UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024

or

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

For the transition period from________to________
Commission file number: 001-38647

FVCBankcorp, Inc.

(Exact name of registrant as specified in its charter)

Virginia	**47-5020283**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11325 Random Hills Road, Suite 240 Fairfax, Virginia	**22030**
(Address of principal executive offices)	(Zip Code)

(703) 436-3800
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of June 30, 2024: $180,012,422.

The number of shares outstanding of Common Stock, as of March 20, 2025, was 18,380,848.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2025 Annual Meeting of Shareholders are incorporated by reference into Part III of the Form 10-K. With the exception of the portions of the Proxy Statement specifically incorporated herein by reference, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, as well as other periodic reports filed with the U.S. Securities and Exchange Commission ("SEC"), and written or oral communications made from time to time by or on behalf of FVCBankcorp, Inc. and its subsidiary ("Company"), may contain statements relating to future events or future results of the Company that are considered "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent plans, estimates, objectives, goals, guidelines, expectations, intentions, projections and statements of our beliefs concerning future events, business plans, objectives, expected operating results and the assumptions upon which those statements are based. Forward-looking statements include without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and are typically identified with words such as "may," "could," "should," "will," "would," "believe," "anticipate," "estimate," "expect," "aim," "intend," "plan," or words or phases of similar meaning. We caution that the forward-looking statements are based largely on our expectations and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors which are, in many instances, beyond our control. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements.

The following factors, among others, could cause our financial performance to differ materially from that expressed in such forward-looking statements:

- general business and economic conditions, including higher inflation and its impacts, nationally or in the markets that we serve could adversely affect, among other things, real estate valuations, unemployment levels, the ability of businesses to remain viable, consumer and business confidence, and consumer or business spending, which could lead to decreases in demand for loans, deposits, and other financial services that we provide and increases in loan delinquencies and defaults;

- the concentration of our business in and around the Washington, D.C. metropolitan area and the effects of changes in the economic, political, and environmental conditions on this market, including potential reductions in spending by the U.S. government;

- the impact of the interest rate environment on our business, financial condition and results of operation, and its impact on the composition and costs of deposits, loan demand, and the values and liquidity of loan collateral, securities, and interest sensitive assets and liabilities;

- changes in our liquidity requirements could be adversely affected by changes in our assets and liabilities;

- changes in the assumptions underlying the establishment of reserves for possible credit losses and the possibility that future credit losses may be higher than currently expected;

- the management of risks inherent in our real estate loan portfolio, and the risk of a prolonged downturn in the real estate market, which could impair the value of loan collateral and the ability to sell collateral upon any foreclosure;

- changes in market conditions, specifically declines in the commercial and residential real estate market, volatility and disruption of the capital and credit markets, and soundness of other financial institutions that we do business with;

- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), inflation, interest rate, market and monetary fluctuations;

- Our investment securities portfolio is subject to credit risk, market risk, and liquidity risk as well as changes in the estimates used to value the securities in the portfolio;

- declines in our common stock price or the occurrence of what management would deem to be a triggering event that could, under certain circumstances, cause us to record a noncash impairment charge to earnings in future periods;

- potential exposure to fraud, negligence, computer theft and cyber-crime, and our ability to maintain the security of our data processing and information technology systems;

- the impact of changes in bank regulatory conditions, including laws, regulations and policies concerning capital requirements, deposit insurance premiums, taxes, securities, and the application thereof by regulatory bodies;

- the effect of changes in accounting policies and practices, as may be adopted from time to time by bank regulatory agencies, the SEC, the Public Company Accounting Oversight Board, the Financial Accounting Standards Board ("FASB") or other accounting standards setting bodies;

- competitive pressures among financial services companies, including the timely development of competitive new products and services and the acceptance of these products and services by new and existing customers;

- the effect of acquisitions and partnerships we may make, including, without limitation, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions;

- Our involvement, from time to time, in legal proceedings and examination and remedial actions by regulators;

- geopolitical conditions, including trade restrictions and tariffs, and acts or threats of terrorism, or actions taken by the United States or other governments in response to trade restrictions and tariffs, and acts or threats of terrorism and/or military conflicts, which could impact business and economic conditions in the United States and abroad; and

- the occurrence of significant natural disasters, including severe weather conditions, floods, health related issues or emergencies, and other catastrophic events.

The foregoing factors should not be considered exhaustive and should be read together with other cautionary statements that are included in this Form 10-K, including those discussed in the section entitled "Risk Factors" in Item 1A below. If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained in this Form 10-K. Therefore, the Company cautions you not to place undue reliance on our forward-looking information and statements. We will not update the forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking statements. New risks and uncertainties may emerge from time to time, and it is not possible to predict their occurrence or how they will affect the Company's operations, financial condition or results of operations.

PART I

Item 1. Business

Overview

The Company is a registered bank holding company headquartered in Fairfax, Virginia. We operate primarily through our sole subsidiary, FVCbank (the "Bank"), a community oriented, locally-owned and managed commercial bank organized under the laws of the Commonwealth of Virginia. We serve the banking needs of commercial businesses, nonprofit organizations, professional service entities, and their respective owners and employees located in the greater Washington, D.C. and Baltimore metropolitan areas. The Company was established as the holding company for the Bank in 2015.

Since the Bank began operations in November 2007, it has grown largely organically, through *de novo* branch expansion, banker and customer acquisition, and two whole-bank acquisitions. In 2012, we completed the acquisition of 1st Commonwealth Bank of Virginia ("1st Commonwealth"), a $58.9 million asset savings and loan association in Arlington, Virginia.

On October 12, 2018, we completed our acquisition of Colombo Bank ("Colombo"), which was headquartered in Rockville, Maryland, and which added banking locations in Washington, D.C., and Montgomery County and the City of Baltimore in Maryland.

Our acquisition of Colombo supported our business allowing us to expand our presence in adjacent markets where we lend, but in which we had no physical presence. Our strong infrastructure and wide range of products and services allowed us to develop deeper relationships with Colombo's customers, as well as enhance our platform for generating new relationships.

On August 31, 2021, we announced that the Bank made an investment in Atlantic Coast Mortgage, LLC ("ACM") for $20.4 million to obtain a 28.7% ownership interest in ACM. The Bank provides a warehouse lending facility to ACM, which includes a construction-to-permanent financing line, and has developed portfolio mortgage products to diversify our held to investment loan portfolio.

Market Area

We operate in one of the most economically dynamic and wealthy regions of the Washington and Baltimore Metropolitan Statistical Areas ("MSA"), focusing primarily on the Virginia counties of Arlington, Fairfax, Loudoun and Prince William and the independent cities located within those counties, as well as Washington, D.C. and its Maryland suburbs and Baltimore, Maryland and its surrounding suburbs. As of June 30, 2024, the Washington MSA had total deposits of $291.7 billion and the Baltimore MSA had total deposits of $97.9 billion, based on Federal Deposit Insurance Corporation ("FDIC") data.

Our market area's unemployment rate has generally remained below the national average for the last several years, as the region has the benefit of a highly trained and educated workforce concentrated in government and professional service businesses. These factors, along with the ability of the regional infrastructure to support remote working, have provided a greater amount of resiliency on the overall employment metrics for our market.

In addition to the presence of the federal government, the Washington MSA is defined by attractive market demographics, including strong household incomes, dense populations and the presence of a diverse group of large and small businesses. According to the U.S. Census Bureau, the region is home to four of the top ten most highly educated counties in the nation and four to the top ten most affluent counties, as measured by household income. As of December 31, 2024, the Washington MSA had a median household income of $129.3 thousand, which ranks as sixth highest among all MSAs nationally, and a population of 6.35 million. The Virginia and Maryland localities within the Washington MSA in which we primarily operate have higher median household incomes than the Washington MSA as a whole and have an unemployment rate of 2.8% as of December 31, 2024. The significant presence of national and international businesses make the Washington MSA one of the most economically vibrant and diverse markets in the country. The Washington MSA is currently home to 20 Fortune 500 companies, including eight based in Fairfax County.

The Baltimore MSA also has strong economic factors which enhance our business profile. As of December 31, 2024, the Baltimore MSA had a median household income of $98.0 thousand, which represented 4.0% growth over the previous year. The Baltimore MSA has an unemployment rate of 2.7% as of December 31, 2024. With a population of 2.9 million, the top industries of the Baltimore MSA include healthcare, education, and professional, scientific and technical services.The Baltimore MSA is currently home to four Fortune 500 companies.

The local economies in which we operate that began to strengthen and improve during 2022 post pandemic, showed continued improvement in economic and commercial activity during 2024. This economic improvement resulted in lower unemployment, increased consumer confidence, and increased housing development and housing prices. Our business opportunities in the future may be tempered by higher interest rates, inflation, and contractionary monetary policy. Volatility in global economic markets, continued domestic political turmoil and various episodes of geopolitical unrest continue to provide a degree of uncertainty in financial markets. Aside from these challenges, we continue to be encouraged by the resiliency of the current economic environment and the prospects for continued growth of the Company.

Growth Strategy

Our approach features competitive customized financial services offered to customers and prospects in a personal relationship context by seasoned professionals. We provide a full range of banking services that become integral to our customers' business operations, which helps to enhance our ability to retain our relationships. We offer a better value proposition to our customers by providing high-touch service with few added fees. Our capabilities and reputation enable us to be selective in loan and customer selection, which contributes to our strong asset quality, and our ability to provide multiple services to customers.

We intend to continue expanding our market position through organic growth, through expansion of our relationships with existing customers, acquisition of new customers and acquisition of seasoned bankers with strong customer relationships, through selective branching, and potentially opportunistic acquisitions or other strategic transactions, while increasing profitability, maintaining strong asset quality and a high level of customer service.

Our success has been driven by our mission to help our clients, communities, and employees prosper. We strive to exceed our clients' expectations by delivering superior, personalized client service supported with high quality bank products and services. We invest in the growth of our employees and we give back to the communities in which we do business to foster a brighter future for everyone who lives there. Much of our early growth was the result of the active promotion by our organizing shareholders, our board of directors, our advisory board, and our shareholders as many of the aforementioned are customers. We receive referrals from existing customers and all employees are encouraged to promote the Company. We believe having such a large group of individuals who actively promote the Company has and will continue to augment our ability to generate both deposits and loans through staff and management led marketing and calling campaigns. As we have grown, we have increased our reliance on management originated customer relationships, but believe that our strong network of personal, customer, and shareholder relationships and referrals will continue to be a significant factor in our business development strategy.

Our vision is to be known as the number one community bank in experience and service in our community. Our passion is to provide the utmost banking experience for each of our clients, to create a positive and empowering work environment for our employees, to fulfill our obligation of corporate citizenship in the communities in which we operate, and to ensure that our Bank increases profitability and grows prudently, ensuring its strength and continuity, and increasing shareholder value.

Our Products and Services

We emphasize providing commercial banking services to small and medium-sized businesses, professionals, non-profit organizations and associations, and investors living and working in and near our service area. We offer retail banking services to accommodate the individual needs of both corporate customers as well as the communities we serve. We also offer digital banking, mobile banking and a remote deposit service, which allows clients to facilitate and expedite deposit transactions through the use of electronic devices. A sophisticated suite of treasury management products is a key feature of our client focused, relationship driven marketing. We have partnered with experienced service providers in both insurance and merchant services to further augment the products available to our customers.

Lending Products

We provide a variety of lending products to small and medium-sized businesses, including (i) commercial real estate loans; (ii) commercial construction loans; (ii) commercial loans for a variety of business purposes such as for working capital, equipment purchases, lines of credit, and government contract financing; (iii) Small Business Administration ("SBA") lending; (iv) asset based lending and accounts receivable financing; (v) home equity loans, or home equity lines of credit; and (vi) consumer loans for constructive purposes. Through our partnership with ACM, we purchase residential mortgage loans primarily originated in our market area that meet our product criteria and pricing, to help with the diversification of our loan portfolio. Although we do not generally actively originate them, we have acquired pools of other types of loans, student loans and other consumer loans, in order to diversify the loan portfolio, put capital to work before organic loan production requires it, and to increase margin. We may also purchase participations from other banks in our market. Any acquired loans must meet our standard underwriting requirements.

Commercial Real Estate Loans. Commercial real estate loans, which comprise the largest portion of our loan portfolio, are secured by both owner occupied and investor owned commercial properties, including multi-family residential real estate. Commercial real estate loans are structured using both variable and fixed rates and renegotiable rates which adjust in three to five years, with maturities of generally five to ten years. At December 31, 2024, owner occupied commercial real estate loans represented 10% of the loan portfolio. At December 31, 2024, non-owner occupied commercial real estate loans represented approximately 36% of the loan portfolio and multi-family residential real estate comprised 9% the portfolio. We seek to mitigate lending risks typical of this type of loan such as declines in real estate values, changes in borrower cash flow and general economic conditions. We typically require a maximum loan to value of 80% and minimum cash flow and debt service coverages, of at least 1.20 to 1.00. Personal guarantees are generally required, but may be limited. We generally require that interest rates adjust not less frequently than five years. For purposes of geographic diversification, we will also make commercial real estate loans outside of our primary and secondary markets, in an area extending south to Richmond, Virginia, and north of Baltimore, Maryland, and between Winchester, Virginia and the Eastern Shore of Maryland.

Construction Loans. Commercial construction loans for the acquisition, development and construction of commercial real estate also comprise a significant and growing portion of the portfolio. At December 31, 2024, such loans represented 9% of the loan portfolio. Our typical commercial construction loan involves property that will ultimately be leased to a non-owner occupant. We will finance construction projects of a speculative nature, which are well-conceived and structured with appropriate interest reserves and analyzed fully. In underwriting commercial construction loans, we consider the expected costs of the transaction, the loan to value ratio, the credit history, cash flows and liquidity of the borrower, the project and the guarantors, the debt service coverage ratios (which are stressed prior to approval), take out sources for the permanent loan or repayment of the construction loan, the reputation, experience and qualifications of the borrower, the general contractor and others involved with the project and other factors. Commercial construction loans are generally made on a variable rate basis, typically based on the Wall Street Journal Prime Rate and subject to rate floors, for terms of 12 - 24 months. Generally, we do not make commercial construction loans outside of our primary or secondary market areas.

Commercial Loans, Government Contracting. Commercial loans, for a variety of business purposes, including working capital, equipment purchases, lines of credit, and government contract financing and asset based lending and accounts receivable financing, comprise approximately 18% of our loan portfolio at December 31, 2024. The warehouse facility provided to ACM is also included in this loan type. We make commercial loans on a secured or unsecured basis. We generally require the owners, managing members, general partners and principals of the borrowing entity or that control more than 20% of the borrower to guaranty the loan, unless a combination of low leverage, significant income and debt service coverage ratios, and substantial experience in operating the business, strong management and internal controls and/or other factors are demonstrated. Commercial loans are typically made with variable or adjustable rates. The cash flow of the borrower/borrower's operating business is often the principal source of debt service, with a secondary emphasis on other collateral.

We have developed a special expertise in government contract financing. We lend to government contractors or subcontractors headquartered in the Washington, D.C. metropolitan area. This area of lending encompasses lines of credit for working capital, financing of government leases, mergers and acquisition financing, and, less frequently term loans, to operating companies that recognize over 50% of their total revenues from services provided to federal government agencies or rated state and municipal governments. Our borrowers are typically engaged in technology or service businesses, but may also include construction and equipment providers, or entities working on "classified" projects. A government contractor borrower must have an acceptable level of eligible accounts receivable, provide appropriate security instruments perfecting our rights in the accounts receivable or other collateral, and are subject to periodic review and monitoring of their receivables, contract backlog and contract compliance. The contractor is typically required to have its primary deposit relationship with us. Advance rates will be up to 90% of prime eligible government receivables, and lower percentages depending on the nature of the receivables. At December 31, 2024, outstanding loans to government contractors represented 37% of our commercial and industrial segment. Total commitments to government contractors totaled $326.8 million at December 31, 2024. Government contract loans are typically made with variable or adjustable rates. Lines of credit typically have a one year term. As with other commercial loans, guarantees are typically required.

Consumer Residential. We actively originate loans for residential 1-4 family trust investment purposes and HELOCs in the communities we serve in the Washington and Baltimore MSAs. In addition, we have portfolio mortgage products that we developed for use by ACM to help diversify our total loan portfolio. Our HELOCs generally have a maximum loan to value of up to 85%, however, due to the strong residential real estate market in these markets, actual loan to values are typically lower than the maximum. We provide HELOCs as a service to our customers and when we receive referrals from various mortgage brokers within our market area. As of December 31, 2024, HELOCs comprise 2% of total loans. While we do not typically originate residential first mortgages, we will occasionally originate a mortgage loan meeting our investment preferences presented by a mortgage broker. We have also purchased portfolios of 1-4 family residential first mortgage loans on properties primarily located in our market area for yield and diversification. At December 31, 2024, consumer residential loans represented 17% of the loan portfolio.

Other Loans. We occasionally originate consumer loans both on an unsecured basis and secured by non-real estate collateral. We have also purchased pools of unsecured consumer loans and student loans from a third party for yield and diversification.

The lending activities in which we engage carry the risk that the borrowers will be unable to perform on their obligations. As such, interest rate policies of the Federal Reserve and general economic conditions, nationally and in our market areas, could have a significant impact on our results of operations. To the extent that economic conditions deteriorate, business and individual borrowers may be less able to meet their obligations to us in full and in a timely manner, resulting in decreased earnings or losses. Economic conditions may also adversely affect the value and liquidity of the property pledged as security for loans.

Our goal is to mitigate risks in the event of unforeseen threats to the loan portfolio as a result of an economic downturn or other negative influences. Plans for mitigating inherent risks in managing loan assets include: carefully enforcing loan policies and procedures, evaluating each borrower's business plan during the underwriting process and throughout the loan term, identifying and monitoring primary and alternative sources for loan repayment, and obtaining collateral to mitigate economic loss in the event of liquidation. Reserves for individually assessed loans are established based upon credit and/or collateral risks on an individual loan basis. A risk rating system is employed to proactively estimate loss exposure and provide a measuring system for setting general and individually assessed reserve allocations.

Our lending activities are subject to a variety of lending limits imposed by state and federal law. These limits will increase or decrease in response to increases or decreases in our capital levels. At December 31, 2024, the Bank had a legal lending limit of $41.6 million. At December 31, 2024, our average funded loan size outstanding, for commercial real estate (including commercial construction) and commercial loans was $1.7 million and $622 thousand, respectively. In accordance with internal lending policies, we may sell participations of loans to other banks, which allows us to manage risk involved in these loans and to meet the lending needs of our clients.

Concentrations of Credit Risk. Most of our lending is conducted with businesses and individuals in the suburbs of Washington, D.C. Our loan portfolio consists primarily of commercial real estate loans, including construction and land loans, which totaled $1.20 billion and constituted 64% of total loans as of December 31, 2024, and commercial loans, including loans to government contractors and the ACM warehouse lending facility, which totaled $336.7 million and constituted 18% of total loans as of December 31, 2024. The geographic concentration of our loans subjects our business to the general economic conditions within our market area. The risks created by such concentrations have been considered by management in the determination of the adequacy of the allowance for credit losses. Management believes the allowance for credit losses is adequate to cover expected losses in our loan portfolio as of December 31, 2024.

Comprehensive risk management practices and appropriate capital levels are essential elements of a sound commercial real estate lending program. A concentration in commercial real estate adds a dimension of risk that compounds the risk inherent in individual loans. The federal banking agencies have issued guidance governing financial institutions with concentrations in commercial real estate lending. The guidance provides that institutions that have (i) total reported loans for construction, land development, and other land which represent 100% or more of an institution's total risk-based capital; or (ii) total reported commercial real estate loans, excluding loans secured by owner-occupied commercial real estate, representing 300% or more of the institution's total risk-based capital and the institution's commercial real estate loan portfolio has increased 50% or more during the prior 36 months, are identified as having potential commercial real estate concentration risk. Institutions which are deemed to have concentrations in commercial real estate lending are expected to employ heightened levels of risk management with respect to their commercial real estate portfolios, and may be required to hold higher levels of capital. We have a concentration in commercial real estate loans, and we have experienced significant growth in our commercial real estate portfolio in recent years. As of December 31, 2024, commercial real estate loans as defined for regulatory purposes represented 371% of our total risk-based capital. Of those loans, commercial construction, development and land loans represented 59% of our total risk based capital. Owner-occupied commercial real estate loans represented an additional 68% of our total risk based capital. Management has extensive experience in commercial real estate lending, and has implemented and continues to maintain heightened portfolio monitoring and reporting, and strong underwriting criteria with respect to our commercial real estate portfolio.

Deposit Products

We offer a wide array of deposit products for individuals, professionals, government contractors and other businesses, including interest and noninterest-bearing transaction accounts, certificates of deposit, savings, and money market accounts. We are a relationship based bank, and maintenance of significant deposit relationships is a factor in our decision to make loans and the pricing of our products.

Our sophisticated treasury management and digital banking platform allows commercial customers to view balances, initiate payments, pay bills (including positive pay), issue stop payments, reconcile accounts and set up custom alerts. Online wires, ACH (including positive authorization), remote capture, cash disbursement and cash concentration are additional payment options available to businesses. We provide customers with a sophisticated escrow management product which facilitates and simplifies management of multiple escrow balances. We also provide secure credit card processing and merchant services, with reporting tailored to customer needs. Additionally, we offer online and mobile banking products to our consumer depositors, to complement our branch network.

