | 4.00 % | 5.00 % | 9.91 % | 9.80 % |
| Common equity tier 1 capital ratio | 7.00 % | 6.50 % | 12.27 % | 12.64 % | 7.00 % | 6.50 % | 11.09 % | 10.88 % |
| Tier 1 risk-based capital ratio | 8.50 % | 8.00 % | 12.27 % | 12.64 % | 8.50 % | 8.00 % | 11.09 % | 10.88 % |
| Total risk-based capital ratio | 10.50 % | 10.00 % | 13.42 % | 13.84 % | 10.50 % | 10.00 % | 12.35 % | 12.12 % |



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

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

Primis Financial Corp. and Primis Bank remain well-capitalized under Basel III capital requirements. Primis Bank had a capital conservation buffer of 5.22%4.35% as of September 30, 2023March 31, 2024, which exceeded the 2.50% minimum requirement below which the regulators may impose limits on distributions.

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

**CRITICAL ACCOUNTING POLICIES**

The critical accounting policies are discussed in MD&A in our Annual Report on Form 10-K for the year ended December 31, 2022December 31, 2023. Significant accounting policies and changes in accounting principles and effects of new accounting pronouncements are discussed in "Note 1.1 - Organization and Significant Accounting Policies" in the Form 10-K for the year ended December 31, 2022December 31, 2023. Disclosures regarding changes in our significant accounting policies since year end and the effects of new accounting pronouncements are included in "Note 1.1 - Accounting Policies" in this Form 10-Q.

As required under U.S. GAAP, we test goodwill for impairment at least annually and more frequently if there are indications that goodwill could be impaired. Our annual goodwill impairment testing date is September 30 and accordingly, we performed testing as of September 30, 2023 of our two reporting units that include goodwill. For our assessment of goodwill as of September 30, 2023, we performed a step one quantitative assessment to determine if the fair value of the Primis Bank reporting unit and the Primis Mortgage reporting units were less than their carrying amount. As part of the testing, we engaged an independent valuation firm to quantitatively estimate the fair value of each reporting unit so that it could be compared There have been no changes to the carrying value in assisting us in determining if impairment existed. The results of the quantitative assessment of the Primis Mortgage reporting unit indicated that its fair value was in excess of its carrying value, thus no goodwill impairment was necessary.

Our assessment of the Primis Bank reporting unit included the use of three approaches, each receiving various weightings to determine an ultimate fair value estimate: (1) the comparable transactions method that is based on comparison to pricing ratios recently paid in the sale or merger of comparable banking institutions; (2) the public market peers control premium approach that is based on market pricing ratios of public banking companies adjusted for an industry based control premium, and (3) a discounted cash flow method (an income method), taking into consideration expectations of the Company's growth and profitability going forward. The assessment included use of various assumptions and inputs into the modeling approaches, including creating a baseline and conservative scenarios that stressed certain assumptions such as projected cash flows and the discount rate. We considered the modeled results of each scenario and in light of the sustained depressed stock price significant accounting policies during the third quarter compared to our book value we determined it was reasonable to leverage the results first three months of a scenario that utilized more stressed inputs and assumptions. Ultimately, the result of the quantitative assessment indicated the Primis Bank reporting unit's book value was more than its estimated fair value. Accordingly, we took an impairment charge to Primis Bank's goodwill of $11.2 million during the three and nine months ended September 30, 2023

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the goodwill impairment testing as of September 30, 2023 will prove to be an accurate prediction of the future. Changes in assumptions, market data (for market-based assessments), or the discount rate (for income based assessments) could produce different results that lead to higher or lower fair value determinations compared to the results of our annual impairment testing performed as of September 30, 2023. Further, because the use of inputs and assumptions are highly judgmental an analysis



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performed to assess the fair value of our reporting units by others may results in higher, lower, or the same fair value determination and goodwill impairment decision through the use of their judgment in application of similar inputs and assumptions as we used.

2024.

**ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are engaged primarily in the business of investing funds obtained from deposits and borrowings into interest-earning loans and investments. Consequently, our earnings depend to a significant extent on our net interest income, which is the difference between the interest income on loans and other investments and the interest expense on deposits and borrowings. To the extent that our interest-bearing liabilities do not reprice or mature at the same time as our interest-earning assets, we are subject to interest rate risk and corresponding fluctuations in net interest income. Our Asset-Liability Committee ("ALCO") meets regularly and is responsible for reviewing our interest rate sensitivity position and establishing policies to monitor and limit exposure to interest rate risk. The policies established by the ALCO are reviewed and approved by our Board of Directors. We have employed asset/liability management policies that seek to manage our net interest income, without having to incur unacceptable levels of credit or investment risk.