Other Services

Through third party networks, we offer our customers access to a full range of business insurance products and business and consumer credit card products.

Competition

We are one of the few remaining locally owned and managed independent community banks headquartered in Northern Virginia. We believe that this is an advantageous position and valuable quality which positively differentiates us from our competitors and positions us for future growth from individuals and small and mid-sized business customers who value the attention and customized services which a locally owned and managed community bank can provide.

As of June 30, 2024, there were approximately $291.7 billion in total deposits shared between banking institutions located in the Washington MSA, according to the FDIC. PNC Bank, Capital One, Wells Fargo Bank, Truist Bank, and Bank of America Corporation hold the primary market shares. When excluding the deposits held by these institutions, as of the aforementioned date, our deposit market share was approximately 2.2% in the Washington MSA. In the Baltimore MSA, there were approximately $97.9 billion in total deposits shared between banking institutions as of June 30, 2024, and when excluding deposits held by the above named larger institutions, our deposit market share was approximately 0.09%. Our strategic goal is to increase our market share through selective new branch additions, opportunistic acquisitions, and acquisitions of customers from larger competitors. We believe these larger competitors generally cannot provide the same level of attention and customization of services to small businesses that we seek to provide. Through correspondents, referrals to third parties with whom we have partnered, and our own capabilities, we are a full service financial provider, able to compete in substantially all areas of banking, except trust services. Additionally, we believe we provide competitively priced products, superior customer service, flexibility, and responsiveness when compared to our larger competitors.

The banking business is highly competitive. We compete as a financial intermediary with other commercial banks, savings banks, credit unions, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market mutual funds, financial technology companies and other financial institutions operating in the Washington and Baltimore MSAs and elsewhere.

Our market area is a highly competitive, highly branched, banking market. Competition in our market area for loans to small and middle-market businesses and professionals, our target market, is intense and pricing is important. Several of our competitors have substantially greater resources and lending limits than we have, and offer certain services, such as extensive and established branch networks and trust services that we do not currently provide or currently expect to provide in the near future. Moreover, larger institutions operating in the Washington, D.C. metropolitan market have access to borrowed funds at a lower cost than may be available to us. Additionally, deposit competition among institutions in the market area is strong. As a result, it is possible that we may pay above market rates to attract deposits.

Risk Management

We believe that effective risk management is of primary importance. Risk management refers to the activities by which we identify, measure, monitor, evaluate and manage the risks we face in the course of our banking activities. These include liquidity, interest rate, credit, operational, compliance, regulatory, strategic, financial and reputational risk exposures. Our board of directors and management team have created a risk-conscious culture that is focused on quality growth, which starts with capable and experienced risk management teams and an infrastructure capable of addressing the evolving risks we face, as well as the changing regulatory and compliance landscape. Our risk management approach employs comprehensive policies and processes to establish robust governance. We believe a disciplined and conservative underwriting approach has been the key to our strong asset quality.

Our board of directors sets the tone at the top of our organization, adopting and overseeing the implementation of our risk management, establishing our overall risk appetite and risk management strategy. The board of directors approves our various operating policies, which include risk policies, procedures, limits, targets and reporting, structured to guide decisions regarding the appropriate balance between risk and return considerations in our business. Our board of directors receives periodic reporting on the risks and control environment effectiveness and monitors risk levels in relation to the approved risk appetite.

Credit risk is the risk that borrowers or counterparties will be unable or unwilling to repay their obligations in accordance with the underlying contractual terms and the risk that credit assets will suffer significant deterioration in market value. We manage and control credit risk in our loan portfolio by adhering to well-defined underwriting criteria and account administration standards established by management, and approved by the board of directors. Our written loan policies document underwriting standards, approval levels, exposure limits, and other limits or standards deemed necessary and prudent. Portfolio diversification at the obligor, product, and geographic levels is actively managed to mitigate concentration risk. In addition, credit risk management includes an independent credit review process that assesses compliance with policies, risk rating standards, and other critical credit information. In addition to implementing risk management practices that are based upon established and sound lending practices, we adhere to sound credit principles. We evaluate our customers' borrowing needs and capacity to repay, in conjunction with their character and history. Our management and board of directors place significant focus on maintaining a healthy risk profile and ensuring sustainable growth. Our risk appetite seeks to balance the risks necessary to achieve our strategic goals while ensuring that our risks are appropriately managed and remain within our defined limits.

Our management of interest rate and liquidity risk is overseen by our Asset and Liability Committee, based on a risk management infrastructure approved by our board of directors that outlines reporting and measurement requirements. In particular, this infrastructure reviews financial performance, trends, and significant variances to budget; reviews and recommends for board approval risk limits and tolerances; reviews ongoing monitoring and reporting regarding our performance with respect to these areas of risk, including compliance with board-approved risk limits and stress-testing; ensures annual back-testing and independent validation of models at a frequency commensurate with risk level; reviews all hedging strategies and recommends changes as appropriate; reviews and recommends our contingency funding plan; establishes wholesale borrowing limits to be submitted to the board of directors; and acts as a second line of defense in reviewing information and reports submitted to the committee for the purpose of identifying, investigating, and assuring remediation, to its satisfaction, of errors or irregularities, if any.

Investment Portfolio

Our investment securities portfolio is primarily maintained as an on-balance sheet contingent source of liquidity to fund loans and meet the demands of depositors, and provides additional interest income. We currently classify substantially all of our investment securities as available-for-sale. Our investment policy authorizes investment primarily in securities of the U.S. government and its agencies; mortgage backed securities and collateralized mortgage obligations issued and fully backed by U.S. government agencies, securities of municipalities and to a lesser extent corporate bonds and other obligations, in each case meeting identified credit standards. The securities portfolio, along with certain loans, may also be used to collateralize public deposits, Federal Home Loan Bank of Atlanta ("FHLB") borrowings, and Federal Reserve Bank of Richmond ("FRB") borrowings. We manage our investment portfolio according to written investment policies approved by our board of directors. Our investment strategy aims to maximize earnings while maintaining liquidity in securities with minimal credit risk and interest rate risk which is reflective in the yields obtained on those securities.

Employees

As of December 31, 2024, we had 110 full-time employees and four part-time employees. None of our employees are covered by a collective bargaining agreement. We consider our relationship with our employees to be good and have not experienced interruptions of operations due to labor disagreements.

Additional Information

Our common stock is currently listed on the Nasdaq Capital Market under the symbol "FVCB." We maintain a website at https://www.fvcbank.com.

We make available free of charge through our website all of our SEC filings, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after electronically filing or furnishing such material to the SEC at https://www.sec.gov. Information on our website does not constitute part of, and is not incorporated into, this report or any other filing we make with the SEC.

SUPERVISION AND REGULATION

Our business and operations are subject to extensive federal and state governmental regulation and supervision. The following is a brief summary of certain statutes and rules and regulations that affect or may affect us. This summary is not intended to be an exhaustive description of the statutes or regulations applicable to our business. Supervision, regulation, and examination of the Company by the regulatory agencies are intended primarily for the protection of depositors and the Deposit Insurance Fund, rather than our shareholders.

The Company. The Company is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "Act"), and is subject to regulation and supervision by the Federal Reserve. The Act and other federal laws subject bank holding companies to restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and actions, including regulatory enforcement actions for violations of laws and regulations and unsafe and unsound banking practices. As a bank holding company, the Company is required to file with the Federal Reserve an annual report and such other additional information as the Federal Reserve may require pursuant to the Act. The Federal Reserve may also examine the Company and each of its subsidiaries. As a small bank holding company under the Federal Reserve's Small Bank Holding Company Policy Statement, the Company is not subject to risk-based capital requirements adopted by the Federal Reserve, which are substantially identical to those applicable to the Bank, and which are described below.

The Act requires approval of the Federal Reserve for, among other things, a bank holding company's direct or indirect acquisition of control of more than five percent (5%) of the voting shares, or substantially all the assets, of any bank or the merger or consolidation by a bank holding company with another bank holding company. The Act also generally permits the acquisition by a bank holding company of control, or substantially all of the assets of, any bank located in a state other than the home state of the bank holding company, except where the bank has not been in existence for the minimum period of time required by state law; but if the bank is at least five years old, the Federal Reserve may approve the acquisition.

With certain limited exceptions, a bank holding company is prohibited from acquiring control of any voting shares of any company which is not a bank or bank holding company and from engaging directly or indirectly in any activity other than banking or managing or controlling banks or furnishing services to or performing service for its authorized subsidiaries. A bank holding company may, however, engage in, or acquire an interest in a company that engages in, activities which the Federal Reserve has determined by order or regulation to be so closely related to banking or managing or controlling banks as to be properly incident thereto. In making such a determination, the Federal Reserve is required to consider whether the performance of such activities can reasonably be expected to produce benefits to the public, such as convenience, increased competition or gains in efficiency, which outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices. Some of the activities that the Federal Reserve has determined by regulation to be closely related to banking include making or servicing loans, performing certain data processing services, acting as a fiduciary or investment or financial advisor, and making investments in corporations or projects designed primarily to promote community welfare. The Federal Reserve may order a bank holding company or its subsidiaries to terminate any of these activities or to terminate its ownership or control of any subsidiary when it has reasonable cause to believe that the bank holding company's continued ownership, activity or control constitutes a serious risk to the financial safety, soundness, or stability of it or any of its bank subsidiaries.

The Gramm Leach-Bliley Act of 1999 ("GLB Act"), allows a bank holding company or other company to certify its status as a financial holding company, which would allow such company to engage in activities that are financial in nature, that are incidental to such activities, or are complementary to such activities. The GLB Act enumerates certain activities that are deemed financial in nature, such as underwriting insurance or acting as an insurance principal, agent or broker, underwriting, dealing in or making markets in securities, and engaging in merchant banking under certain restrictions. It also authorizes the Federal Reserve to determine by regulation what other activities are financial in nature, or incidental or complementary thereto. The Company has not elected financial holding company status.

The Act and the Federal Deposit Insurance Act ("FDIA"), require a bank holding company to serve as a source of financial and managerial strength to its bank subsidiaries. As a result of a bank holding company's source of strength obligation, a bank holding company may be required to provide funds to a bank subsidiary in the form of subordinated capital or other instruments which qualify as capital under bank regulatory rules. Any loans from the holding company to such subsidiary banks likely would be unsecured and subordinated to such bank's depositors and perhaps to other creditors of the Bank. In addition, where a bank holding company has more than one FDIC-insured bank or thrift subsidiary, each of the bank holding company's subsidiary FDIC-insured depository institutions is responsible for losses to the FDIC as a result of an affiliated depository institution's failure.

A bank holding company is generally required to give the Federal Reserve prior written notice of any purchase or redemption of its own then outstanding equity securities. The Federal Reserve may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, Federal Reserve order or directive, or any condition imposed by, or written agreement with, the Federal Reserve.

As a Virginia corporation, the Company is subject to additional limitations and restrictions. For example, state law restrictions include limitations and restrictions relating to indemnification of directors, distributions to shareholders, transactions involving directors, officers or interested shareholders, maintenance of books, records, minutes, borrowing and the observance of corporate formalities.

The Bank. The Bank is a Virginia chartered commercial bank and a member of the Federal Reserve System, whose accounts are insured by the Deposit Insurance Fund of the FDIC up to the maximum legal limits of the FDIC. The Bank is subject to regulation, supervision and regular examination by the Virginia Bureau of Financial Institutions (the "VBFI") and the Federal Reserve. The regulations of these various agencies govern most aspects of the Bank's business, including required reserves against deposits, loans, investments, mergers and acquisitions, borrowing, dividends and location and number of branch offices.

The laws and regulations governing the Bank generally have been promulgated to protect depositors and the Deposit Insurance Fund, and not for the purpose of protecting shareholders.

Commercial banks, savings and loan associations and credit unions are generally able to engage in interstate banking or acquisition activities. As a result, banks in the Washington, D.C. metropolitan area can, subject to limited restrictions, acquire or merge with a bank in another jurisdiction, and can branch *de novo* in any jurisdiction.

Banking is a business, which depends on interest rate differentials. In general, the difference between the interest paid by a bank on its deposits and its other borrowings and the interest received by a bank on loans extended to its customers and on securities held in its investment portfolio constitutes the major portion of the Bank's earnings. Thus, the earnings and growth of the Bank are subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve, which regulates the supply of money through various means including open market dealings in United States government securities. The nature and timing of changes in such policies and their impact on the Bank cannot be predicted.

Subsidiary banks of a bank holding company are subject to certain restrictions imposed by the Federal Reserve Act on any extensions of credit to the bank holding company or any of its subsidiaries, or investments in the stock or other securities thereof, and on the taking of such stock or securities as collateral for loans to any borrower. Further, a bank holding company and any subsidiary bank are prohibited from engaging in certain tying arrangements in connection with the extension of credit. A subsidiary bank may not extend credit, lease or sell property, or furnish any services, or fix or vary the consideration for any of the foregoing on the condition that: (i) the customer obtain or provide some additional credit, property or services from or to such bank other than a loan, discount, deposit or trust service; (ii) the customer obtain or provide some additional credit, property or service from or to the Company or any other subsidiary of the Company; or (iii) the customer not obtain some other credit, property or service from competitors, except for reasonable requirements to assure the soundness of credit extended.

Branching and Interstate Banking. The federal banking agencies are authorized to approve interstate bank merger transactions without regard to whether such transaction is prohibited by the law of any state, unless the home state of one of the banks has opted out of the interstate bank merger provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act"), by adopting a law after the date of enactment of the Riegle-Neal Act and prior to June 1, 1997 which applies equally to all out-of-state banks and expressly prohibits merger transactions involving out-of-state banks. Interstate acquisitions of branches are permitted only if the law of the state in which the branch is located permits such acquisitions. Such interstate bank mergers and branch acquisitions are also subject to the nationwide and statewide insured deposit concentration limitations described in the Riegle-Neal Act. Washington, D.C., Maryland and Virginia have each enacted laws, that permit interstate acquisitions of banks and bank branches. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") authorizes national and state banks to establish *de novo* branches in other states to the same extent as a bank chartered by that state would be permitted to branch.

The GLB Act made substantial changes in the historic restrictions on non-bank activities of bank holding companies, and allows affiliations between types of companies that were previously prohibited. The GLB Act also allows banks to engage in a wider array of nonbanking activities through "financial subsidiaries."

Brokered Deposits. A "brokered deposit" is any deposit that is obtained from or through the mediation or assistance of a deposit broker. Deposit brokers may attract deposits from individuals and companies throughout the United States and internationally whose deposit decisions are based primarily on obtaining the highest interest rates. Certain reciprocal deposits of up to the lesser of $5 billion or 20% of an institution's deposits are excluded from the definition of brokered deposits, where the institution is "well-capitalized" and has a composite rating of 1 or 2. We have used brokered deposits in the past, and we intend to continue to use brokered deposits as one of our funding sources to support future growth. There are risks associated with using brokered deposits. In order to continue to maintain our level of brokered deposits, we may be forced to pay higher interest rates than those contemplated by our asset-liability pricing strategy. In addition, banks that become less than "well-capitalized" under applicable regulatory capital requirements may be restricted in their ability to accept or renew, or prohibited from accepting or renewing, brokered deposits. If this funding source becomes more difficult to access, we will have to seek alternative funding sources in order to continue to fund our growth. This may include increasing our reliance on FHLB borrowings, attempting to attract additional non-brokered deposits, and selling loans and securities. There can be no assurance that brokered deposits will be available, or if available, sufficient to support our continued growth. The unavailability of a sufficient volume of brokered deposits could have a material adverse effect on our business, financial condition, and results of operations.

Anti-Money Laundering Laws and Regulations. The Company is subject to several federal laws that are designed to combat money laundering, terrorist financing, and transactions with persons, companies or foreign governments designated by U.S. authorities ("AML laws"). This category of laws includes the Bank Secrecy Act of 1970, the Money Laundering Control Act of 1986, the USA PATRIOT Act of 2001, and the Anti-Money Laundering Act of 2020.

The AML laws and their implementing regulations require insured depository institutions, broker-dealers, and certain other financial institutions to have policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing. The AML laws and their regulations also provide for information sharing, subject to conditions, between federal law enforcement agencies and financial institutions, as well as among financial institutions, for counter-terrorism purposes. Federal banking regulators are required, when reviewing bank holding company acquisition and bank merger applications, to take into account the effectiveness of the anti-money laundering activities of the applicants. To comply with these obligations, the Company has implemented appropriate internal practices, procedures, and controls.

Office of Foreign Assets Control. The United States has imposed economic sanctions that affect transactions with designated foreign countries, foreign nationals and others, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on a "U.S. person" engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of a sanctioned country have an interest by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g. property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Capital Adequacy. The Federal Reserve and the FDIC have adopted risk-based and leverage capital adequacy requirements, pursuant to which they assess the adequacy of capital in examining and supervising banks and bank holding companies and in analyzing bank regulatory applications. Risk-based capital requirements determine the adequacy of capital based on the risk inherent in various classes of assets and off-balance sheet items. The Dodd-Frank Act additionally requires capital requirements to be countercyclical so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness.

The federal banking agencies have adopted rules to implement the framework for strengthening international capital and liquidity regulation adopted by the Basel Committee on Banking Supervision ("Basel III"). The Basel III framework, among other things, (i) introduced the concept of common equity tier one capital ("CET1"), (ii) required that most adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, (iii) expanded the scope of the adjustments to capital that may be made as compared to existing regulations, and (iv) specified that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements.

The Basel III rules require institutions to maintain: (i) a minimum ratio of CET1 to risk-weighted assets of 4.5%, plus a "capital conservation buffer" of 2.5%, or 7.0%; (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%, plus the capital conservation buffer, or 8.5%; (iii) a minimum ratio of Total (Tier 1 plus Tier 2) capital to risk-weighted assets of 8.0%, plus the capital conservation buffer, or 10.5%; and (iv) a minimum leverage ratio of 4%, calculated as the ratio of Tier 1 capital to balance sheet exposures plus certain off-balance sheet exposures (computed as the average of the month-end ratios each month during a calendar quarter).

Basel III also provides for a "countercyclical capital buffer," generally to be imposed when federal banking agencies determine that excess aggregate credit growth becomes associated with a buildup of systemic risk. This buffer would be a CET1 add-on to the capital conservation buffer of 2.5%. The current policy of the Federal Reserve is to maintain the countercyclical capital buffer at 0% in a normal risk environment.

Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the minimum plus the capital conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) may face constraints on their ability to pay dividends, effect equity repurchases, and pay discretionary bonuses to executive officers, which constraints vary based on the amount of the shortfall.

We believe that the Bank met all capital adequacy requirements to which it was subject as of December 31, 2024 and December 31, 2023.

As discussed below, the Basel III rules also integrate the new capital requirements into the prompt corrective action provisions under Section 38 of the FDIA.

The capital ratios described above are the minimum levels that the federal banking agencies expect. Our state and federal regulators have the discretion to require us to maintain higher capital levels based upon our concentrations of loans, the risk of our lending or other activities, the performance of our loan and investment portfolios and other factors. Failure to maintain such higher capital expectations could result in a lower composite regulatory rating, which would impact our deposit insurance premiums and could affect our ability to borrow and costs of borrowing, and could result in additional or more severe enforcement actions. In respect of institutions with high concentrations of loans in areas deemed to be higher risk, or during periods of significant economic stress, regulators may require an institution to maintain a higher level of capital, and/or to maintain more stringent risk management measures, than those required by these regulations.

Prompt Corrective Action. Under Section 38 of the FDIA, each federal banking agency is required to implement a system of prompt corrective action for institutions that it regulates. The federal banking agencies have promulgated substantially similar regulations for this purpose. The following capital requirements currently apply to the Bank for purposes of Section 38.

Capital Category	Total Risk-Based Capital Ratio	Tier 1 Risk-Based Capital Ratio	Common Equity Tier 1 Capital Ratio	Leverage Ratio	Tangible Equity to Assets	Supplemental Leverage Ratio
Well Capitalized	10% or greater	8% or greater	6.5% or greater	5% or greater	n/a	n/a
Adequately Capitalized	8% or greater	6% or greater	4.5% or greater	4% or greater	n/a	3% or greater
Undercapitalized	Less than 8%	Less than 6%	Less than 4.5%	Less than 4%	n/a	Less than 3%
Significantly Undercapitalized	Less than 6%	Less than 4%	Less than3%	Less than 3%	n/a	n/a
Critically Undercapitalized	n/a	n/a	n/a	n/a	Less than 2%	n/a

An institution generally must file a written capital restoration plan which meets specified requirements with the appropriate federal banking agency within 45 days of the date the institution receives notice or is deemed to have notice that it is undercapitalized, significantly undercapitalized or critically undercapitalized. The appropriate federal banking agency must provide the institution with written notice of approval or disapproval within 60 days after receiving a capital restoration plan, subject to extensions by the applicable agency.

Immediately upon becoming undercapitalized, an institution will become subject to the provisions of Section 38 of the FDIA, which (i) restrict payment of capital distributions and management fees; (ii) require that the appropriate federal banking agency monitor the condition of the institution and its efforts to restore its capital; (iii) require submission of a capital restoration plan; (iv) restrict the growth of the institution's assets; and (v) require prior approval of certain expansion proposals. The appropriate federal banking agency for an undercapitalized institution also may take any number of discretionary supervisory actions if the agency determines that any of these actions is necessary to resolve the problems of the institution at the least possible long-term cost to the Deposit Insurance Fund, subject in certain cases to specified procedures. These discretionary supervisory actions include: requiring the institution to raise additional capital; restricting transactions with affiliates; requiring divestiture of the institution or the sale of the institution to a willing purchaser; and any other supervisory action that the agency deems appropriate. These and additional mandatory and permissive supervisory actions may be taken with respect to significantly undercapitalized and critically undercapitalized institutions.

Regulatory Enforcement Authority. Federal banking law grants substantial enforcement powers to the federal banking agencies. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions against banking organizations and institution-affiliated parties. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities.

The Dodd-Frank Act. The Dodd-Frank Act was signed into law on July 21, 2010. The Dodd-Frank Act significantly restructured the financial regulatory regime in the United States and has had a broad impact on the financial services industry as a result of the significant regulatory and compliance changes required under the act.

The Economic Growth, Regulatory Relief and Consumer Protection Act ("EGRRCPA"), which became effective May 24, 2018, amended the Dodd-Frank Act to provide regulatory relief for certain smaller and regional financial institutions, such as the Company and the Bank. The EGRRCPA, among other things, provides financial institutions with less than $10 billion in total consolidated assets with relief from certain capital requirements and exempts banks with less than $250 billion in total consolidated assets from the enhanced prudential standards and the company-run and supervisory stress tests required under the Dodd-Frank Act.

The Dodd-Frank Act has had, and may in the future have, a material impact on the Company’s operations, particularly through increased compliance costs resulting from new and possible future consumer and fair lending regulations. The future changes resulting from the Dodd-Frank Act may affect the profitability of business activities, require changes to certain business practices, impose more stringent regulatory requirements, or otherwise adversely affect the business and financial condition of the Company and the Bank. These changes may also require the Company to invest significant management attention and resources to evaluate and make necessary changes to comply with new statutory and regulatory requirements.

Consumer Financial Protection Bureau ("CFPB"). The Dodd-Frank Act created the CFPB, a new, independent federal agency with broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Practices Act, the consumer financial privacy provisions of the GLB Act and certain other statutes. The CFPB has examination and primary enforcement authority with respect to depository institutions with over $10 billion in assets. Smaller institutions, including the Bank, are subject to rules promulgated by the CFPB but continue to be examined and supervised by federal banking agencies for compliance with federal consumer protection laws and regulations. The CFPB also has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. The Dodd-Frank Act permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

The changes resulting from the Dodd-Frank Act and CFPB rulemakings and enforcement policies may impact the profitability of our business activities, limit our ability to make, or the desirability of making, certain types of loans, including non-qualified mortgage loans, require us to change our business practices, impose upon us more stringent capital, liquidity and leverage ratio requirements or otherwise adversely affect our business or profitability. The changes may also require us to dedicate significant management attention and resources to evaluate and make necessary changes to comply with the new statutory and regulatory requirements.

In February 2025, the Trump administration halted the CFPB's operations, and its employees were instructed to cease all supervision and examination activity. As a result, the future of the CFPB and its impact on our business are uncertain.

Mortgage Banking Regulation. The Bank is subject to rules and regulations related to mortgage loans that, among other things, establish standards for loan origination, prohibit discrimination, provide for inspections and appraisals of property, require credit reports on prospective borrowers, in some cases restrict certain loan features and fix maximum interest rates and fees, require the disclosure of certain basic information to mortgagors concerning credit and settlement costs, limit payment for settlement services to the reasonable value of the services rendered and require the maintenance and disclosure of information regarding the disposition of mortgage applications based on race, gender, geographical distribution and income level. The Bank is also subject to rules and regulations that require the collection and reporting of significant amounts of information with respect to mortgage loans and borrowers. The Bank's mortgage origination activities are subject to the Federal Reserve's Regulation Z, which implements the Truth in Lending Act. Certain provisions of Regulation Z require creditors to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms. To the extent that we make mortgage loans, we are required to comply with these rules, subject to available exceptions.

Fair and Responsible Banking. Banks and other financial institutions are subject to numerous laws and regulations intended to promote fair and responsible banking and prohibit unlawful discrimination and unfair, deceptive or abusive practices in banking. These laws include, among others, the Dodd-Frank Act, Section 5 of the Federal Trade Commission Act, the Equal Credit Opportunity Act, and the Fair Housing Act. Many states and local jurisdictions have consumer protection laws analogous, and in addition, to those listed above. These federal, state and local laws regulate the manner in which financial institutions deal with customers taking deposits, making loans or conducting other types of transactions. Failure to comply with these laws and regulations could give rise to regulatory sanctions, and actions by the U.S. Department of Justice and state attorneys general.

Financial Privacy. Under the Federal Right to Privacy Act of 1978, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records, financial institutions are required to disclose their policies for collecting and protecting confidential information. Consumers generally may prevent financial institutions from sharing personal financial information with nonaffiliated third parties except for third parties that market the institutions' own products and services. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing or other marketing through electronic mail to consumers.

In October 2024, the CFPB issued a final rule regarding personal financial data rights that is designed to promote "open banking." The final rule requires, among other things, that data providers, including any financial institution, make available to consumers and certain authorized third parties, upon request, certain covered transaction, account, and payment information. Institutions with at least $1.5 billion but less than $3 billion in total assets, including the Company, are required to comply with the final rule by April 1, 2029. On the same day the final rule was released, certain industry participants filed a complaint against the CFPB challenging the final rule. This legal challenge has since been paused to allow time for the CFPB to assess the rule and determine whether it aligns with the agency's current policy objectives.

Community Reinvestment Act ("CRA"). The CRA requires that, in connection with examinations of insured depository institutions within their respective jurisdictions, the federal banking agencies evaluate the record of each financial institution in meeting the needs of its local community, including low- and moderate-income neighborhoods. The Bank's record of performance under the CRA is publicly available. A bank's CRA performance is also considered in evaluating applications seeking approval for mergers, acquisitions, and new offices or facilities. Failure to adequately meet these criteria could result in additional requirements and limitations being imposed on the Bank. Additionally, we must publicly disclose the terms of certain CRA-related agreements.

On October 24, 2023, the federal bank regulatory agencies jointly issued a final rule intended to strengthen and modernize the CRA regulatory framework. The final rule updates the CRA regulations to, among other things, (i) expand access to credit, investment and basic banking services in low- and moderate-income communities, (ii) adapt to changes in the banking industry, including internet and mobile banking, (iii) provide greater clarity, consistency and transparency in the application of the regulations and (iv) tailor performance standards to account for differences in bank size, business model, and local conditions. The final rule adopts a new metrics-based approach to evaluating bank retail lending and community development financing, using benchmarks based on peer and demographic data. Most of the rule's requirements are effective beginning January 1, 2026. The remaining requirements, including the data reporting requirements, are effective January 1, 2027. The final rule has been subject to an injunction since March 29, 2024, and the effective dates will be extended pending resolution of the lawsuit.

Concentration and Risk Guidance. The federal bank regulatory agencies have issued guidance governing financial institutions with concentrations in commercial real estate lending. The guidance provides that institutions that have (i) total reported loans for construction, land development, and other land which represent 100% or more of an institution's total risk-based capital; or (ii) total reported commercial real estate loans, excluding loans secured by owner-occupied commercial real estate, representing 300% or more of the institution's total risk-based capital and the institution's commercial real estate loan portfolio has increased 50% or more during the prior 36 months, are identified as having potential commercial real estate concentration risk. Institutions that are deemed to have concentrations in commercial real estate lending are expected to employ heightened levels of risk management with respect to their commercial real estate portfolios, and may be required to hold higher levels of capital. We have determined that we have a concentration in commercial real estate lending, and while we believe we have implemented policies and procedures with respect to our commercial real estate lending consistent with the regulatory guidance, bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us.

FDIC Insurance Premiums. The deposits of the Bank are insured up to applicable limits by the FDIC's Deposit Insurance Fund and are subject to deposit insurance assessments to maintain the Deposit Insurance Fund. The deposit insurance assessment base is based on average total assets minus average tangible equity, pursuant to a rule issued by the FDIC as required by the Dodd-Frank Act. Deposit insurance pricing is a "financial ratios method" based on "CAMELS" composite ratings to determine assessment rates for small established institutions with less than $10 billion in assets. The CAMELS rating system is a supervisory rating system designed to take into account and reflect all financial and operational risks that a bank may face, including capital adequacy, asset quality, management capability, earnings, liquidity, and sensitivity to market risk ("CAMELS"). CAMELS composite ratings set a maximum assessment for CAMELS 1 and 2 rated banks, and set minimum assessments for lower rated institutions. For the years ended December 31, 2024 and 2023, the Bank recorded $1.3 million and $1.4 million, respectively, for FDIC insurance premiums.

Limitations on Incentive Compensation. The federal bank regulatory agencies have issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of financial institutions do not undermine the safety and soundness of such institutions by encouraging excessive risk-taking. The Interagency Guidance on Sound Incentive Compensation Policies, which covers all employees that have the ability to materially affect the risk profile of financial institutions, either individually or as part of a group, is based upon the key principles that a financial institution's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the institution's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the financial institution’s board of directors.

The Federal Reserve will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of financial institutions, such as the Company and the Bank, that are not “large, complex banking organizations.” These reviews will be tailored to each financial institution based on the scope and complexity of the institution’s activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the institution’s supervisory ratings, which can affect the institution’s ability to make acquisitions and take other actions. Enforcement actions may be taken against a financial institution if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the institution’s safety and soundness, and the financial institution is not taking prompt and effective measures to correct the deficiencies. At December 31, 2024, the Company and the Bank have not been made aware of any instances of noncompliance with this guidance.

The Nasdaq Stock Market, LLC, the exchange on which our common stock is listed, enacted a listing rule that became effective in 2023 requiring listed companies to adopt policies mandating the recovery or “clawback” of excess incentive compensation earned by a current or former executive officer during the three fiscal years preceding the date the listed company is required to prepare an accounting restatement, including to correct an error that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. The Company has adopted a clawback policy compliant with such rule.

Cybersecurity. In March 2015, federal regulators issued two related statements regarding cybersecurity. One statement indicates that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. The other statement indicates that a financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption, and maintenance of the institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. If we fail to observe the regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties. On November 18, 2021, the federal bank regulatory agencies issued a final rule, effective April 1, 2022, imposing new notification requirements for cybersecurity incidents. The rule requires financial institutions to notify their primary federal regulator as soon as possible and no later than 36 hours after the institution determines that a cybersecurity incident has occurred that has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, the institution’s: (i) ability to carry out banking operations, activities, or processes, or deliver banking products and services to a material portion of its customer base, in the ordinary course of business, (ii) business line(s), including associated operations, services, functions, and support, that upon failure would result in a material loss of revenue, profit, or franchise value, or (iii) operations, including associated services, functions and support, as applicable, the failure or discontinuance of which would pose a threat to the financial stability of the United States.

On July 26, 2023, the SEC issued a final rule requiring enhanced standardized disclosures regarding cybersecurity risk management, strategy, governance, and cybersecurity incident reporting by public companies, such as the Company, that are subject to the reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act"). The final rule requires current reporting about material cybersecurity incidents and periodic disclosures about policies and procedures to identify and manage cybersecurity risks, management’s role in implementing cybersecurity policies and procedures, and the board of directors’ cybersecurity expertise and its oversight of cybersecurity risk.

To date, we have not experienced a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, but our systems and those of our customers and third-party service providers are under constant threat and it is possible that we could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of digital banking, mobile banking and other technology-based products and services by us and our customers.

Item 1A. RISK FACTORS

The material risks and uncertainties that management believes affect us are described below. Any of these risks, if they are realized, could materially adversely affect our business, financial condition and results of operations, and consequently, the market value of our common stock. Additional risks and uncertainties not currently known to us or that we currently believe to be immaterial may also materially and adversely affect us. This Form 10-K also contains forward-looking statements that involve risks and uncertainties. If any of the matters included in the following information about risk factors were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially and adversely affected.

Risks Related to the Economy, Financial Markets, Interest Rates and Liquidity

Our business and operations may be materially adversely affected by weak economic conditions.

Our business and operations, which primarily consist of banking activities, including lending money to customers and borrowing money from customers in the form of deposits, are sensitive to general business and economic conditions in the U.S. generally, and in the Washington, D.C. metropolitan area in particular. The economic conditions in our local markets may be different from the economic conditions in the U.S. as a whole. If economic conditions in the U.S. or any of our markets weaken, our growth and profitability from our operations could be constrained. In addition, foreign economic and political conditions could affect the stability of global financial markets, which could hinder economic growth. The current economic environment is characterized by higher interest rates as a result of contractionary monetary policy which could impact our ability to attract deposits and to generate attractive earnings through our loan and investment portfolios. All these factors can individually or in the aggregate be detrimental to our business, and the interplay between these factors can be complex and unpredictable. Unfavorable market conditions can result in a deterioration in the credit quality of our borrowers and the demand for our products and services, an increase in the number of loan delinquencies, defaults and charge-offs, additional provisions for credit losses, a decline in the value of our collateral, and an overall material adverse effect on the quality of our loan portfolio.

Our business is significantly affected by monetary and related policies of the U.S. federal government and its agencies. Uncertainty about the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal government, and future tax rates are concerns for businesses, consumers and investors in the U.S. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control. Adverse economic conditions and government policy responses to such conditions could have a material adverse effect on our business, financial condition and results of operations.

We are subject to interest rate risk, which could adversely affect our profitability.

Our profitability, like that of most financial institutions, depends to a large extent on our net interest income, which is the difference between our interest income on interest-earning assets, such as loans and investment securities, and our interest expense on interest-bearing liabilities, such as deposits and borrowings.

Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the interest we pay on deposits and borrowings, but such changes could affect our ability to originate loans and obtain deposits, the fair value of our financial assets and liabilities, and the average duration of our assets. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. Any substantial, unexpected or prolonged change in market interest rates could have a material adverse impact on our business, financial condition and results of operations.

When short-term interest rates rise, the rate of interest we pay on our interest-bearing liabilities may rise more quickly than the rate of interest that we receive on our interest-earning assets, which may cause our net interest income to decrease. Additionally, a shrinking yield premium between short-term and long-term market interest rates, a pattern usually indicative of investors' waning expectations of future growth and inflation, commonly referred to as a flattening of the yield curve, typically reduces our profit margin as we borrow at shorter terms than the terms at which we lend and invest.

In addition, an increase in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to repay their current loan obligations. These circumstances could not only result in increased loan defaults, foreclosures and charge-offs, but also reduce collateral values and necessitate further increases to the allowance for credit losses, which could have a material adverse effect on our business, financial condition and results of operations.

Inflation can have an adverse impact on our business and on our customers.

In 2022 and continuing into 2023, the United States experienced the highest rates of inflation since the 1980s. In an effort to reduce inflation, the Federal Reserve increased the federal funds target rate seven times in 2022 and four times in 2023 from 0 - 0.25% at the beginning of 2022 to 5.25 - 5.50% as of December 31, 2023. During 2024, the federal funds target rate reduced 100 basis points, but remained at an elevated level of 4.25 - 4.50%. Higher market interest rates have increased funding costs and decreased loan demand. As market interest rates rise, the value of our investment securities generally decreases, although this effect can be less pronounced for floating rate instruments. Higher interest rates reduce the demand for loans and increase the attractiveness of alternative investment and savings products, like U.S. Treasury securities and money market funds, which can make it difficult to attract and retain deposits. Additionally, inflation generally increases the cost of products and services we use in our business operations, as well as labor costs. We may find that we need to give higher than normal raises to employees and start new employees at a higher wage. Furthermore, our clients are also affected by inflation and the rising costs of products and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us. If inflationary pressures do not subside, sustained higher interest rates by the Federal Reserve may be needed, which could weaken economic activity. A deterioration in economic conditions in the United States and our markets could result in a further increase in loan delinquencies and non-performing assets, decreases in loan collateral values and a decrease in demand for our products and services, all of which, in turn, would adversely affect our business, financial condition, and results of operations.

Insufficient liquidity could impair our ability to fund operations and meet our obligations as they become due, and could materially adversely affect our growth, business, profitability and financial condition.

Liquidity is essential to our business. Liquidity risk is the potential that we will be unable to meet our obligations as they become due because of an inability to liquidate assets or obtain adequate funding at a reasonable cost, in a timely manner and without adverse conditions or consequences. We require sufficient liquidity to fund asset growth, meet customer loan requests, customer deposit maturities and withdrawals, payments on our debt obligations as they become due and other cash commitments under both normal operating conditions and other unpredictable circumstances, including events causing industry or general financial market stress. Liquidity risk can increase due to a number of factors, including an over-reliance on a particular source of funding or market-wide phenomena such as market dislocation and major disasters. Factors that could detrimentally impact access to liquidity sources include, but are not limited to, a decrease in the level of our business activity as a result of a slowdown in our market, adverse regulatory actions against us, or changes in the liquidity needs of our depositors. Market conditions or other events could also negatively affect the level or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost, in a timely manner, and without adverse consequences. Our inability to raise funds through deposits, borrowings, the sale of loans, other sources, and our ability to maintain sufficient deposits, could have a substantial negative effect on our business, and could result in the closure of the Bank. Our access to funding sources in amounts adequate to finance our activities or on acceptable terms could be impaired by factors that affect our organization specifically or the financial services industry or economy in general. Any substantial, unexpected, and/or prolonged change in the level or cost of liquidity could impair our ability to fund operations and meet our obligations as they become due and could have a material adverse effect on our business, financial condition and results of operations.

We rely on customer deposits, including brokered deposits, and to a lesser extent FHLB advances to fund our operations. Although we have historically been able to replace customer deposit withdrawals, maturing deposits, and advances if desired, we may not be able to replace such funds in the future if our financial condition, the financial condition of the FHLB or market conditions were to change. FHLB borrowings and other current sources of liquidity may not be available or, if available, sufficient to provide adequate funding for operations.

We may not be able to retain or grow our core deposit base, which could adversely impact our funding costs.

Like many financial institutions, we rely on customer deposits as our primary source of funding for our lending activities, and we continue to seek customer deposits to maintain this funding base. Our future growth will largely depend on our ability to retain and grow our diverse deposit base. As of December 31, 2024, we had $1.87 billion in deposits and approximately 8% of our deposits are derived from one customer relationship. Our deposits are subject to potentially dramatic fluctuations in availability or price due to certain factors outside of our control, such as increasing competitive pressures for deposits, changes in interest rates and returns on other investment classes, customer perceptions of our financial health, and general reputation and adverse developments in general economic conditions of an individual's business, which could result in significant outflows of deposits within short periods of time or significant changes in pricing necessary to maintain current customer deposits or attract additional deposits. Additionally, negative news about us or the banking industry in general could negatively impact market and/or customer perceptions of our company, which could lead to a loss of depositor confidence and an increase in deposit withdrawals, particularly among those with uninsured deposits. Furthermore, as many regional banking organizations experienced in 2023, the failure of other financial institutions may cause deposit outflows as customers spread deposits among several different banks so as to maximize their amount of FDIC insurance, move deposits to banks deemed “too big to fail” or remove deposits from the banking system entirely. As of December 31, 2024, approximately 31% of our deposits were uninsured when excluding collateralized deposits, and we rely on these deposits for liquidity. Any such loss of funds could result in lower loan originations and decrease in liquidity, which could have a material adverse effect on our business, financial condition and results of operations.

Unrealized losses in our securities portfolio could affect liquidity.

As market interest rates increased in 2022 and 2023, we experienced significant unrealized losses on our available-for-sale securities portfolio. Unrealized losses related to available-for-sale securities are reflected in accumulated other comprehensive income in our consolidated statements of condition and reduce the level of our book capital and tangible common equity. However, such unrealized losses do not affect our regulatory capital ratios. During 2023, we rebalanced our investment securities portfolio by selling $102.5 million in book value available-for-sale securities with a weighted average rate of 1.54%, resulting in realized losses of $15.6 million, which are expected to be earned back over approximately 3 years. The net proceeds of the rebalancing were used to pay down FHLB advances and fund newly originated loans. We actively monitor our available-for-sale securities portfolio and we do not currently anticipate the need to realize material losses from the sale of securities for liquidity purposes. Furthermore, we believe it is unlikely that we would be required to sell any such securities before recovery of their amortized cost basis, which may be at maturity. Nonetheless, our access to liquidity sources could be affected by unrealized losses if securities must be sold at a loss; tangible capital ratios continue to decline from an increase in unrealized losses or realized credit losses; the FHLB or other funding sources reduce capacity; or bank regulators impose restrictions on us that impact the level of interest rates we may pay on deposits or our ability to access brokered deposits. Additionally, significant unrealized losses could negatively impact market and/or customer perceptions of our company, which could lead to a loss of depositor confidence and an increase in deposit withdrawals, particularly among those with uninsured deposits.

Credit Risks

We are subject to credit risk, which could adversely affect our profitability.