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

The following tables are based Based on an analysis of our interest rate risk as measured by the estimated change in EVE resulting from instantaneous and sustained parallel shifts in the yield curve (plus 400 basis points or minus 100 basis points, measured in 100 basis point increments) as of September 30, 2023 March 31, 2024 and December 31, 2022. All December 31, 2023, all changes are within our Asset/Liability Risk Management Policy guidelines.

| | Sensitivity of Economic Value of Equity As of September 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Economic Value of Equity | | | Economic Value of Equity as a % of | |
| Change in Interest Rates in Basis Points (Rate Shock) | Amount | $ Change From Base | % Change From Base | Total Assets | Equity Book Value |
| | (dollar amounts in thousands) | | | | |
| Up 400 | $ 520,349 | $ (62,585) | (10.74)% | 13.64 % | 135.91 % |
| Up 300 | 532,343 | (50,591) | (8.68)% | 13.96 % | 139.04 % |
| Up 200 | 544,038 | (38,896) | (6.67)% | 14.27 % | 142.10 % |
| Up 100 | 570,057 | (12,877) | (2.21)% | 14.95 % | 148.89 % |
| Base | 582,934 | — | — % | 15.28 % | 152.26 % |
| Down 100 | 583,336 | 402 | 0.07 % | 15.30 % | 152.36 % |
| Down 200 | 567,995 | (14,939) | (2.56)% | 14.89 % | 148.35 % |



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| | Sensitivity of Economic Value of Equity As of December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Economic Value of Equity | | | Economic Value of Equity as a % of | |
| Change in Interest Rates in Basis Points (Rate Shock) | Amount | $ Change From Base | % Change From Base | Total Assets | Equity Book Value |

| | | | | | |
|---|---|---|---|---|---|
| | (dollar amounts in thousands) | | | | |
| Up 400 | $481,135 | $ (63,410) | (11.64)% | 14.12 % | 116.81 % |
| Up 300 | 496,136 | (48,409) | (8.89)% | 14.56 % | 120.46 % |
| Up 200 | 510,807 | (33,738) | (6.20)% | 14.99 % | 124.02 % |
| Up 100 | 534,163 | (10,382) | (1.91)% | 15.68 % | 129.69 % |
| Base | 544,545 | — | — % | 15.98 % | 132.21 % |
| Down 100 | 539,297 | (5,248) | (0.96)% | 15.83 % | 130.94 % |
| Down 200 | 513,948 | (30,597) | (5.62)% | 14.40 % | 130.99 % |

Our interest rate sensitivity is also monitored by management through the use of a model that generates estimates of the change in the net interest income ("NII") over a range of interest rate scenarios. NII depends upon the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them. In this regard, the model assumes that the composition of our interest sensitive assets and liabilities existing as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. All changes are within our ALM Policy guidelines as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

| | Sensitivity of Net Interest Income As of September 30, 2023 | |
|---|---|---|
| | Adjusted Net Interest Income | |
| Change in Interest Rates in Basis Points (Rate Shock) | Amount | $ Change From Base |
| | (dollar amounts in thousands) | |
| Up 400 | $ 104,691 | $ (14,577) |
| Up 300 | 107,573 | (11,695) |
| Up 200 | 110,454 | (8,814) |
| Up 100 | 115,369 | (3,899) |
| Base | 119,268 | — |
| Down 100 | 121,676 | 2,408 |
| Down 200 | 122,186 | 2,918 |

| | Sensitivity of Net Interest Income As of December 31, 2022 | |
|---|---|---|
| | Adjusted Net Interest Income | |
| Change in Interest Rates in Basis Points (Rate Shock) | Amount | $ Change From Base |
| | (dollar amounts in thousands) | |
| Up 400 | $ 108,514 | $ (12,447) |
| Up 300 | 111,127 | (9,834) |
| Up 200 | 113,730 | (7,231) |
| Up 100 | 117,811 | (3,150) |
| Base | 120,961 | — |
| Down 100 | 122,070 | 1,109 |
| Down 200 | 120,687 | (274) |

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

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**ITEM 4 – CONTROLS AND PROCEDURES**

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

As of the end of the period covered by this quarterly report on Form 10-Q, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d -15(e) under the Securities Exchange Act of 1934) utilizing the framework established in “Internal Control – Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are not effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Disclosure This conclusion was reached as a result of the continued remediation of previously identified material weaknesses in its internal controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us over financial reporting as further described in Item 9A in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. 2023 Annual Report on Form 10-K.