Our business depends on our ability to successfully measure and manage credit risk. As a lender, we are exposed to the risk that the principal of, or interest on, a loan will not be paid timely or at all or that the value of any collateral supporting a loan will be insufficient to cover our outstanding exposure. In addition, we are exposed to risks with respect to the period of time over which the loan may be repaid, risks relating to loan underwriting, risks resulting from changes in economic and industry conditions, and risks inherent in dealing with individual loans and borrowers. The creditworthiness of a borrower is affected by many factors including local market conditions and general economic conditions. If the overall economic climate in the U.S. generally, or in our market areas specifically, experiences material disruption, our borrowers may experience difficulties in repaying their loans, the collateral we hold may decrease in value or become illiquid, and our level of nonperforming loans, charge-offs and delinquencies could rise and require significant additional provisions for credit losses.

Our risk management practices, such as monitoring the concentrations of our loans and our credit approval, review and administrative practices, may not adequately reduce credit risk, and our credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting related customers and the quality of the loan portfolio. Many of our loans are made to small businesses that are less able to withstand competitive, economic, and financial pressures than larger borrowers. Consequently, we may have significant exposure if any of these borrowers becomes unable to pay their loan obligations as a result of economic or market conditions, or personal circumstances, such as divorce, unemployment or death. A failure to effectively measure and limit the credit risk associated with our loan portfolio may result in loan defaults, foreclosures and additional charge-offs, and may necessitate that we significantly increase our allowance for credit losses, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have a material adverse effect on our business, financial condition and results of operations.

A substantial portion of our loans are and will continue to be real estate related loans in the Washington, D.C. and Baltimore metropolitan areas. Adverse changes in the real estate market or economy in this area could lead to higher levels of problem loans and charge-offs, adversely affecting our earnings and financial condition.

We make loans primarily to borrowers in the Washington, D.C. and Baltimore metropolitan areas, focusing on the Virginia counties of Arlington, Fairfax, Loudoun, and Prince William and the independent cities located within those counties, Washington D.C., and its Maryland suburbs, and have a substantial portion of our loans secured by real estate. These concentrations expose us to the risk that adverse developments in the real estate market, or in the general economic conditions in such areas, or the continuation of such adverse developments, could increase the levels of nonperforming loans and charge-offs, and reduce loan demand and deposit growth. Actual and proposed spending cuts by the U.S. government, particularly those resulting in job losses in and around the Washington, D.C. metropolitan area, could have a negative impact on the markets we serve, which could adversely affect our business, financial condition, and results of operations. Additionally, if economic conditions in the area deteriorate, or there is significant volatility or weakness in the economy or any significant sector of the area's economy, our ability to develop our business relationships may be diminished, the quality and collectability of our loans may be adversely affected, our provision for credit losses may increase, the value of collateral may decline and loan demand may be reduced.

Increases to our nonperforming assets or other problem assets will have an adverse effect on our earnings.

As of December 31, 2024, we had nonperforming loans and loans 90 days or more past due of $12.9 million, or 0.69% of total loans, net of deferred fees. If loans become 90 or more days past due and still accruing and move to nonaccrual, we will not record interest income on such loans, and may be required to reverse prior accruals, thereby adversely affecting our earnings. If the level of our nonperforming or other problem assets increases, we may be required to make additional provisions for credit losses, which will negatively impact our earnings. If we are required to foreclose on any collateral properties securing our loans, we will incur legal and other expenses in connection with the foreclosure and sale process and possible losses on the sale of other real estate owned ("OREO") or other collateral. Additionally, the resolution of nonperforming assets and other problem assets requires the active involvement of management, which can distract management from its overall supervision of operations and other income producing activities. As of December 31, 2024, we had no OREO.

Our concentrations of loans may create a greater risk of loan defaults and losses.

A substantial portion of our loans are secured by various types of real estate in the Washington, D.C. and Baltimore metropolitan areas and substantially all of our loans are to borrowers in those areas. At December 31, 2024, 83% of our total loans were secured by real estate; commercial real estate loans, excluding construction and land development, comprised the largest portion of these loans at 56% of our portfolio. Construction and land development loans comprised 9% of total loans at December 31, 2024. These concentrations expose us to the risk that adverse developments in the real estate market, or the general economic conditions in our market, could increase our nonperforming loans and charge-offs, reduce the value of our collateral and adversely impact our results of operations and financial condition. Management believes that the commercial real estate concentration risk is mitigated by diversification among the types and characteristics of real estate collateral properties, sound underwriting practices, rigorous portfolio monitoring and ongoing market analysis. These categories of loans have historically carried a higher risk of default than other types of loans, such as single family residential mortgage loans. The repayment of these loans often depends on the successful operation of a business or the sale or development of the underlying property, and, as a result, are more likely to be adversely affected by adverse conditions in the real estate market or the economy in general. While we believe that our loan portfolio is well diversified in terms of borrowers and industries, these concentrations expose us to the risk that adverse developments in the real estate market, or in the general economic conditions in the Washington, D.C. and Baltimore metropolitan areas, could increase the levels of nonperforming loans and charge-offs, and reduce loan demand. In that event, we would likely experience lower earnings or losses. Additionally, if, for any reason, economic conditions in our market area deteriorate, or there is significant volatility or weakness in the economy or any significant sector of the area's economy, our ability to develop our business relationships may be diminished, the quality and collectability of our loans may be adversely affected, our provision for credit losses may increase, the value of collateral may decline and loan demand may be reduced.

Commercial real estate loans tend to have larger balances than single family mortgage loans and other consumer loans because repayment of the loans often depends on the successful operation of the properties and the income stream of the borrowers. Because the loan portfolio contains a significant number of commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans may cause a significant increase in nonperforming assets. Some segments have shown some signs of weakness as rising expenses and debt costs and lower valuations have impacted credit quality metrics. Vacancy rates have risen in the office sector, which is experiencing significant structural shifts that could take several years to fully materialize as remote work practices normalize. To the extent that borrowers have more than one commercial real estate loan outstanding, an adverse development with respect to one loan or one credit relationship could expose us to a significantly greater risk of loss compared to an adverse development with respect to a one-to-four family residential real estate loan. Moreover, if loans that are collateralized by commercial real estate become troubled and the value of the real estate has deteriorated significantly, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan. A decline in the value of the collateral for a loan may require us to increase our allowance for credit losses, which would adversely affect our earnings and financial condition.

Regulatory requirements affecting our loans secured by commercial real estate could limit our ability to leverage our capital and adversely affect our growth and profitability.

The federal banking agencies have issued guidance governing financial institutions that have concentrations in commercial real estate lending. The guidance provides that institutions which have (i) total reported loans for construction, land development, and other land loans which represent 100% or more of an institution's total risk-based capital; or (ii) total reported commercial real estate loans, excluding loans secured by owner-occupied commercial real estate, representing 300% or more of the institution's total risk-based capital, where the institution's commercial real estate loan portfolio has increased 50% or more during the prior 36 months, are identified as having potential commercial real estate concentration risk. Institutions which are deemed to have concentrations in commercial real estate lending are expected to employ heightened levels of risk management with respect to their commercial real estate portfolios, and may be required to hold higher levels of capital. We have a concentration in commercial real estate loans, and we have experienced significant growth in our commercial real estate portfolio in recent years. As of December 31, 2024, commercial real estate loans, as defined for regulatory purposes, represented 371% of our total risk-based capital. Of those loans, commercial construction, development and land loans represented 59% of our total risk based capital. Owner-occupied commercial real estate loans represented an additional 68% of our total risk based capital. Management has extensive experience in commercial real estate lending, and has implemented and continues to maintain heightened portfolio monitoring and reporting, and strong underwriting criteria with respect to its commercial real estate portfolio. Nevertheless, we could be required to maintain higher levels of capital as a result of our commercial real estate concentration, which could limit our growth, require us to obtain additional capital, and have a material adverse effect on our business, financial condition and results of operations.

Our portfolio of loans to small and mid-sized community-based businesses may increase our credit risk.

Many of our commercial business and commercial real estate loans are made to small business or middle market customers. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities and have a heightened vulnerability to economic conditions. If general economic conditions in the market area in which we operate negatively impact this important customer sector, our results of operations and financial condition may be adversely affected. Moreover, a portion of these loans have been made by us in recent years and the borrowers may not have experienced a complete business or economic cycle. The deterioration of our borrowers' businesses may hinder their ability to repay their loans with us, which could have a material adverse effect on our financial condition and results of operations.

Our government contractor customers, and businesses in the Washington, D.C. metropolitan area in general, may be adversely impacted by reductions in spending by the federal government and/or a budget impasse.

At December 31, 2024, 18% of our total loans were outstanding to commercial and industrial customers. Of that, approximately 37% of outstanding commercial and industrial loans are to government contractors or their subcontractors specializing in the defense and homeland security and defense readiness sectors, and we have commitments of $326.8 million to such borrowers. We are actively seeking to expand our exposure to this business segment. In the event of significant reductions in spending and/or a government shutdown, these customers may have their government contracts reduced or terminated, or have payments delayed, causing a loss of anticipated revenues or reduced cash flow, resulting in an increase in credit risk, and potentially defaults by such customers on their respective loans.

Our government contractor customers could also withdraw their deposit balances during a shutdown to fund current operations, resulting in additional liquidity risk. Additionally, layoffs, salary reductions or furloughs of government employees or government contractors could have adverse impacts on other businesses in our market and the general economy of the Washington, D.C. metropolitan area, and may indirectly lead to a loss of revenues by our customers. As a result, significant reductions in spending and/or a government shutdown could lead to an increase in the levels of past due loans, nonperforming loans, allowance for credit losses and charge-offs, and a decline in liquidity.

We have extended off-balance sheet commitments to borrowers which expose us to credit and interest rate risk.

We enter into off-balance sheet arrangements in the normal course of business to meet the financing needs of our customers. These off-balance sheet arrangements include commitments to extend credit, standby letters of credit, and guarantees which would impact our liquidity and capital resources to the extent customers accept or use these commitments. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and guarantees written is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments.

Our allowance for credit losses may be inadequate to absorb actual losses in the loan portfolio, which could have a material adverse effect on our business, financial condition, and results of operations.

Experience in the banking industry indicates that a portion of our loans will become delinquent, and that some may only be partially repaid or may never be repaid at all. We maintain an allowance for credit losses in an amount that is believed to be appropriate to provide for expected losses inherent in the portfolio. We have a proactive program to monitor credit quality and to identify loans that may become non-performing; however, at any time there could be loans in the portfolio that may result in losses, but that have not been identified as non-performing or potential problem credits. We may be unable to identify all deteriorating credits prior to them becoming non-performing assets, or to limit losses on those loans that are identified. As a result, future additions to the allowance may be necessary. Additionally, future additions to the allowance may be required based on changes in the forecasted economic conditions, changes in the loans comprising the portfolio and changes in the financial condition of borrowers, or as a result of assumptions used by management in determining the allowance.

Although we endeavor to maintain our allowance for credit losses at a level adequate to absorb expected losses in the loan portfolio, the determination of the appropriate level of the allowance for credit losses is inherently highly subjective and requires us to make significant estimates of and assumptions regarding current credit risk and future trends, and the accuracy of our judgments depends on the outcome of future events. Further, despite our underwriting criteria and historical experience, we may be particularly susceptible to losses due to: (i) the geographic concentration of our loans, (ii) the concentration of higher risk loans, such as commercial real estate, and commercial and industrial loans, and (iii) the relative lack of seasoning of certain loans.

Deterioration of economic conditions affecting borrowers, new information regarding existing loans, inaccurate management assumptions, identification of additional problem loans and other factors, both within and outside of our control, may result in our experiencing higher levels of nonperforming assets and charge-offs, and incurring credit losses in excess of our current allowance for credit losses, requiring us to make material additions to our allowance for credit losses.

Our federal and state banking regulators, as an integral part of their supervisory function, periodically review the adequacy of our allowance for credit losses. These regulatory agencies may require us to increase our provision for credit losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. If we need to make significant and unanticipated increases in the loss allowance in the future, or take additional charge-offs for which we have not established adequate reserves, our results of operations and financial condition could be materially adversely affected at that time.

Strategic Risks

We operate in a highly competitive market and face increasing competition from a variety of traditional and new financial services providers, which could adversely impact our profitability.

The banking business is highly competitive. We compete for loans and deposits with other commercial banks, savings banks, credit unions, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market mutual funds and other financial institutions operating in the Washington, D.C. and Baltimore metropolitan areas and elsewhere, as well as nontraditional competitors such as fintech companies and internet-based lenders, depositories and payment systems. Credit unions have federal tax exemptions, which may allow them to offer lower rates on loans and higher rates on deposits than taxpaying financial institutions such as commercial banks. In addition, non-depository institution competitors are generally not subject to the extensive regulation applicable to institutions that offer federally insured deposits. Banks are facing significant competition from higher-yielding choices, such as U.S. Treasury securities and money market funds, which have contributed to pushing rates higher. These differences in resources, regulation, competitive advantages, and business strategy create a competitive landscape that may decrease our net interest margin, increase our operating costs, and make it harder to compete profitably. Our profitability depends upon our continued ability to successfully compete with traditional and new financial services providers, some of which maintain a physical presence in our market areas and others of which maintain only a virtual presence. Our failure to compete effectively in our market could restrain our growth or cause us to lose market share, which could have a material adverse effect on our business, financial condition, and results of operations.

The success of our growth strategy depends, in part, on our ability to identify and retain individuals with experience and relationships in our market.

Our success depends, in large part, on our management team and key employees. The loss of any of our management team or our key employees could materially adversely affect our ability to execute our business strategy, and we may not be able to find adequate replacements on a timely basis, or at all. We cannot ensure that we will be able to retain the services of any members of our management team or other key employees. Failure to attract and retain a qualified management team and qualified key employees could have a material adverse effect on our business, financial condition and results of operations.

In order to continue to grow successfully, we must also identify and retain experienced banking officers with local expertise and relationships. We expect that competition for experienced loan and deposit officers will continue to be intense and that there will be a limited number of qualified bankers with knowledge of, and experience in, the community banking industry in our market area. Even if we identify individuals that we believe could assist us in building our franchise, we may be unable to recruit these individuals away from their current banks. In addition, the process of identifying and recruiting loan officers with the combination of skills and attributes required to carry out our strategy is often lengthy. Our inability to identify, recruit and retain talented personnel could limit our growth and could adversely affect our business, financial condition and results of operations. The lack of acquisition opportunities in the future, or our inability to successfully bid for such opportunities as are available, could result in a slower pace of growth.

We may not be able to successfully manage continued growth.

As our capital base grows, so does our legal lending limit. We cannot be certain as to our ability to manage increased levels of assets and liabilities, or to successfully make and supervise higher balance loans. Further, we may not be able to maintain the relatively low number and level of nonperforming loans and charge-offs that we have experienced. We may be required to make additional investments in equipment, software, physical facilities and personnel to accumulate and manage higher asset levels and loan balances, which may adversely impact earnings, shareholder returns, and our efficiency ratio. Increases in operating expenses or nonperforming assets may have an adverse impact on the value of our common stock.

There can be no assurance that we will be able to continue to grow and to remain profitable in future periods, or, if profitable, that our overall earnings will remain consistent with our prior results of operations, or increase in the future. A downturn in economic conditions in our market, particularly in the real estate market, heightened competition from other financial services providers, an inability to retain or grow our core deposit base, regulatory and legislative considerations, a failure to maintain adequate internal controls and compliance processes, and failure to attract and retain high-performing talent, among other factors, could limit our ability to grow assets, or increase profitability, as rapidly as we have in the past. Sustainable growth requires that we manage our risks by following prudent loan underwriting standards, balancing loan and deposit growth without materially increasing interest rate risk or compressing our net interest margin, maintaining more than adequate capital at all times, hiring and retaining qualified employees and successfully implementing our strategic initiatives. Our failure to sustain our historical rate of growth or adequately manage the factors that have contributed to our growth could have a material adverse effect on our earnings and profitability and therefore on our business, financial condition, and results of operations.

We may face risks with respect to future expansion or acquisition activity.

We selectively seek to expand our banking operations through limited *de novo* branching or opportunistic acquisition activities. We cannot be certain that any expansion activity, through *de novo* branching, acquisition of branches of another financial institution or a whole institution, or the establishment or acquisition of nonbanking financial service companies, will prove profitable or will increase shareholder value. The success of any acquisition will depend, in part, on our ability to realize the estimated cost savings and revenue enhancements from combining our business and that of the target company. Our ability to realize increases in revenue will depend, in part, on our ability to retain customers and employees, and to capitalize on existing relationships for the provision of additional products and services. If our estimates turn out to be incorrect or we are not able to successfully combine companies, the anticipated cost savings and increased revenues may not be realized fully or at all, or may take longer to realize than expected. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing business, diversion of management attention, or inconsistencies in standards, controls, procedures, and policies that adversely affect our ability to maintain relationships with clients and employees or to achieve the anticipated benefits of the merger. As with any combination of banking institutions, there also may be disruptions that cause us to lose customers or cause customers to withdraw their deposits. Customers may not readily accept changes to their banking arrangements that we make as part of or following an acquisition. Additionally, the value of an acquisition to us is dependent on our ability to successfully identify and estimate the magnitude of any asset quality issues of acquired companies.

We may not be successful in overcoming these risks or other problems encountered in connection with potential acquisitions or other expansion activity. Our inability to overcome these risks could have an adverse effect on our ability to implement our business strategy and enhance shareholder value, which, in turn, could have a material adverse effect on our business, financial condition, or results of operations.

Additionally, at December 31, 2024, we had $7.2 million of goodwill related to our acquisition of Colombo. Goodwill and other intangible assets are tested for impairment on an annual basis or when facts and circumstances indicate that impairment may have occurred. Our financial condition and results of operations may be adversely affected if that goodwill is determined to be impaired, which would require us to take an impairment charge.

New lines of business, products, product enhancements or services may subject us to additional risk.

From time to time, we may implement new lines of business or offer new products and product enhancements as well as new services within our existing lines of business. There are substantial risks and uncertainties associated with these efforts. In developing, implementing or marketing new lines of business, products, product enhancements or services, we may invest significant time and resources. We may underestimate the appropriate level of resources or expertise necessary to make new lines of business or products successful or to realize their expected benefits. We may not achieve the milestones set in initial timetables for the development and introduction of new lines of business, products, product enhancements or services, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the ultimate implementation of a new line of business or offerings of new products, product enhancements or services. Any new line of business, product, product enhancement or service could have a significant impact on the effectiveness of our system of internal controls. We may also decide to discontinue businesses or products, due to lack of customer acceptance or profitability. Failure to successfully manage these risks in the development and implementation of new lines of business or offerings of new products, product enhancements or services could have a material adverse effect on our business, financial condition, and results of operations.

Operational Risks

We depend on information technology and telecommunications systems of third parties, and any systems failures, interruptions, or breaches of security could adversely affect our operations and financial condition.

Our business depends on the successful and uninterrupted functioning of our information technology and telecommunications systems. We outsource many of our major systems, such as data processing, deposit processing, loan origination, email and anti-money laundering monitoring systems. The failure of these systems, or the termination of a third party software license or service agreement on which any of these systems is based, could interrupt our operations, and we could experience difficulty in implementing replacement solutions. In many cases, our operations rely heavily on secured processing, storage and transmission of information and the monitoring of a large number of transactions on a minute-by-minute basis, and even a short interruption in service could have significant consequences. Because our information technology and telecommunications systems interface with and depend on third party systems, we could experience service denials if demand for such services exceeds capacity or such third party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business and subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our business, financial condition, and results of operations. In addition, failure of third parties to comply with applicable laws and regulations, or fraud or misconduct on the part of employees of any of these third parties, could disrupt our operations or adversely affect our reputation.

In addition, we provide our customers the ability to bank remotely, including online over the internet and through mobile banking applications. The secure transmission of confidential information is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. Further, we outsource the data processing functions used for remote banking, and accordingly we are dependent on the expertise and performance of our third party providers. To the extent that our activities, the activities of our customers, or the activities of our third party service providers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, litigation, and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could adversely affect our reputation, results of operations, and ability to attract and maintain customers and businesses. In addition, a security breach could also subject us to additional regulatory scrutiny, expose us to civil litigation and possible financial liability and cause reputational damage.

We are subject to cybersecurity risks and security breaches and may incur increasing costs in an effort to minimize those risks and to respond to cyber incidents, and we may experience harm to our reputation and liability exposure from security breaches.

Our business involves the storage and transmission of customers' proprietary information and security breaches could expose us to a risk of loss or misuse of this information, litigation and potential liability. While we have incurred no material cyber-attacks or security breaches to date, a number of other financial services and other companies have disclosed cyber-attacks and security breaches, some of which have involved intentional attacks. Attacks may be targeted at us, our customers or both. Although we devote significant resources to maintain, regularly update and backup our systems and processes that are designed to protect the security of our computer systems, software, networks and other technology assets and the confidentiality, integrity and availability of information belonging to us or our customers, our security measures may not be effective against all potential cyber-attacks or security breaches. Despite our efforts to ensure the integrity of our systems, it is possible that we may not be able to anticipate, or implement effective preventive measures against, all security breaches of these types, especially because the techniques used change frequently or are not recognized until launched, and because cyber-attacks can originate from a wide variety of sources, including persons who are involved with organized crime or associated with external service providers or who may be linked to terrorist organizations or hostile foreign governments. These risks may increase in the future as we continue to increase our internet-based product offerings and expand our internal usage of web-based products and applications. If an actual or perceived security breach occurs, customer perception of the effectiveness of our security measures could be harmed and could result in the loss of customers.

A successful penetration or circumvention of the security of our systems, including those of third party providers or other financial institutions, or the failure to meet regulatory requirements for security of our systems, could cause serious negative consequences, including significant disruption of our operations, misappropriation of our confidential information or that of our customers, or damage to our computers or systems or those of our customers or counterparties, significant increases in compliance costs (such as repairing systems or adding new personnel or protection technologies), and could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, significant litigation and regulatory exposure, and harm to our reputation, all of which could have a material adverse effect on our business, financial condition, and results of operations.

Failure to keep up with the rapid technological changes in the financial services industry could have a material adverse effect on our competitive position and profitability.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements than we have. We may not be able to implement new technology driven products and services effectively or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could harm our ability to compete effectively and could have a material adverse effect on our business, financial condition, or results of operations. As these technologies are improved in the future, we may be required to make significant capital expenditures in order to remain competitive, which may increase our overall expenses and have a material adverse effect on our business, financial condition, and results of operations.

Our risk management framework may not be effective in mitigating risks and/or losses to us.

Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate and compliance. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate any risk or loss to us. If our risk management framework is not effective, we could suffer unexpected losses and our business, financial condition, results of operations or growth prospects could be materially and adversely affected. We may also be subject to potentially adverse regulatory consequences.

We are at risk of increased losses from fraud.

Fraudulent activity that may be committed against us or our customers may result in financial losses or increased costs to us. Criminals are committing fraud at an increasing rate and are using more sophisticated techniques. Such fraudulent activity has taken many forms, ranging from wire fraud, debit card fraud, check fraud, mechanical devices attached to ATMs, social engineering and phishing attacks to obtain personal information, business email compromise, or impersonation of clients through the use of falsified or stolen credentials. While we have policies and procedures, as well as fraud detection tools, designed to prevent fraud losses, such policies, procedures and tools may be insufficient to accurately detect and prevent fraud. A significant increase in fraudulent activities could lead us to take additional steps to reduce fraud risk, which could increase our costs. Fraud losses may materially and adversely affect our business, financial condition, and results of operations.

We may be adversely affected by the soundness of other financial institutions.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty and other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, could lead to market-wide liquidity problems and losses or defaults by us or other institutions. These losses could have a material adverse effect on our business, financial condition and results of operations.

Litigation and regulatory actions, including possible enforcement actions, could subject us to significant fines, penalties, judgments or other requirements resulting in increased expenses or restrictions on our business activities.

In the normal course of business, from time to time, we may be named as a defendant in various legal actions, arising in connection with our current and/or prior business activities. Legal actions could include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. Further, we may in the future be subject to consent orders or other formal or informal enforcement agreements with our regulators. We may also, from time to time, be the subject of subpoenas, requests for information, reviews, investigations and proceedings (both formal and informal) by governmental agencies regarding our current and/or prior business activities. Any such legal or regulatory actions may subject us to substantial compensatory or punitive damages, significant fines, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. Our involvement in any such matters, whether tangential or otherwise, and even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. Further, any settlement, consent order, other enforcement agreement or adverse judgment in connection with any formal or informal proceeding or investigation by government agencies may result in litigation, investigations or proceedings as other litigants and government agencies begin independent reviews of the same activities.

As a result, the outcome of legal and regulatory actions could have a material adverse effect on our business, financial condition and results of operations.

Scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to environmental, social and governance ("ESG") practices may impose additional costs on us or expose us to new or additional risks.

We face scrutiny from customers, regulators, investors, and other stakeholders related to ESG practices and disclosure. In March 2024, the SEC adopted rules requiring public companies, such as the Company, to provide climate-related disclosures in their annual reports and registration statements. Investor advocacy groups, investment funds and influential investors may also focus on these practices, especially as they relate to climate risk, hiring practices, the diversity of the work force, and racial and social justice issues. Increased ESG related compliance costs could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure.

Risks Related to Our Securities

We may need to raise additional capital in the future, and we may not be able to do so.

Access to sufficient capital is critical in order to enable us to implement our business plan, support our business, expand our operations and meet applicable capital requirements. The inability to have sufficient capital, whether internally generated through earnings or raised in the capital markets, could adversely impact our ability to support and to grow our operations. If we grow our operations faster than we generate capital internally, we will need to access the capital markets. We may not be able to raise additional capital in the form of additional debt or equity on acceptable terms, or at all. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, our financial condition and our results of operations. Economic conditions and a loss of confidence in financial institutions may increase our cost of capital and limit access to some sources of capital. Further, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would then have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse impact on our business, financial condition, and results of operations.

We have no current plans to pay cash dividends.

Holders of our common stock are entitled to receive only such dividends as our board of directors may declare out of funds legally available for such payments. The Bank is our primary operating business and the source of substantially all of our earnings, and our ability to pay dividends will be subject to the earnings, capital levels, capital needs and limitations relating to the payment of dividends by the Bank to us. The amount of dividends that a bank may pay is limited by state and federal laws and regulations. While we have sufficient retained earnings and expect our future earnings to be sufficient to pay cash dividends, our board of directors currently intends to retain earnings for the purpose of financing growth. In addition, we are a bank holding company, and our ability to declare and pay dividends to our shareholders is dependent on federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends. It is the policy of the Federal Reserve that bank holding companies should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization's expected future needs, asset quality and financial condition.

Risks Related to Our Industry

We operate in a highly regulated industry and the laws and regulations that govern our operations, corporate governance, executive compensation, and financial accounting or reporting, including changes in them or our failure to comply with them, may adversely affect our results of operations.

We are subject to extensive regulation and supervision that govern almost all aspects of our operations. These laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on our business activities, limit the dividends or distributions that we can pay, restrict the ability of institutions to guarantee our debt, and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than US generally accepted accounting principles ("GAAP"). Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs.

We face increasing regulation and supervision of our industry. The Dodd-Frank Act instituted major changes to the banking and financial institutions regulatory regimes. Other changes to statutes, regulations, or regulatory policies, or supervisory guidance, including changes in interpretation or implementation of statutes, regulations, policies or supervisory guidance, could affect us in substantial and unpredictable ways. Such additional regulation and supervision has increased, and may continue to increase, our costs and limit our ability to pursue business opportunities. Further, our failure to comply with these laws and regulations, even if the failure was inadvertent or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, any of which could adversely affect our results of operations, capital base and the price of our securities. Further, any new laws, rules and regulations could make compliance more difficult or expensive or otherwise adversely affect our business and financial condition.

We are subject to an extensive body of accounting rules and best practices. Periodic changes to such rules may change the treatment and recognition of critical financial line items and affect our profitability.

The nature of our business makes us sensitive to the large body of accounting rules in the U.S. From time to time, the governing bodies that oversee changes to accounting rules and reporting requirements may release new guidance for the preparation of our financial statements. These changes can materially impact how we record and report our financial condition and results of operations. In some instances, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.These changes could adversely affect our capital, regulatory capital ratios, ability to make larger loans, earnings and performance metrics. Any such changes could have a material adverse effect on our business, financial condition, and results of operations.

Regulatory initiatives regarding bank capital requirements may require heightened capital.

We are subject to capital adequacy guidelines and other regulatory requirements specifying minimum amounts and types of capital that we must maintain. From time to time, regulators implement changes to these regulatory capital adequacy guidelines. If we fail to meet these minimum capital guidelines and/or other regulatory requirements, our financial condition would be materially and adversely affected. The Basel III rules require bank holding companies and their subsidiaries to maintain significantly more capital as a result of higher required capital levels and more demanding regulatory capital risk weightings and calculations. The Bank must also comply with the capital requirements set forth in the "prompt corrective action" regulations pursuant to Section 38 of the FDIA. Satisfying capital requirements may require us to limit our banking operations, retain net income or reduce dividends to improve regulatory capital levels, which could negatively affect our business, financial condition, and results of operations.

Our use of third party vendors and our other ongoing third party business relationships are subject to increasing regulatory requirements and attention.

We regularly use third party vendors in our business and we rely on some of these vendors for critical functions including, but not limited to, our core processing function. Third party relationships are subject to increasingly demanding regulatory requirements and attention by bank regulators. We expect our regulators to hold us responsible for deficiencies in our oversight or control of our third party vendor relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third party vendors or that such vendors have not performed adequately, we could be subject to administrative penalties or fines as well as requirements for consumer remediation, any of which could have a material adverse effect on our business, financial condition, and results of operations.

General Risks

Severe weather, natural disasters, geopolitical conditions, trade restrictions and tariffs, and acts of war or terrorism, public health issues, and other external events could significantly impact our business.

Severe weather, natural disasters, geopolitical conditions, trade restrictions and tariffs, acts of war or terrorism, public health issues, and other adverse external events could have a significant impact on our ability to conduct business. In addition, such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue, and/or cause us to incur additional expenses. The occurrence of any such event in the future could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

The development and use of Artificial Intelligence ("AI") presents risks and challenges that may adversely impact our business.

We or our third-party vendors, clients, or counterparties may develop or incorporate AI technology in certain business processes, services, or products. The development and use of AI presents a number of risks and challenges to our business. The legal and regulatory environment relating to AI is uncertain and rapidly evolving, and includes regulatory schemes targeted specifically at AI as well as provisions in intellectual property, privacy, consumer protection, employment, and other laws applicable to the use of AI. These evolving laws and regulations could require changes in our implementation of AI technology and increase our compliance costs and the risk of non-compliance. AI models, particularly generative AI models, may produce outputs or take actions that are incorrect, that reflect biases included in the data on which they are trained, that result in the release of private, confidential, or proprietary information, that infringe on the intellectual property rights of others, or that are otherwise harmful. In addition, the complexity of many AI models makes it difficult to understand why they are generating particular outputs. This limited transparency increases the challenges associated with assessing the proper operation of AI models, understanding and monitoring the capabilities of the AI models, reducing erroneous outputs, eliminating bias, and complying with regulations that require documentation or explanation of the basis on which decisions are made. Further, we may rely on AI models developed by third parties, and, to that extent, would be dependent in part on the manner in which those third parties develop and train their models, including risks arising from the inclusion of any unauthorized material in the training data for their models and the effectiveness of the steps these third parties have taken to limit the risks associated with the outputs of their models, matters over which we may have limited visibility. Any of these risks could expose us to liability or adverse legal or regulatory consequences and harm our reputation and the public perception of our business or the effectiveness of our security measures.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Information security, which includes cybersecurity, is a significant operational risk facing our business. Cybersecurity risks include intentional malicious attacks or unintentional acts that result in an impact to the confidentiality, integrity or availability of our or our clients' or third parties' operations, systems or data.

Management assesses and manages material risks from cybersecurity threats through designated management positions and committees that are responsible for overseeing technology and information security. Our Chief Technology & Information Security Officer is responsible for information security and cybersecurity risk management. He has over 25+ years of experience in financial services, including 15+ years in information technology, and among other duties, is responsible for the security and integrity of systems, applications and databases and coordinates security implementations, monitoring, and enforcement.

We maintain a comprehensive information security policy that is intended to maintain the security and confidentiality of client information, protect against threats to the security or integrity of such information, and protect against unauthorized access to or use of such information. We have a written information security program that is aligned to our information security policy and designed to assess, identify and manage risks that result from cybersecurity threats. Our information security program is centered on preparing for, preventing, detecting, mitigating, responding to and recovering from cyber threats and cyber incidents while ensuring our processes continue to operate effectively. On an annual basis, the Board of Directors reviews and approves our information security program and information security policy.

We currently use the Federal Financial Institutions Examination Council's Cybersecurity Assessment Tool ("FFIEC CAT") to help us identify our cybersecurity risks and determine our cybersecurity preparedness. This assessment tool incorporates regulatory guidance as well as concepts from other industry standards, including the National Institute of Standards and Technology Cybersecurity Framework. The results of the assessment are used to determine risk management practices and controls in order to align our cybersecurity preparedness to address the identified risks within our risk appetite. We engage a third-party to provide an annual risk assessment of our compliance with interagency guidelines for safeguarding confidential customer information. This risk assessment focuses on our information security program and the controls in place to protect client information. The results of the risk assessment are analyzed and used to improve our information security program where needed. Internal audits, regulatory examinations and third-party assessments of our processes in information technology and information security also help us assess our cybersecurity preparedness and whether risk management practices and controls need adjustment. Risk issues are identified through assessments, audits, examinations and security testing. Findings are tracked and reported to the Bank's Technology Committee, and the Audit Committee of the Board of Directors. The FFIEC CAT will sunset in Fall 2025. We are currently evaluating other assessment tools which will be implemented in 2026.

We have contracted with various service providers (vendors) who provide a broad range of services, including core banking, communications, collaboration and infrastructure services. We have established a vendor management policy to establish the principles, framework, and guidance for the effective review, engagement, monitoring, and oversight of vendors to ensure that we adequately manage operational, strategic, reputational, and other related risks inherent in outsourcing of services or operations. We manage the cybersecurity risks posed by our use of third-party service providers by conducting periodic risk assessments.

We leverage multiple managed security service providers to monitor key system and network activity on a 24 hour basis to detect and alert the information technology team of cyber threats and potential cybersecurity events of concern. In addition to monitoring for security events, cyber threat intelligence sources are analyzed in order to understand potential cyber threats and techniques that may be used in cyberattacks against us and to monitor for such threats. Examples of cyber threat intelligence sources include the Financial Services Information Sharing and Analysis Center, trade organizations, the Cybersecurity and Infrastructure Security Agency, security service providers, vendor alerts, and open-source intelligence sources. The Bank utilizes cybersecurity tools to detect and prevent successful phishing campaigns. All employees receive three training sessions annually covering social engineering, phishing and current scam events, followed by periodic testing.

Our cybersecurity risk management processes are integrated into our overall risk management system through our risk management committee structure. These committees have processes to help facilitate appropriate and effective oversight of cybersecurity risk, including tracking and reporting of cybersecurity risks and remediation plans. The Bank maintains a chartered Technology Committee, which is responsible for the oversight of policies and practices relating to the identification, assessment, measurement, monitoring and management of our technology and information security risks. The Technology Committee is chaired by our Chief Technology & Information Security Officer and members include two members from our Board of Directors, one independent Director and the President, Chief Financial Officer, Chief Banking Officer, IT Infrastructure & Security Manager, and officers of key business systems. The Chief Technology & Information Security Officer reports the cyber security status of the Bank to our Board of Directors on a monthly basis. These reports include performance metrics, security events, penetration testing, training, audit results, new system and vulnerability assessments and the identification and remediation of cybersecurity risks. The Information Security Officer also provides information regarding the threat environment and our efforts to detect, prevent and respond to internal and external critical threats

The Board of Directors, leveraging the efforts of the Technology Committee, oversees our continuing efforts to strengthen our information security infrastructure and staffing, adhere to regulatory guidelines and enhance our processes, technology controls and cybersecurity defenses. Our Chief Technology & Information Security Officer regularly reports to the Board of Directors on security matters, our Risk Management Committee establishes and reviews key cyber risk indicators and performance metrics, and our Technology Committee assesses and disseminates periodic updates on information security risk, the maturity of our information security program, and related investments and results.

Item 2. Properties

Our executive offices and the main office of the Bank are located at 11325 Random Hills Road, Fairfax, Virginia, 22030. In addition to our main office, we also maintain eight additional branch offices in Arlington, Virginia; the independent city of Manassas, Virginia; Reston, Fairfax County, Virginia; Springfield, Fairfax County, Virginia; Montgomery County and Baltimore, Maryland; and Washington, D.C. We also maintain an operations center in Manassas. We lease all but one location; our branch located in Baltimore, Maryland. We also lease a loan production office in Towson, Maryland.

We are committed to being highly selective in our branching decisions, and we intend to continue to explore opportunities for establishing additional strategically located branches in the Washington and Baltimore MSAs based primarily on commercial deposit and loan potential and demographic support. We typically establish branches as necessary to provide support for established business development professionals with substantial books of business and customer relationships. We believe that upon expiration of each of our leases we will be able to extend the leases on satisfactory terms or relocate to another acceptable location.

Item 3. Legal Proceedings

In the ordinary course of our operations, we become party to various legal proceedings. Currently, we are not party to any material legal proceedings, and no such proceedings are, to management's knowledge, threatened against us.

Item 4. Mine Safety Disclosures

None.

PART II

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

Market Price for Common Stock and Dividends. Our common stock is currently listed on the Nasdaq Capital Market under the symbol "FVCB." As of March 14, 2025, there were 402 holders of record of our common stock and approximately 1,682 total beneficial shareholders.

Dividends

To date, we have not paid, and we do not currently intend to pay, a cash dividend on our common stock. Holders of our common stock are only entitled to receive dividends when, as and if declared by our board of directors out of funds legally available for dividends. As we are a bank holding company and do not engage directly in business activities of a material nature, our ability to pay dividends on our common stock depends, in large part, upon our receipt of dividends from the Bank. Any future determination relating to our dividend policy will be made by our board of directors and will depend on a number of factors, including general and economic conditions, industry standards, our financial condition and operating results, our available cash and current and anticipated cash needs, capital requirements, our ability to service debt obligations senior to our common stock, banking regulations, contractual, legal, tax and regulatory restrictions, and limitations on the payment of dividends by us to our shareholders or by the Bank to us, and such other factors as our board of directors may deem relevant.

Regulations of the Federal Reserve and Virginia law place limits on the amount of dividends the Bank may pay to the Company without prior approval. Prior regulatory approval is required to pay dividends which exceed the Bank's net profits for the current year plus its retained net profits for the preceding two calendar years, less required transfers to surplus. Under Virginia law, dividends may only be paid out of retained earnings. State and federal bank regulatory agencies also have authority to prohibit a bank from paying dividends if such payment is deemed to be an unsafe or unsound practice, and the Federal Reserve has the same authority over bank holding companies. Under Virginia law, the Company generally may not pay dividends or distributions to holders of common stock if it would be unable to pay its debts as they become due in the ordinary course of business or if its total assets would be less than the sum of its total liabilities plus the amount of the liquidation preference of any class of shares with superior rights than the common stock.

The Federal Reserve has established requirements with respect to the maintenance of appropriate levels of capital by registered bank holding companies. Compliance with such standards, as presently in effect, or as they may be amended from time to time, could possibly limit the amount of dividends that the Company may pay in the future. The Federal Reserve has issued guidance on the payment of cash dividends by bank holding companies. In the statement, the Federal Reserve expressed its view that a holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income, or which could only be funded in ways that weaken the holding company's financial health, such as by borrowing. Under Federal Reserve guidance, as a general matter, the board of directors of a holding company should inform the Federal Reserve and should eliminate, defer, or significantly reduce the dividends if: (i) the holding company's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the holding company's prospective rate of earnings retention is not consistent with the capital needs and overall current and prospective financial condition; or (iii) the holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. As a depository institution, the deposits of which are insured by the FDIC, the Bank may not pay dividends or distribute any of its capital assets while it remains in default on any assessment due the FDIC. The Bank currently is not in default under any of its obligations to the FDIC.

On December 15, 2022, the Company announced that the Board of Directors approved a five-for-four split of the Company's common stock in the form of a 25% stock dividend for shareholders of record on January 9, 2023. This dividend was paid on January 31, 2023.

Repurchases

On March 21, 2024, we publicly announced that the Board of Directors had renewed the share repurchase program (the "Repurchase Program") that was initiated in 2020. Under the renewed Repurchase Program, we may purchase up to 1,300,000 shares of our common stock, or approximately 8% of our outstanding shares of common stock at December 31, 2023. The Repurchase Program will expire on March 31, 2025, subject to earlier termination of the program by the Board of Directors. The timing and amount of repurchases, if any, will depend on market conditions, share price, trading volume, and other factors, and there is no assurance that we will purchase shares during any period. Shares may be repurchased in the open market or through privately negotiated transactions. For the year ended December 31, 2024, no shares of our common stock were repurchased under the program.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following presents management's discussion and analysis of our consolidated financial condition at December 31, 2024 and 2023 and the results of our operations for the years ended December 31, 2024 and 2023. This discussion should be read in conjunction with our consolidated financial statements and the notes thereto appearing elsewhere in this report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause results to differ materially from management's expectations.

Overview

We are a bank holding company headquartered in Fairfax County, Virginia. Our sole subsidiary, FVCbank, was formed in November 2007 as a community-oriented, locally-owned and managed commercial bank under the laws of the Commonwealth of Virginia. The Bank offers a wide range of traditional bank loan and deposit products and services to both our commercial and retail customers. Our commercial relationship officers focus on attracting small and medium sized businesses, commercial real estate developers and builders, including government contractors, non-profit organizations, and professionals. Our approach to our market features competitive customized financial services offered to customers and prospects in a personal relationship context by seasoned professionals.

On August 31, 2021, we announced that the Bank made an investment in ACM for $20.4 million to obtain a 28% ownership interest in ACM. The Bank provides a warehouse lending facility to ACM, which includes a construction-to-permanent financing line, and has developed portfolio mortgage products to diversify our held for investment loan portfolio.