*(b) Changes in Internal Control over Financial Reporting*. As a result of the acquisition of Primis Mortgage, the Company is continuously working to integrate Primis Mortgage into its internal control over financial reporting process. There were no changes in our internal controls over financial reporting that occurred during the three and nine months ended September 30, 2023 March 31, 2024 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. During the three months ended March 31, 2024, the Company continued to remediate the material weaknesses in its internal control over financial reporting as previously identified and disclosed in Item 9A. in the 2023 Annual Report on Form 10-K. While management believes it has put effective controls in place to remediate the previously identified material weaknesses, the controls have not been operating for a sufficient amount of time to conclude that the material weakness has been fully remediated. The Company will continue to operate and test the new controls until it believes they have been operating effectively for a sufficient amount of time. The Company anticipates the material weaknesses to be fully remediated as soon as possible.



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**PART II - OTHER INFORMATION**

**ITEM 1 – LEGAL PROCEEDINGS**

Primis and Primis Bank are from time to time a party, as both plaintiff and defendant, to various claims and proceedings arising in the ordinary course of the Bank's business, including administrative and/or legal proceedings that may include employment-related claims, as well as claims of lender liability, breach of contract, and other similar lending-related claims. While the ultimate resolution of these matters cannot be determined at this time, the Bank's management presently believes that such matters, individually and in the aggregate, will not have a material adverse effect on the Bank's financial condition or results of operations. There are no proceedings pending, or to management's knowledge, threatened, that represent a significant risk against Primis or Primis Bank as of September 30, 2023 March 31, 2024.

**ITEM 1A – RISK FACTORS**

In addition to the other information set forth in this Report, in evaluating an investment in the Company's securities, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A of our 2022 2023 Form 10-K, and as disclosed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, which could materially affect the Company's business, financial position, results of operations, cash flows, or future results. Please be aware that these risks may change over time and other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our business, financial condition or results of operations, or the trading price of our securities.

There are no material changes during the period covered by this Report to the risk factors previously disclosed in our 2022 2023 Form 10-K or our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023. 10-K.

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

Not applicable.



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**ITEM 3 – DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4 – MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5 – OTHER INFORMATION**

Pursuant to Item 408(a) of Regulation S-K, none of the Company's directors or executive officers adopted, terminated or modified a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the three months ended September 30, 2023 March 31, 2024.



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**ITEM 6 - EXHIBITS**

(a) Exhibits.

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



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| | |
|---|---|
| 101 | The following materials from Primis Financial Corp. Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline XBRL (Extensible Business Reporting Language), filed herewith: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (unaudited), (iii) Consolidated Statement of Changes in Stockholders' Equity (unaudited), (iv) Consolidated Statements of Cash Flows (unaudited), and (v) Notes to Consolidated Financial Statements (unaudited). |

| | |
|---|---|
| 104 | The cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document). |

\+ Management contract or compensatory plan or arrangement

* Filed with this Quarterly Report on Form 10-Q

** Furnished with this Quarterly Report on Form 10-Q



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**Signatures**

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

**Primis Financial Corp.**

(Registrant)

| | |
|---|---|
| November 9, 2023 October 25, 2024 | /s/ Dennis J. Zember, Jr. |
| (Date) | Dennis J. Zember, Jr. |
| | President and Chief Executive Officer |
| November 9, 2023 October 25, 2024 | /s/ Matthew Switzer |
| (Date) | Matthew Switzer |
| | Executive Vice President and Chief Financial Officer |



**Exhibit 31.1**

**CERTIFICATIONS**

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

1. I have reviewed this report on Form 10-Q of Primis Financial Corp.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2023 October 25, 2024

/s/ Dennis J. Zember
Dennis J. Zember, Jr.
President and Chief Executive Officer

v>

**Exhibit 31.2**

**CERTIFICATIONS**

I, Matthew Switzer, certify that:

1. I have reviewed this report on Form 10-Q of Primis Financial Corp.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2023 October 25, 2024

/s/ Matthew Switzer
Matthew Switzer
Executive Vice President and Chief Financial Officer

**Exhibit 32.1**

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

In connection with the Quarterly Report of Primis Financial Corp. ("Primis") on Form 10-Q for the period ending September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of Primis hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on their knowledge and belief: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Primis as of and for the periods covered in the Report.

/s/ Dennis J. Zember, Jr.

Dennis J. Zember, Jr.
President and Chief Executive Officer

/s/ Matthew Switzer

Matthew Switzer
Executive Vice President and Chief Financial Officer

October 25, 2024

November 9, 2023

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