Net interest income is our primary source of revenue. We define revenue as net interest income plus noninterest income. We manage our balance sheet and interest rate risk exposure to maximize, and concurrently stabilize, net interest income. We do this by monitoring our liquidity position and the spread between the interest rates earned on interest-earning assets and the interest rates paid on interest-bearing liabilities. We attempt to minimize our exposure to interest rate risk, but are unable to eliminate it entirely. In addition to managing interest rate risk, we also analyze our loan portfolio for exposure to credit risk. Loan defaults and foreclosures are inherent risks in the banking industry, and we attempt to limit our exposure to these risks by carefully underwriting and then monitoring our extensions of credit. In addition to net interest income, noninterest income is a complementary source of revenue for us and includes, among other things, service charges on deposits and loans, income from minority membership interest in ACM, merchant services fee income, insurance commission income, income from bank owned life insurance ("BOLI"), and gains and losses on sales of investment securities available-for-sale.

Critical Accounting Policies

General

The accounting principles we apply under GAAP are complex and require management to apply significant judgment to various accounting, reporting, and disclosure matters. Management must use assumptions, judgments, and estimates when applying these principles where precise measurements are not possible or practical. These policies are critical because they are highly dependent upon subjective or complex judgments, assumptions, and estimates. Changes in such judgments, assumptions, and estimates may have a significant impact on the consolidated financial statements. Actual results, in fact, could differ from initial estimates.

The accounting policies we view as critical are those relating to judgments, assumptions, and estimates regarding the determination of the allowance for credit losses on our loan portfolio.

Allowance for Credit Losses - Loans

We maintain the allowance for credit losses ("ACL") at a level that represents management’s best estimate of expected losses in our loan portfolio.

Accounting Standards Codification ("ASC") 326 requires that an estimate of expected credit losses be immediately recognized and reevaluated over the contractual life of the financial asset. The ACL is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loan portfolio. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Recoveries are recorded to the extent they do not exceed the aggregate of amounts previously charged-off.

Reserves on loans that do not share risk characteristics are evaluated on an individual basis. Nonaccrual loans are specifically reviewed for loss potential and when deemed appropriate are assigned a reserve based on an individual evaluation. The remainder of the portfolio, representing all loans not evaluated individually, is segmented based on call report code and processed through a non-discounted cash flow valuation model. In particular, loan-level probability of default ("PD") and severity (also referred to as loss given default ("LGD")) is applied to derive a baseline expected loss as of the valuation date. These expected default and severity rates, which are regression-derived and based on peer historical loan-level performance data, are calibrated to incorporate our reasonable and supportable forecast of future losses as well as any necessary qualitative adjustments.

Typically, financial institutions use their historical loss experience and trends in losses for each loan segment which are then adjusted for portfolio trends and economic and environmental factors in determining the ACL. Since the Bank's inception in 2007, we have experienced minimal loss history within our loan portfolio. Due to the fact that limited internal loss history exists to generate statistical significance, we determined it was most prudent to rely on peer data when deriving our best estimate of PD and LGD. As part of our estimation process, we will continue to assess the reasonableness of the data, assumptions, and model methodology utilized to derive our allowance for credit losses.

For each of the modeled loan segments, we generate cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speeds, PD rates, and LGD rates. The modeling of expected prepayment speeds is based on internal loan-level historical data. For our cash flow model, we utilize national unemployment for reasonable and supportable forecasting of expected default. To further adjust the ACL for expected losses not already within the quantitative component of the calculation, we may consider qualitative factors as prescribed in ASC 326.

While our methodology in establishing the ACL attributes portions of a combined reserve to multiple elements, we believe that the combined allowance for credit losses (which is inclusive of the reserve for unfunded commitments) represents the most appropriate coverage metric for loss absorption purposes.

The determination of the appropriate level of the ACL on loans inherently involves a high degree of subjectivity and requires us to make significant judgments concerning credit risks and trends using quantitative and qualitative information, as well as reasonable and supportable forecasts of future economic conditions, all of which may undergo frequent and significant changes. Changes in conditions, including unforeseen events, changes in asset-specific risk characteristics, and other economic factors, both within and outside our control, may indicate the need for an increase or decrease in the ACL on loans. While we make every effort to utilize the best information available in making our assessment of the ACL estimate, the estimation process is inherently challenging as potential changes in any one factor or input may occur at different rates and/or impact pools of loans in different ways. Further, changes in factors and inputs may also be directionally inconsistent, such that improvement in one factor may offset deterioration in others. Our methodology utilized in the estimation of the ACL, which is performed at least quarterly, is designed to be dynamic and responsive to changes in our loan portfolio credit quality, composition, and forecasted economic conditions. The review of the reasonableness and appropriateness of the ACL is reviewed by the ACL Committee for approval as of the valuation date. Additionally, information is provided to the Board of Directors on a quarterly basis along with our consolidated financial statements.

Credit losses are an inherent part of our business and, although we believe the methodologies for determining the ACL and the current level of the allowance are appropriate, it is possible that there may be unidentified losses in the portfolio at any particular time that may become evident at a future date pursuant to additional internal analysis or regulatory comment. Additional provisions for such losses, if necessary, would be recorded, and would negatively impact earnings.

Financial Overview

For the years ended December 31, 2024 and 2023, we continued our focus on organic growth, capitalizing on new customer relationships we obtained through centers of influence and portfolio cultivation.

- Total assets increased to $2.20 billion compared to $2.19 billion at December 31, 2024 and 2023, respectively, an increase of $8.4 million.

- Total loans, net of deferred fees, increased $41.7 million, or 2%, from December 31, 2023 to December 31, 2024. Asset quality remains sound with nonperforming loans and loans past due 90 days or more as a percentage of total assets of 0.58% at December 31, 2024, compared to 0.08% at December 31, 2023.

- Total deposits increased $25.3 million or 1%, from December 31, 2023 to December 31, 2024. Noninterest-bearing deposits were $365.7 million at December 31, 2024, or 19.5% of total deposits. At December 31, 2024, core deposits, which exclude wholesale deposits, increased $20.7 million from December 31, 2023, or 1%.

- Net income was $15.1 million for the year ended December 31, 2024 compared to $3.8 million for 2023. During 2024, we surrendered $48.0 million in BOLI policies, which resulted in a nonrecurring increase of $2.4 million to our tax provisioning related to the loss of the tax favored status of prior appreciation. For the year ended December 31, 2023, net income included after-tax losses totaling $12.2 million related to the sale of $101.7 million in book value available-for-sale investment securities and nonrecurring noninterest expense totaling $457 thousand related to office space reductions and severance costs. Commercial bank operating earnings (non-GAAP), which excludes the securities sales and other nonrecurring items discussed more fully below under "Results of Operations", for the year ended December 31, 2024 and 2023 was $17.4 million and $16.3 million, respectively. For a reconciliation of this non-GAAP information which excludes the effect of these non-recurring items, please refer to the table below.

- Net interest income increased $1.2 million, or 2%, to $55.6 million for the year ended December 31, 2024 compared to the year ended December 31, 2023. Interest income on loans increased $8.3 million and interest expense on deposits increased $5.9 million for 2024 compared to 2023. Net interest margin for 2024 was 2.62% compared to 2.49% for 2023, an increase of 13 basis points, or 5%.

- The provision for credit losses totaled $6 thousand in 2024, compared to a provision for credit losses totaling $132 thousand in 2023. The decrease in the provision for credit losses in 2024 was the result of the decline in our real estate concentration qualitative factor, which reduced the qualitative portion of the ACL during 2024.

- Noninterest income for 2024 increased to $2.5 million compared to loss of $13.4 million for 2023. This increase was primarily driven by the loss related to the sales of available-for-sale securities during 2023.

- Noninterest expense was $35.8 million and $36.7 million for the years ended December 31, 2024 and 2023, respectively, a decrease of $842 thousand, or 2%. This decrease was primarily a result of a decrease in salaries and benefits expense through reduced staffing associated with process improvements through our investment in technology.

Reconciliation of Net Income (GAAP) to Commercial Bank Operating Earnings (Non-GAAP)

Years Ended December 31, 2024 and 2023
(Dollars in thousands, except per share data)

	2024	2023
Net income (as reported)	$ 15,064	$ 3,822
(Gain) loss on sale of available-for-sale investment securities	(9)	15,577
Non-recurring tax and 10% modified endowment contract penalty on early surrender of BOLI policies	2,386	—
Office space reduction and severance costs	—	457
Provision (benefit) for income taxes associated with non-GAAP adjustments	—	(3,527)
Non-GAAP commercial bank operating earnings, excluding above items	$ 17,441	$ 16,329
Earnings per share - basic (GAAP net income)	$ 0.83	$ 0.22
Adjusted Earnings per share - Non-GAAP expenses including provision for income taxes	$ 0.14	$ 0.70
Earnings per share - basic (non-GAAP commercial bank operating earnings)	$ 0.97	$ 0.92
Earnings per share - diluted (GAAP net income)	$ 0.82	$ 0.21
Adjusted earnings per share - Non-GAAP expenses including provision for income taxes	$ 0.13	$ 0.69
Adjusted earnings per share - diluted (non-GAAP commercial bank operating earnings)	$ 0.95	$ 0.90
Return on average assets (GAAP net income)	0.69 %	0.17 %
Adjusted Non-GAAP expenses including provision for income taxes	0.11 %	0.55 %
Adjusted return on average assets (non-GAAP commercial bank operating earnings)	0.80 %	0.72 %
Return on average equity (GAAP net income)	6.64 %	1.82 %
Adjusted Non-GAAP expenses including provision for income taxes	1.05 %	5.96 %
Adjusted return on average equity (non-GAAP commercial bank operating earnings)	7.69 %	7.78 %

Below shows selected financial data for the periods ended December 31, 2024 and 2023.

Selected Financial Data
(Dollars and shares in thousands, except per share data)

	Years Ended December 31,	
	2024	**2023**
Income Statement Data:		
Interest income	$ 113,312	$ 106,615
Interest expense	57,723	52,219
Net interest income	55,589	54,396
Provision for credit losses	6	132
Net interest income after provision for credit losses	55,583	54,264
Non-interest income (loss)	2,534	(13,370)
Non-interest expense	35,820	36,662
Net income before income taxes	22,297	4,232
Provision for income taxes	7,233	410
Net income	$ 15,064	$ 3,822

	Years Ended December 31,	
	2024	2023
Balance Sheet Data:		
Total assets	$ 2,198,950	$ 2,190,558
Loans receivable, net of fees	1,870,235	1,828,564
Allowance for credit losses	(18,129)	(18,871)
Total investment securities	156,740	171,859
Total deposits	1,870,605	1,845,292
Other borrowed funds	68,695	104,620
Total shareholders' equity	235,354	217,117
Common shares outstanding	18,204	17,807
Per Common Share Data:		
Basic net income	$ 0.83	$ 0.22
Fully diluted net income	0.82	0.21
Book value	12.93	12.19
Tangible book value[(1)]	12.52	11.77
Performance Ratios:		
Return on average assets	0.69 %	0.17 %
Return on average equity	6.64	1.82
Net interest margin[(2)]	2.62	2.49
Efficiency ratio[(3)]	61.63	89.36
Non-interest income to average assets	0.12	(0.59)
Non-interest expense to average assets	1.65	1.61
Loans receivable, net of fees to total deposits	99.98	99.09
Asset Quality Ratios:		
Net charge-offs (recoveries) to average loans receivable, net of fees	0.04 %	0.02 %
Nonperforming loans to loans receivable, net of fees	0.69	0.10
Nonperforming assets to total assets	0.58	0.08
Allowance for credit losses to nonperforming loans	141.38	1,031.77
Allowance for credit losses on loans to loans receivable, net of fees	0.97	1.03
Capital Ratios (Bank Only):		
Tangible common equity	10.87 %	10.12 %
Total risk-based capital	14.73	13.83
Common Equity Tier 1 capital	13.74	12.80
Leverage capital ratio	11.74	10.77
Other:		
Average shareholders' equity to average total assets	10.42 %	9.24 %
Average loans receivable, net of fees to average total deposits	102.54	96.52
Average common shares outstanding:		
Basic	18,057	17,723
Diluted	18,397	18,231

(1) Non-GAAP: Tangible book value is calculated as total stockholders' equity, less goodwill and other intangible assets, divided by common shares outstanding.

(2) Net interest margin is calculated as net interest income divided by total average earning assets.

(3) Efficiency ratio is calculated as total noninterest expense divided by the total of net interest income and noninterest income.

Non-GAAP Reconciliation	Years Ended December 31,	
(Dollars in thousands, except per share data)	2024	2023
Total stockholders' equity	$ 235,354	$ 217,117
Less: goodwill and intangibles, net	(7,420)	(7,585)
Tangible Common Equity	**$ 227,934**	**$ 209,532**
Book value per common share	$ 12.93	$ 12.19
Less: intangible book value per common share	(0.41)	(0.42)
Tangible book value per common share	**$ 12.52**	**$ 11.77**

Results of Operations— Years Ended December 31, 2024 and December 31, 2023

Overview

We recorded net income of $15.1 million, or $0.82 per diluted common share, for the year ended December 31, 2024, compared to net income of $3.8 million, or $0.21 per diluted common share for the year ended December 31, 2023. Net income for 2024 includes the surrender of certain BOLI policies with an aggregate cash surrender value of $48.0 million. Upon the surrender, we received a cash payout and were required to accrue additional income tax on the appreciation of those policies which had previously been treated as tax-exempt income. This resulted in additional statutory income tax expense of $1.6 million and tax penalties of $722 thousand. The tax penalties related to the surrender of the BOLI were recorded in income tax expense. The net proceeds of the BOLI surrender were reinvested in our loan portoflio. For the year ended December 31, 2023, net income included after-tax losses totaling $12.2 million related to the sale of $102.5 million in book value available-for-sale investment securities. Commercial bank operating earnings (non-GAAP), which exclude the taxes associated with the BOLI surrender, securities losses, and other nonrecurring expense items that were recorded during 2024 and 2023, were $17.4 million and $16.3 million, respectively. Diluted commercial bank operating earnings per share (non-GAAP) for the year ended December 31, 2024 and 2023 were $0.95 and $0.90, respectively.

Net interest income increased $1.2 million to $55.6 million for the year ended December 31, 2024, compared to $54.4 million for the year ended December 31, 2023. For the year ended December 31, 2024, we recorded a provision for credit losses of $6 thousand compared to $132 thousand for the year ended December 31, 2023. We reported noninterest income of $2.5 million for the year ended December 31, 2024, compared to a loss of $13.4 million for 2023, which was primarily driven by the losses recorded on the sale of available-for-sale securities totaling $15.6 million for the year ended December 31, 2023.

Noninterest expense was $35.8 million and $36.7 million for the years ended December 31, 2024 and 2023, respectively, a decrease of $842 thousand, or 2%. The decrease in noninterest expense was primarily a result of a decrease in salaries and benefits expense, which decreased $1.9 million, a result of reduced staffing and process improvements through technology investments. Included in noninterest expense for the year ended December 31, 2023 was $457 thousand related to office space reductions and severance costs.

The return on average assets for the years ended December 31, 2024 and 2023 was 0.69% and 0.17%, respectively. The return on average equity for the years ended December 31, 2024 and 2023 was 6.64% and 1.82%, respectively. The return on average assets for the years ended December 31, 2024 and 2023 based on commercial bank operating earnings (non-GAAP) was 0.80% and 0.72%, respectively. The return on average equity for the years ended December 31, 2024 and 2023 based on commercial bank operating earnings (non-GAAP) was 7.69% and 7.78%, respectively. See the above table for a reconciliation of GAAP net income to commercial bank operating earnings (non-GAAP).

Net Interest Income/Margin

The following table presents average balance information, interest income, interest expense and the corresponding average yields earned and rates paid for the years ended December 31, 2024 and 2023.

Average Balances and Interest Rates on Interest-Earning Assets and Interest-Bearing Liabilities
Years Ended December 31, 2024 and 2023
(Dollars in thousands)

	2024			2023		
	Average Balance	**Interest Income/ Expense**	**Average Yield/ Rate**	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**
Assets						
Interest-earning assets:						
Loans receivable, net of fees						
Commercial real estate	$ 1,076,027	$ 55,116	5.12 %	$ 1,103,325	$ 53,356	4.84 %
Commercial and industrial	262,844	21,099	8.03 %	206,432	15,170	7.35 %
Commercial construction	165,134	12,044	7.29 %	154,658	10,917	7.06 %
Consumer real estate	341,843	16,616	4.86 %	358,740	17,039	4.75 %
Warehouse facilities	17,408	1,284	7.38 %	19,097	1,343	7.03 %
Consumer nonresidential	6,214	509	8.19 %	6,056	548	9.05 %
Total loans(1)	1,869,470	106,668	5.71 %	1,848,308	98,373	5.32 %
Investment securities(2)	208,406	4,351	2.09 %	287,454	5,606	1.95 %
Interest-bearing deposits at other financial institutions	44,360	2,293	5.17 %	50,705	2,641	5.21 %
Total interest-earning assets and interest income	$ 2,122,236	$ 113,312	5.34 %	$ 2,186,467	$ 106,620	4.88 %
Noninterest-earning assets:						
Cash and due from banks	7,474			6,168		
Premises and equipment, net	930			1,121		
Accrued interest and other assets	64,310			97,440		
Allowance for credit losses	(18,963)			(18,602)		
Total assets	$ 2,175,987			$ 2,272,594		
Liabilities and Stockholders' Equity						
Interest - bearing liabilities:						
Interest - bearing deposits:						
Interest checking	$ 571,432	$ 19,526	3.42 %	$ 581,655	$ 16,903	2.91 %
Savings and money markets	344,272	12,384	3.60 %	254,721	6,102	2.40 %
Time deposits	275,288	11,979	4.35 %	349,270	12,791	3.66 %
Wholesale deposits	263,664	9,317	3.53 %	303,472	11,549	3.81 %
Total interest - bearing deposits	1,454,656	53,206	3.66 %	1,489,118	47,345	3.18 %
Other borrowed funds	79,874	3,490	4.37 %	102,050	3,844	3.77 %
Subordinated notes, net of issuance costs	19,613	1,027	5.23 %	19,590	1,030	5.26 %
Total interest-bearing liabilities and interest expense	$ 1,554,143	$ 57,723	3.71 %	$ 1,610,758	$ 52,219	3.24 %
Noninterest-bearing liabilities:						
Demand deposits	368,591			425,914		
Other liabilities	26,408			26,013		
Common stockholders' equity	226,845			209,909		
Total liabilities and stockholders' equity	$ 2,175,987			$ 2,272,594		
Net interest income and net interest margin		$ 55,589	2.62 %		$ 54,401	2.49 %

(1) Nonaccrual loans are included in average balances and do not have a material effect on the average yield. Interest income on non-accruing loans was not material for the periods presented. Net loan fees and late charges included in interest income on loans totaled $1.9 million and $2.1 million for the year ended December 31, 2024 and 2023, respectively.

(2) The average balances for investment securities includes restricted stock.

The following table shows the effect of variations in the volume and mix of our assets and liabilities, as well as the changes in interest rates had on the interest earned from our interest-earning assets and interest incurred on our interest-bearing liabilities for the years ended December 31, 2024 and 2023.

Rate and Volume Analysis
Years Ended December 31, 2024 and 2023
(Dollars in thousands)

	2024 Compared to 2023		
	Average Volume	Average Rate	Increase (Decrease)
Interest income:			
Loans[1]:			
Commercial real estate	$ (1,320)	$ 3,080	$ 1,760
Commercial and industrial	4,146	1,783	5,929
Commercial construction	739	388	1,127
Consumer residential	(803)	380	(423)
Warehouse facilities	(119)	60	(59)
Consumer nonresidential	14	(53)	(39)
Total loans[1]	$ 2,657	$ 5,638	$ 8,295
Investment securities	$ (1,547)	$ 292	$ (1,255)
Deposits at other financial institutions and federal funds sold	(330)	(18)	(348)
Total interest income	$ 780	$ 5,912	$ 6,692
Interest expense:			
Interest - bearing deposits:			
Interest checking	$ (297)	$ 2,920	$ 2,623
Savings and money markets	2,149	4,133	6,282
Time deposits	(2,707)	1,895	(812)
Wholesale deposits	(1,517)	(715)	(2,232)
Total interest - bearing deposits	$ (2,372)	$ 8,233	$ 5,861
Other borrowed funds	(833)	479	(354)
Subordinated notes, net of issuance costs	2	(5)	(3)
Total interest expense	$ (3,203)	$ 8,707	$ 5,504
Net interest income	$ 3,983	$ (2,795)	$ 1,188

(1) Nonaccrual loans are included in average balances and do not have a material effect on the average yield. Interest income on non-accruing loans was not material for the years presented.

Net interest income for the year ended December 31, 2024 was $55.6 million compared to $54.4 million for the year ended December 31, 2023, an increase of $1.2 million, or 2%. The increase in net interest income is primarily due to an increase in loan interest income, as we have actively managed our maturing commercial real estate loan portfolio and further diversified our loan mix toward commercial & industrial loans, which generally earn higher yields, along with the repricing of our variable rate loan portfolio and new loan originations. Additionally, our yield on earning assets increased partially as a result of the balance sheet repositionings we completed during 2023.

Our net interest margin for the years ended December 31, 2024 and 2023 was 2.62% and 2.49%, respectively. The increase in our net interest margin was primarily a result of the increased rate environment, which improved our yields on earning assets during 2024. The yield on interest-earning assets increased 46 basis points to 5.34% for the year ended December 31, 2024, compared to 4.88% for the same period of 2023, a result of the increased rate environment during 2024 and our balance sheet repositionings from 2023. Our cost of funds increased 44 basis points to 3.00% for the year ended December 31, 2024, from 2.56% for the year ended December 31, 2023, which was primarily attributable to the repricing of our interest-bearing deposits to higher interest rates during 2024. Cost of deposits (which includes noninterest-bearing deposits) was 2.92% for the year ended December 31, 2024 compared to 2.47% for the same period of 2023. Cost of other borrowed funds increased 60 basis points to 4.37% for the year ended December 31, 2024 compared to 3.77% for the year ended December 31, 2023.

Average interest-earning assets decreased $64.2 million, or 3%, to $2.12 billion at December 31, 2024 compared to $2.19 billion at December 31, 2023. This decrease was primarily related to the sales of investment securities available-for-sale that were completed during 2023, decreasing the average balances of our investment securities by $79.0 million. Total interest income increased $6.7 million, or 6%, to $113.3 million for the year ended December 31, 2024 compared to $106.6 million for the year ended December 31, 2023. Average rate significantly improved interest income during 2024, as rate contributed $5.9 million in interest income.

Average loans receivable increased $21.2 million to $1.87 billion for the year ended December 31, 2024, compared to $1.85 billion for the year ended December 31, 2023. The yield on average loans increased 39 basis points to 5.71% for the year ended December 31, 2024. The increase in the average rate of loans receivable contributed $5.6 million to interest income while the increase in average loan volume contributed $2.7 million to interest income. Average balances of nonperforming loans, which consist of nonaccrual loans, are included in the net interest margin calculation and did not have a material impact on our net interest margin in 2024 and 2023.

Average investment securities decreased $79.0 million to $208.4 million for the year ended December 31, 2024, compared to $287.5 million for the year ended December 31, 2023. The decrease in average investment securities was primarily a result of repositioning the investment portfolio with the sale of $102.5 million in book value available-for-sale investment securities during 2023. The yield on average investment securities increased 14 basis points to 2.09% for the year ended December 31, 2024, primarily as a result of the sale of lower yielding securities in 2023 relative to the average yield of the securities portfolio.

Average interest-earning deposits at other financial institutions, consisting primarily of excess cash reserves maintained at the Federal Reserve, decreased $6.3 million to $44.4 million for the year ended December 31, 2024, compared to $50.7 million for the year ended December 31, 2023. The yield on average interest-earning deposits decreased 4 basis points to 5.17% for the year ended December 31, 2024, primarily as a result of the Federal Reserve's Federal Open Market Committee ("FOMC") decision to begin decreasing its targeted federal funds rate in September 2024.

Total average interest-bearing liabilities decreased $56.6 million to $1.55 billion at December 31, 2024 compared to $1.61 billion at December 31, 2023. Conversely, interest expense increased $5.5 million to $57.7 million for the year ended December 31, 2024 compared to $52.2 million for the year ended December 31, 2023. The increase in the average rate significantly impacted interest expense during 2024, as average volume decreased interest expense $3.2 million while average rate increases contributed $8.7 million in interest expense.

Total average interest-bearing deposits decreased $34.5 million to $1.45 billion at December 31, 2024 compared to $1.49 billion at December 31, 2023. Interest expense on deposits increased $5.9 million to $53.2 million for the year ended December 31, 2024 compared to $47.3 million for the year ended December 31, 2023, primarily a result of the increase in the cost of interest-bearing deposits, which increased 48 basis points to 3.66% for the year ended December 31, 2024, compared to 3.18% for the year ended December 31, 2023. Average noninterest-bearing deposits decreased $57.3

million, or 13%, to $368.6 million at December 31, 2024, compared to $425.9 million at December 31, 2023. Competition for deposits along with higher interest rates resulted in customers' movement of excess funds from noninterest-bearing into interest-bearing deposit products. Average interest checking deposits decreased $10.2 million to $571.4 million as of December 31, 2024 compared to $581.7 million as of December 31, 2023. Average savings and money market deposits increased $89.6 million to $344.3 million as of December 31, 2024 compared to $254.7 million as of December 31, 2023. Average time deposits decreased $74.0 million to $275.3 million as of December 31, 2024 compared to $349.3 million at December 31, 2023, as time deposits that were originated during 2023 with a weighted average rate of 4.81% matured during 2024. Average wholesale deposits decreased $39.8 million to $263.7 million as of December 31, 2024 compared to $303.5 million as of December 31, 2023.

Average other borrowed funds decreased $22.2 million to $79.9 million for the year ended December 31, 2024, compared to $102.1 million for the year ended December 31, 2023. Interest expense on other borrowed funds decreased $352 thousand for the year ended December 31, 2024 to $3.5 million compared to $3.8 million for the same period of 2023.

Provision Expense and Allowance for Credit Losses

Our policy is to maintain the ACL at a level that represents our best estimate of expected losses in the loan portfolio as of the valuation date. Both the amount of the provision and the level of the allowance for credit losses are impacted by many factors, including general and industry-specific economic conditions, actual and expected credit losses, historical trends and specific conditions of individual borrowers.

We recorded provision for credit losses totaling $6 thousand and $132 thousand for the years ended December 31, 2024 and 2023, respectively. The allowance for credit losses was $18.1 million and $18.9 million at December 31, 2024 and 2023, respectively. Our allowance for credit losses on loans as a percent of total loans, net of deferred fees and costs, was 0.97% and 1.03% at December 31, 2024 and 2023, respectively.

We lend to well-established and relationship-driven borrowers which has contributed to our track record of low historical credit losses. We continue to maintain our disciplined credit guidelines during the current rate environment. We proactively monitor the impact of interest rates on our adjustable loans as the industry navigates through this economic cycle of increased inflation and higher interest rates. Nonperforming loans at December 31, 2024 totaled $12.9 million, or 0.58% of total assets, compared to $1.8 million, or 0.08%, of total assets at December 31, 2023. We had no other real estate owned at December 31, 2024 and 2023, respectively. We recorded net charge-offs of $839 thousand and $375 thousand for the years ended December 31, 2024 and December 31, 2023, respectively.

See “Asset Quality” below for additional information on the credit quality of the loan portfolio.

Noninterest Income

The following table provides detail for noninterest income for the years ended December 31, 2024 and 2023.

Noninterest Income
Years Ended December 31,2024 and 2023
(Dollars in thousands)

	Year Ended December 31,			
			Change from Prior Year	
	2024	2023	Amount	Percent
Service charges on deposit accounts	$ 1,126	$ 1,028	$ 98	9.5 %
Fees on loans	185	388	(203)	(52.3)%
BOLI income	397	1,452	(1,055)	(72.7)%
Income (loss) from minority membership interest	376	(1,110)	1,486	(133.9)%
Loss on sale of available-for-sale securities	—	(15,577)	15,577	(100.0)%
Other fee income	450	449	1	0.2 %
Total noninterest income (loss)	$ 2,534	$(13,370`	$15,904	(119.0)%

Noninterest income includes service charges on deposits and loans, loan swap fee income, income from our membership interest in ACM and other investments, income from our BOLI policies, and other fee income, and continues to supplement our operating results. For the year ended December 31, 2024, we recorded noninterest income of $2.5 million compared to a loss of $13.4 million for same period of 2023.

We recorded income from our minority membership interest in ACM totaling $376 thousand for the year ended December 31, 2024, compared to a loss of $1.1 million for same period of 2023.

Fee income from loans was $185 thousand for the year ended December 31, 2024, compared to $388 thousand for the same period of 2023, a result of decreased loan swap fee income. Service charges on deposits were $1.1 million for the year ended December 31, 2024, compared to $1.0 million for the same period of 2023, an increase of $98 thousand, or 10%. Income from BOLI decreased to $397 thousand for the year ended December 31, 2024 compared to $1.5 million for same period of 2023, the decrease being a result of surrendering our BOLI policies during the first quarter of 2024.

Noninterest Expense

The following table reflects the components of noninterest expense for the years ended December 31, 2024 and 2023.

Noninterest Expense
Years Ended December 31, 2024 and 2023
(Dollars in thousands)

			Change from Prior Year	
	2024	2023	Amount	Percent
Salaries and employee benefits	$18,752	$20,643	$ (1,891)	(9.2)%
Occupancy expense	2,027	2,357	(330)	(14.0)%
Internet banking and software expense	2,990	2,505	485	19.4 %
Data processing and network administration	2,719	2,468	251	10.2 %
State franchise taxes	2,358	2,338	20	0.9 %
Audit, legal and consulting fees	927	858	69	8.0 %
Loan related expenses	899	(10)	909	(9090.0)%
FDIC insurance	1,321	1,433	(112)	(7.8)%
Marketing, business development and advertising	969	724	245	33.8 %
Director fees	637	660	(23)	(3.5)%
Postage, courier and telephone	190	185	5	2.7 %
Core deposit intangible amortization	165	205	(40)	(19.5)%
Tax credit amortization	—	126	(126)	(100.0)%
Other operating expenses	2,031	2,170	(139)	(6.4)%
Total noninterest expense	$35,820	$36,662	$ (1,006)	(2.7)%

Noninterest expense includes, among other things, salaries and benefits, occupancy and equipment costs, professional fees, data processing, insurance and miscellaneous expenses. Noninterest expense was $35.8 million and $36.7 million for the years ended December 31, 2024 and 2023, respectively.

Salaries and benefits expense decreased $1.9 million to $18.8 million for the year ended December 31, 2024 compared to $20.6 million for the same period in 2023, which was primarily related to reduced staffing as a result of process improvements from technology investments. Occupancy expense decreased $330 thousand for the year ended December 31, 2024 compared to the same period of 2023, which was primarily related to the office space reduction initiatives that were completed during the fourth quarter of 2023. These decreases were partially offset by an increase in internet banking and software expense of $485 thousand to $3.0 million for the year ended December 31, 2024, compared to $2.5 million for the same period of 2023, a result of the implementation of enhanced customer software solutions during 2023. Lastly, loan related expenses increased $909 thousand during 2024 compared to the prior year, as we received a recovery of legal expenses in 2023 associated with a previous watchlist credit.

Income Taxes

For the year ended December 31, 2024 and 2023, the provision for income taxes was $7.2 million and $410 thousand, respectively. The provision for income taxes for the year ended December 31, 2024 includes additional statutory income tax expense of $1.6 million and tax penalties of $722 thousand related to the above mentioned surrender of our BOLI policies. Our effective tax rate, excluding the additional income taxes and penalties associated with our BOLI surrender, for December 31, 2024 was 22.0%. For the year ended December 31, 2023, our effective tax rate was 9.7%, which was reduced as a result of the losses recorded on the sale of investment securities available-for-sale during 2023.

Discussion and Analysis of Financial Condition

Overview

At December 31, 2024, total assets were $2.20 billion, an increase of $8.4 million, from $2.19 billion at December 31, 2023. Investment securities were $156.7 million at December 31, 2024, a decrease of $15.1 million, from $171.9 million at December 31, 2023. Total deposits increased $25.3 million, or 1%, to $1.87 billion at December 31, 2024, from $1.85 billion at December 31, 2023. From time to time, we may utilize funding sources such as federal funds purchased and FHLB advances as an additional funding source for the Bank. We had no federal funds purchased at December 31, 2024 and December 31, 2023. The Bank had FHLB advances outstanding of $50.0 million and $85.0 million at December 31, 2024 and December 31, 2023, respectively. Subordinated debt, net of unamortized issuance costs, totaled $18.7 million and $19.6 million at December 31, 2024 and December 31, 2023, respectively.

We review our balance sheet and interest rate sensitivity on an ongoing basis as part of our asset/liability risk management process. During 2024, with the expectation that short-term interest rates would continue to remain elevated, we modeled various scenarios to improve balance sheet efficiency, reduce our cost of funds, improve margin and our capital ratios. As a result, we surrendered $48.0 million of our BOLI. These policies yielded a 2.74% return (3.34% on a tax-equivalent basis). This transaction resulted in a nonrecurring increase of $2.4 million to our tax provisioning related to the loss of the tax favored status of prior appreciation. The projected earn-back period was approximately one year. We used these proceeds to pay down our high cost funding and fund new loan growth.

Loans Receivable, Net

Loans receivable, net of deferred fees, were $1.87 billion at December 31, 2024 and $1.83 billion at December 31, 2023, an increase of $41.7 million, or 2%.

Commercial real estate loans totaled $1.04 billion and $1.09 billion at December 31, 2024 and 2023, and were approximately 56% and 60% of the total loans receivable at such dates, respectively. Owner-occupied commercial real estate loans were $187.8 million at December 31, 2024 compared to $212.9 million at December 31, 2023. Nonowner-occupied commercial real estate loans were $850.1 million at December 31, 2024 compared to $878.7 million at December 31, 2023. Commercial construction loans totaled $162.4 million at December 31, 2024, compared to $148.0 million at December 31, 2023 and comprised of 9% and 8% of total loans receivable at such dates, respectively. Our regulatory commercial real estate concentration (which includes nonowner-occupied real estate and construction loans) was 371% of our total risk-based capital at December 31, 2024. Our commercial real estate portfolio, including construction loans, is diversified by asset type and geographic concentration. We manage this portion of our portfolio in a disciplined manner. We have comprehensive policies to monitor, measure, and mitigate our loan concentrations within this portfolio segment, including rigorous credit approval, monitoring and administrative practices. Additional information on the stratification of these portfolio segments can be found below under "Asset Quality".

Commercial and industrial loans increased $116.8 million to $336.7 million at December 31, 2024, an increase of 53%, from $219.9 million at December 31, 2023. Consumer residential loans decreased $38.0 million to $325.3 million at December 31, 2024, from $363.3 million at December 31, 2023. The decrease in residential loans was primarily a result of principal repayments during 2024.

The following table sets forth the repricing characteristics and sensitivity to interest rate changes to the outstanding principal balance of our loan portfolio at December 31, 2024.

Loan Maturities and Interest Rate Sensitivity
At December 31, 2024
(Dollars in thousands)

	One Year or Less	Between One and Five Years	Between Five and Fifteen Years	After Fifteen Years	Total
Commercial real estate	$ 143,124	$ 674,797	$ 219,482	$ 904	$ 1,038,307
Commercial and industrial	217,808	59,373	59,481	—	336,662
Commercial construction	118,135	15,031	29,201	—	162,367
Consumer residential	49,746	106,810	22,243	146,514	325,313
Consumer nonresidential	6,890	335	361	—	7,586
Total loans receivable	$ 535,703	$ 856,346	$ 330,768	$147,418	$ 1,870,235
Fixed—rate loans	$ 119,831	$ 555,682	$ 325,777	$147,418	$ 1,148,708
Floating—rate loans	415,872	300,664	4,991	—	721,527
Total loans receivable	$ 535,703	$ 856,346	$ 330,768	$147,418	$ 1,870,235

* Payments due by period are based on the repricing characteristics and not contractual maturities.

Asset Quality

Nonperforming loans, defined as nonaccrual loans and loans contractually past due 90 days or more as to principal or interest and still accruing, were $12.9 million and $1.8 million at December 31, 2024 and 2023, respectively, an increase of $11.0 million. The increase in nonperforming loans at December 31, 2024 is primarily a result of one commercial real estate loan placed on nonaccrual during the fourth quarter of 2024, totaling $10.3 million. Loans that we have classified as nonperforming are a result of customer specific deterioration, mostly financial in nature, that are not a result of economic, industry, or environmental causes that we might see as a pattern for possible future losses within our loan portfolio. For each of our criticized assets, we individually evaluate each loan, generally through the performance of a collateral analysis to determine the amount of allowance required. As a result of the analysis completed, we had a reserve for individually assessed loans totaling $468 thousand and $676 thousand at December 31, 2024 and 2023, respectively. Our ratio of nonperforming loans to total assets was 0.58% and 0.08% at December 31, 2024 and 2023, respectively. We had no other real estate owned and there were no loan modifications for borrowers who were experiencing financial difficulty during the quarter ended December 31, 2024.

We categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. We analyze loans individually by classifying the loans as to credit risk. This analysis includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. At December 31, 2024, we had $3.3 million in loans identified as special mention, a decrease of $3.0 million from December 31, 2023. Special mention rated loans have a potential weakness that deserves our close attention; however, the borrower continues to pay in accordance with their contractual terms, unless modified and disclosed. The decrease from December 31, 2023 was driven by several loans that were upgraded from special mention or paid off during 2024. Loans rated as special mention are generally considered to be well-secured, and are not individually evaluated.

At December 31, 2024, we had $11.2 million in loans identified as substandard, a decrease of $11.2 million from December 31, 2023. Substandard rated loans are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. For each of these substandard loans, a liquidation analysis is completed. At December 31, 2024, reserves for individually assessed loans totaling $468 thousand were allocated within the allowance for credit losses to supplement any shortfall of collateral. At December 31, 2024, we downgraded a non-owner occupied commercial real estate loan to substandard and placed it on nonaccrual as a result of its past due status and recent poor payment history.

At December 31, 2023, we downgraded an owner-occupied commercial real estate loan totaling $19.9 million to substandard due to concerns regarding the financial condition of this borrower's parent company. During the third quarter ended September 30, 2024, the parent company closed on long term financing, strengthening its overall financial condition. As a result, we upgraded this loan to a pass rating.

We recorded net charge-offs of $840 thousand and $375 thousand for the years ended December 31, 2024, and 2023, respectively. Net charge-offs to average loans were 0.04% and 0.02% for the years ended December 31, 2024 and 2023, respectively. The increase in net charge-offs for the year ended December 31, 2024 is a result of two loan relationships that were individually evaluated and for which reserves had been established for the shortfall of the related collateral. Each loan relationship had specific circumstances that are not indicative of any systemic issues within the Company's loan portfolio.

The following tables provide additional information on our asset quality at the dates presented.

Nonperforming Loans and Assets

At December 31, 2024 and 2023

(Dollars in thousands)

	December 31, 2024	December 31, 2023
Nonperforming assets:		
Nonaccrual loans, gross	$ 11,241	$ 1,689
Loans contractually past-due 90 days or more and still accruing	1,619	140
Total nonperforming loans (NPLs)	$ 12,860	$ 1,829
Total nonperforming assets (NPAs)	$ 12,860	$ 1,829
NPLs/Total Assets	0.58 %	0.08 %
NPAs/Total Assets	0.58 %	0.08 %
Allowance for credit losses on loans/NPLs	140.97 %	1,031.77 %

We closely and proactively monitor the effects of recent market activity. As mentioned above, our commercial real estate loan portfolio totaled $1.04 billion, or 56% of total loans, at December 31, 2024 and $1.09 billion, or 60% of total loans, at December 31, 2023. The commercial real estate portfolio, including construction loans, is diversified by asset type and geographic concentration. We manage this portion of the portfolio in a disciplined manner, and have comprehensive policies to monitor, measure, and mitigate our loan concentrations within this portfolio segment, including rigorous credit approval, monitoring, and administrative practices. Included in commercial real estate are loans secured by office properties totaling $123.8 million, or 7% of total loans, which are primarily located in the Virginia and Maryland suburbs of our market area, with only $2.3 million, or 0.12% of total loans, located in Washington, D.C. Loans secured by retail properties total $251.0 million, or 13% of total loans, at December 31, 2024. Loans secured by multi-family commercial properties totaled $162.8 million, or 9% of total loans, at December 31, 2024.

The following table provides further stratification of these and additional classes of commercial real estate and construction loans at December 31, 2024 (dollars in thousands).

Owner Occupied Commercial Real Estate				Non-Owner Occupied Commercial Real Estate				Construction		Total CRE	
Asset Class	Average Loan-to-Value (1)	Number of Total Loans	Bank Owned Principal (2)	Average Loan-to-Value (1)	Number of Total Loans	Bank Owned Principal (2)	Top 3 Geographic Concentration	Number of Total Loans	Bank Owned Principal (2)	Total Bank Owned Principal (2)	% of Total Loans
Office, Class A	69%	6	$7,374	46%	1	$2,982	Counties of Fairfax and Loudoun, Virginia and Montgomery County, Maryland	—	$—	$10,356	
Office, Class B	45%	27	10,173	45%	29	56,502		—	—	66,675	
Office, Class C	53%	9	5,326	39%	8	1,842		1	857	8,025	
Office, Medical	39%	7	1,093	47%	6	28,060		1	9,633	38,786	
Subtotal		**49**	**$23,966**		**44**	**$89,386**		**2**	**$10,490**	**$123,842**	**7%**
Retail- Neighborhood/Community Shop		—	$—	44%	31	$86,706	Prince George's County, Maryland, Baltimore County, MD, Fairfax County, VA	1	$5,538	92,244	
Retail- Restaurant	57%	7	6,152	44%	16	25,832		—	—	31,984	
Retail- Single Tenant	58%	5	1,919	41%	20	35,856		—	—	37,775	
Retail- Anchored,Other		0	—	52%	12	35,266		—	—	35,266	
Retail- Grocery-anchored		—	—	46%	9	53,753		0	—	53,753	
Subtotal		**12**	**$8,071**		**88**	**$237,413**		**1**	**$5,538**	**$251,022**	**13%**
Multi-family, Class A (Market)		—	$—		2	$1,438	Washington, D.C., Baltimore City, Maryland and Richmond City, Virginia	1	$1,276	$2,714	
Multi-family, Class B (Market)		—	—	62%	21	69,752		1	3,991	73,743	
Multi-family, Class C (Market)		—	—	55%	58	73,141		1	997	74,138	
Multi-Family-Affordable Housing		—	—	52%	5	12,157		0	—	12,157	
Subtotal		**—**	**$—**		**86**	**$156,488**		**3**	**$6,264**	**$162,752**	**9%**
Industrial	51%	40	$65,926	47%	39	$124,079	Prince William County, Virginia, Fairfax County, Virginia and Howard County, Maryland	1	$1,781	$191,786	
Warehouse	51%	14	18,745	27%	7	9,188		—	—	27,933	
Flex	50%	12	10,212	54%	14	56,393		3	132	66,737	
Subtotal		**66**	**$94,883**		**60**	**$189,660**		**4**	**$1,913**	**$286,456**	**15%**
Hotels			$—	43%	9	$54,752		1	$7,791	$62,543	3%
Mixed Use	45%	10	5,745	60%	33	60,898		—	—	66,643	4%
Land			$ —			$ —		11	$ 57,213	$57,213	**3%**
1- 4 family construction			$ —			$ —		3	48,504	48,504	**2%**
Other (including net deferred fees)			$55,517			$61,528			$24,654	141,699	**8%**
Total commercial real estate and construction loans, net of fees, at December 31, 2024			**$ 188,182**			**$ 850,125**			**$ 162,367**	**$ 1,200,674**	**64%**
Total commercial real estate and construction loans, net of fees, at December 31, 2023			$ 212,889			$ 878,744			$ 147,998	$ 1,239,631	**68%**

(1). Loan-to-value is based on collateral valuation at origination date against current bank owned principal.

(2). Minimum debt service coverage policy is 1.30x for owner occupied and 1.25x for non-owner occupied at origination.

The loans shown in the above table exhibit strong credit quality, with one classified delinqency at December 31, 2024 totaling $10.2 million, which has a specific reserve of $468 thousand. During our assessment of the allowance for credit losses on loans, we addressed the credit risks associated with these portfolio segments and believe that as a result of our conservative underwriting discipline at loan origination and our ongoing loan monitoring procedures, we have appropriately reserved for possible credit concerns in the event of a downturn in economic activity.

At December 31, 2024 and 2023, there were no performing loans considered potential problem loans. Potential problem loans are defined as loans that are not included in the 90 days or more past due, nonaccrual, or restructured categories, but for which known information about possible credit problems causes us to be uncertain as to the ability of the borrowers to comply with the present loan repayment terms which may in the future result in disclosure in the past due, nonaccrual or restructured loan categories. We take a conservative approach with respect to risk rating loans in our portfolio. Based upon the status as a potential problem loan, these loans receive heightened scrutiny and ongoing intensive risk management. Additionally, our allowance for credit losses on loans estimation methodology adjusts expected losses to calibrate the likelihood of a default event to occur through the use of risk ratings.

Unexpected changes in economic growth could adversely affect our loan portfolio, including causing increases in delinquencies and default rates, which would adversely impact our charge-offs, allowance for credit losses, and provision for credit losses. Deterioration in real estate values, employment data and household incomes may also result in higher credit losses for us. Also, in the ordinary course of business, we may be subject to a concentration of credit risk to a particular industry, counterparty, borrower or issuer. A deterioration in the financial condition or prospects of a particular industry or a failure or downgrade of, or default by, any particular entity or group of entities could negatively impact our business, perhaps materially, and the systems by which we set limits and monitor the level of our credit exposure to individual entities and industries, may not function as we have anticipated.

See “Critical Accounting Policies” above for more information on our allowance for credit losses methodology.

The following tables present additional information pertaining to the activity in and allocation of the allowance for credit losses on loans by loan type and the percentage of the loan type to the total loan portfolio for the periods and at the dates presented. The allocation of the allowance for credit losses on loans to a category of loans is not necessarily indicative of future losses or charge-offs, and does not restrict the use of the allowance to any specific category of loans.

Allowance for Credit Losses on Loans

Years Ended December 31, 2024 and 2023

(Dollars in thousands)

	2024		2023	
	Net (charge-offs) recoveries	Percentage of net charge-offs to average loans outstanding during the year	Net (charge-offs) recoveries	Percentage of net charge-offs to average loans outstanding during the year
Commercial real estate	$ —	— %	$ (53)	— %
Commercial and industrial	$ (747)	(0.04)%	$ (347)	(0.02)%
Consumer residential	(121)	(0.01)%	1	— %
Consumer nonresidential	28	— %	24	— %
Total	$ (840)	(0.04)%	$ (375)	(0.02)%
Average loans outstanding during the period	$ 1,869,470		$ 1,848,308	

	December 31,	
	2024	2023
Allowance for credit losses on loans receivable, net of fees	0.97 %	1.03 %

Allocation of the Allowance for Credit Losses on Loans

At December 31, 2024 and 2023

(Dollars in thousands)

	2024		2023	
	Allocation	% of Total*	Allocation	% of Total*
Commercial real estate	$ 9,434	52.04 %	$ 10,174	59.88 %
Commercial and industrial	3,139	17.31 %	3,385	12.07 %
Commercial construction	1,713	9.45 %	1,425	8.13 %
Consumer residential	3,775	20.82 %	3,822	19.61 %
Consumer nonresidential	68	0.38 %	65	0.31 %
Total allowance for credit losses	$ 18,129	100.00 %	$ 18,871	100.00 %

* Percentage of loan type to the total loan portfolio.

Investment Securities

Our investment securities portfolio is used as a source of income and liquidity. The investment portfolio consists of investment securities available-for-sale and investment securities held-to-maturity. Investment securities available-for-sale are those securities that we intend to hold for an indefinite period of time, but not necessarily until maturity. These securities are carried at fair value and may be sold as part of an asset/liability strategy, liquidity management, or regulatory capital management. Investment securities held-to-maturity at December 31, 2024 and 2023 totaled $265 thousand and $264 thousand, respectively, and are those securities that we have the intent and ability to hold to maturity and are carried at amortized cost. The fair value of our investment securities available-for-sale was $156.5 million at December 31, 2024, a decrease of $15.1 million, or 9%, from $170.6 million at December 31, 2023, primarily due to principal repayments and maturities of $15.6 million offset by new purchases for $1.8 million, and a decrease in the market value of the investment securities portfolio totaling $1.3 million at December 31, 2024.

As of December 31, 2024 and 2023, the majority of the investment securities portfolio consisted of securities rated AAA by a leading rating agency. Investment securities which carry a AAA rating are judged to be of the best quality and carry the smallest degree of investment risk. All of our mortgage-backed securities are guaranteed by either the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association. The effective duration of the investment securities portfolio continues to be slightly over five years, which is within the industry average. Investment securities that were pledged to secure public deposits totaled $55.3 million and $7.2 million at December 31, 2024 and 2023, respectively. There were no investment securities that were pledged to secure FRB borrowings at December 31, 2024 and December 31, 2023, respectively.

In accordance with ASC 326, we complete periodic assessments on at least a quarterly basis to determine if credit deterioration exists within our investment securities portfolio and if an allowance for credit losses would be required as of a valuation date. As a result of the assessment performed as of December 31, 2024, the investment securities with unrealized losses are a result of pricing changes due to recent rising interest rate conditions in the current market environment and not as a result of credit deterioration. Contractual cash flows for agency-backed portfolios are guaranteed and funded by the U.S. government. Municipal securities have third party protective elements and there are no negative indications that the contractual cash flows will not be received when due. We do not intend to sell nor do we believe we will be required to sell any of our investment securities portfolio prior to the recovery of the amortized cost as of the valuation date. As such, no impairment was recognized for our investment securities portfolio as of December 31, 2024.

We hold restricted investments in equities of the FRB and FHLB. At December 31, 2024, we owned $4.1 million in FRB stock and $4.0 million in FHLB stock. At December 31, 2023, we owned $3.6 million in FRB stock and $5.8 million in FHLB stock.

The following table presents the weighted average yields of our investment portfolio for each of the maturity ranges at December 31, 2024 and 2023.

Investment Securities by Stated Yields

At December 31, 2024 and 2023

	At December 31, 2024				
	Within One Year	One to Five Years	Five to Ten Years	Over Ten Years	Total
	Weighted Average Yield	Weighted Average Yield	Weighted Average Yield	Weighted Average Yield	Weighted Average Yield
Held-to-maturity					
Securities of state and local municipalities tax exempt	— %	2.32 %	— %	— %	2.32 %
Total held-to-maturity securities	— %	2.32 %	— %	— %	2.32 %
Available-for-sale					
Securities of U.S. government and federal agencies	—	1.75	1.55	—	1.59
Securities of state and local municipalities	—	—	—	2.92	2.92
Corporate bonds	—	9.26	4.01	—	4.50
Mortgaged-backed securities	—	2.09	4.31	1.59	1.63
Total available-for-sale securities	— %	5.19 %	3.34 %	1.59 %	1.92 %
Total investment securities	— %	5.01 %	3.34 %	1.59 %	1.92 %

	At December 31, 2023				
	Within One Year	One to Five Years	Five to Ten Years	Over Ten Years	Total
	Weighted Average Yield	Weighted Average Yield	Weighted Average Yield	Weighted Average Yield	Weighted Average Yield
Held-to-maturity					
Securities of state and local municipalities tax exempt	— %	2.32 %	— %	— %	2.32 %
Total held-to-maturity securities	— %	2.32 %	— %	— %	2.32 %
Available-for-sale					
Securities of U.S. government and federal agencies	—	—	1.59	—	1.59
Securities of state and local municipalities	3.00	—	—	2.92	2.98
Corporate bonds	—	10.35	4.09	—	4.40
Mortgaged-backed securities	—	2.11	3.22	1.60	1.61
Total available-for-sale securities	3.00 %	9.52 %	3.23 %	1.60 %	1.89 %
Total investment securities	3.00 %	8.13 %	3.23 %	1.60 %	1.89 %

Deposits and Other Borrowed Funds

The following table sets forth the average balances of deposits and the percentage of each category to total average deposits for the years ended December 31, 2024 and 2023.

Average Deposit Balances

Years Ended December 31, 2024 and 2023

(Dollars in thousands)	December 31, 2024		December 31, 2023	
Noninterest-bearing demand	$ 368,591	20.22 %	$ 425,914	22.24 %
Interest-bearing deposits				
Interest checking	571,432	31.34 %	581,655	30.37 %
Savings and money markets	344,272	18.88 %	254,721	13.30 %
Certificate of deposits, $100,000 to $249,999	70,024	3.84 %	106,865	5.58 %
Certificate of deposits, $250,000 or more	205,264	11.26 %	242,405	12.66 %
Wholesale deposits	263,664	14.46 %	303,472	15.85 %
Total	**$ 1,823,247**	**100.00 %**	**$ 1,915,032**	**100.00 %**

Total deposits increased $25.3 million, or 1%, to $1.87 billion at December 31, 2024 from $1.85 billion at December 31, 2023. Noninterest-bearing deposits were $365.7 million at December 31, 2024, or 19.5% of total deposits. At December 31, 2024, core deposits, which exclude wholesale deposits, increased $20.7 million from December 31, 2023. Interest checking increased $47.3 million, or 8%, to $623.8 million at December 31, 2024 compared to $576.5 million at December 31, 2023. Savings and money market deposits increased $62.6 million, or 20%, to $383.1 million at December 31, 2024 compared to $320.5 million at December 31, 2023. Time deposits decreased $58.2 million, or 19%, to $248.2 million at December 31, 2024 from $306.3 million at December 31, 2023, as time deposits that were originated during 2023 with a weighted average rate of 4.81% matured during 2024.

Wholesale deposits were $249.9 million at December 31, 2024 compared to $245.3 million at December 31, 2023, an increase of $4.6 million, or 2%. Wholesale deposits are partially fixed at a weighted average rate of 3.40% as we have executed $200.0 million in pay-fixed/receive-floating interest rate swaps to reduce funding costs. In addition, we are a member of the IntraFi Network ("IntraFi"), which gives us the ability to offer Certificates of Deposit Account Registry Service ("CDARS") and Insured Cash Sweep ("ICS") products to our customers who seek to maximize FDIC insurance protection. When a customer places a large deposit with us for IntraFi, funds are placed into certificates of deposit or other deposit products with other banks in the CDARS and ICS networks in increments of less than $250 thousand so that principal and interest are eligible for FDIC insurance protection. These deposits are part of our core deposit base. At December 31, 2024 and 2023, we had $269.7 million and $254.1 million, respectively, in CDARS reciprocal and ICS reciprocal products.

As of December 31, 2024, the estimated amount of total uninsured deposits (excluding collateralized deposits) was $763.1 million, or 40.8%, of total deposits. The estimate of uninsured deposits generally represents the portion of deposit accounts that exceed the FDIC insurance limit of $250,000 and is calculated based on the same methodologies and assumptions used for purposes of the Bank's regulatory reporting requirements. When excluding collateralized deposits, our estimate of uninsured deposits decreases to $584.0 million, or 31.2% of total deposits at December 31, 2024.

The following table reports maturities of the estimated amount of uninsured certificates of deposit at December 31, 2024.

Certificates of Deposit Greater than $250,000
At December 31, 2024
(Dollars in thousands)

	December 31, 2024
Three months or less	$ 65,658
Over three months through six months	58,555
Over six months through twelve months	20,656
Over twelve months	20,477
	$ 165,346

Other borrowed funds, which are comprised only of FHLB advances, were $50.0 million at December 31, 2024 compared to $85.0 million at December 31, 2023, a decrease of $35.0 million, or 41%. Subordinated debt, net of unamortized issuance costs, totaled $18.7 million and $19.6 million at December 31, 2024 and 2023, respectively. At December 31, 2024 and December 31, 2023, we did not have any federal funds purchased. Our FHLB advances have pay-fixed/receive-floating interest rate swaps to reduce our funding costs, and as such, the weighted average rate of these FHLB advances are 3.60% and 3.21% at December 31, 2024 and 2023, respectively.

Total wholesale funding (which includes wholesale deposits and FHLB advances) decreased $30.4 million, or 9%, during 2024 to $299.9 million from $330.3 million at December 31, 2023.

Capital Resources

Capital adequacy is an important measure of financial stability and performance. Our objectives are to maintain a level of capitalization that is sufficient to sustain asset growth and promote depositor and investor confidence.

Regulatory agencies measure capital adequacy utilizing a formula that takes into account the individual risk profile of the financial institution. The minimum capital requirements for the Bank are: (i) a CET1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6%; (iii) a total risk-based capital ratio of 8%; and (iv) a Tier 1 leverage ratio of 4%. Additionally, a capital conservation buffer requirement of 2.5% of risk-weighted assets is designed to absorb losses during periods of economic stress and is applicable to the Bank’s CET1 capital, Tier 1 capital and total capital ratios. Including the conservation buffer, we currently consider the Bank’s minimum capital ratios to be as follows: 7.00% for CET1; 8.50% for Tier 1 capital; and 10.50% for total capital. Banking institutions with a ratio of common equity Tier 1 to risk-weighted assets above the minimum but below the minimum plus the conservation buffer will face constraints on dividends, equity repurchases, and compensation.

We believe that the Bank met all capital adequacy requirements to which it was subject as of December 31, 2024 and December 31, 2023.

Shareholders' equity at December 31, 2024 was $235.4 million, an increase of $18.2 million, compared to $217.1 million at December 31, 2023. Net income recorded for the year ended December 31, 2024 contributed $15.1 million to the increase in shareholders' equity. Accumulated other comprehensive loss decreased $894 thousand for the year ended December 31, 2024, primarily due to gains recognized from other comprehensive income related to our cash flow hedges.

Total shareholders' equity to total assets for December 31, 2024 and December 31, 2023 was 10.7% and 9.9%, respectively. Tangible book value per share (a non-GAAP financial measure which is defined in the table below) at December 31, 2024 and December 31, 2023 was $12.52 and $11.77, respectively.

As noted above, regulatory capital levels for the Bank meets those established for "well capitalized" institutions. While we are currently considered "well capitalized," we may from time to time find it necessary to access the capital markets to meet our growth objectives or capitalize on specific business opportunities.

As the Company is a bank holding company with less than $3.00 billion in assets, and which does not (i) conduct significant off-balance sheet activities, (ii) engage in significant non-banking activities, or (iii) have a material amount of securities registered under the Exchange Act, it is not currently subject to risk-based capital requirements adopted by the Federal Reserve, pursuant to the small bank holding company policy statement. The Federal Reserve has not historically deemed a bank holding company ineligible for application of the small bank holding company policy statement solely because its common stock is registered under the Exchange Act. There can be no assurance that the Federal Reserve will continue this practice.

The following tables shows the minimum capital requirements and the Bank's capital position at December 31, 2024 and December 31, 2023.

Bank Capital Components
At December 31, 2024 and December 31, 2023
(Dollars in thousands)

	Actual		Minimum Capital Requirement [1]			Minimum to be Well Capitalized Under Prompt Corrective Action		
	Amount	Ratio	Amount		Ratio	Amount		Ratio
At December 31, 2024								
Total risk-based capital	$ 277,248	14.73%	$ 197,582	≥	10.50%	$ 188,174	≥	10.00%
Tier 1 risk-based capital	258,608	13.74%	159,948	≥	8.50%	150,539	≥	8.00%
Common equity tier 1 capital	258,608	13.74%	131,722	≥	7.00%	122,313	≥	6.50%
Leverage capital ratio	258,608	11.74%	88,115	≥	4.00%	110,144	≥	5.00%
At December 31, 2023								
Total risk-based capital	$ 261,403	13.83%	$ 198,413	≥	10.50%	$ 188,965	≥	10.00%
Tier 1 risk-based capital	241,930	12.80%	160,620	≥	8.50%	151,172	≥	8.00%
Common equity tier 1 capital	241,930	12.80%	132,275	≥	7.00%	122,827	≥	6.50%
Leverage capital ratio	241,930	10.77%	89,842	≥	4.00%	112,302	≥	5.00%

(1). Includes capital conservation buffer.

Reconciliation of Book Value (GAAP) to Tangible Book Value (non-GAAP)
At December 31, 2024 and December 31, 2023
(Dollars in thousands, except per share data)

	2024	2023
Total stockholders' equity (GAAP)	$ 235,354	$ 217,117
Less: goodwill and intangibles, net	(7,420)	(7,585)
Tangible Common Equity (non-GAAP)	**$ 227,934**	**$ 209,532**
Book value per common share (GAAP)	$ 12.93	$ 12.19
Less: intangible book value per common share	(0.41)	(0.42)
Tangible book value per common share (non-GAAP)	**$ 12.52**	**$ 11.77**

Liquidity

Liquidity in the banking industry is defined as the ability to meet the demand for funds of both depositors and borrowers. We must be able to meet these needs by obtaining funding from depositors or other lenders or by converting non-cash items into cash. The objective of our liquidity management program is to ensure that we always have sufficient resources to meet the demands of our depositors and borrowers. Stable core deposits and a strong capital position provide the base for our liquidity position. We believe we have demonstrated our ability to attract deposits because of our convenient branch locations, personal service, technology and pricing. As of December 31, 2024, estimated uninsured deposits (excluding collateralized deposits) for the Bank were 31.2% of total deposits and were 31.1% at December 31, 2023.

In addition to deposits, we have access to the various wholesale funding markets. These markets include the brokered certificate of deposit market and the federal funds market. We are a member of the IntraFi Network, which allows banking customers to access FDIC insurance protection on deposits through the Bank which exceed FDIC insurance limits. As part of our membership with the IntraFi Network, we have one-way authority for both their CDARs and ICS products which provides the Bank the ability to access additional wholesale funding as needed. We also maintain secured lines of credit with the FRB and the FHLB for which we can borrow up to the allowable amount for the collateral pledged. Having diverse funding alternatives reduces our reliance on any one source for funding.

Liquid assets, which include cash and due from banks, federal funds sold and investment securities available for sale, totaled $247.4 million at December 31, 2024, or 11% of total assets, an increase from $232.1 million, or 11% of total assets, at December 31, 2023. At December 31, 2024 and 2023, investment securities available-for-sale that were pledged as collateral for municipal deposits totaled $55.1 million and $7.2 million, respectively.

Cash flow from amortizing assets or maturing assets also provides funding to meet the needs of depositors and borrowers.

Secondary Liquidity Available and In Use
At December 31, 2024
(Dollars in thousands)

	Liquidity in Use	Liquidity Available
FHLB secured borrowings (1)	$ 130,000	$ 473,307
FRB discount window secured borrowings (2)	—	146,106
Unsecured federal fund purchase lines	—	185,000
Total	**$ 130,000**	**$ 804,413**

(1) The Bank has pledged a portion of the commercial real estate and residential loan portfolio to the FHLB to secure the line of credit. The Bank has obtained a letter of credit of $80 million to secure public funds.

(2) The Bank has pledged a portion of the commercial and industrial loan portfolio to the FRB to secure the line of the credit.

We have established a formal liquidity contingency plan which establishes a liquidity management team and provides guidelines for liquidity management. For our liquidity management program, we first determine our current liquidity position and then forecast liquidity based on anticipated changes in the balance sheet. In this forecast, we expect to maintain a liquidity cushion. We also stress test our liquidity position under several different stress scenarios, from moderate to severe. Guidelines for the forecasted liquidity cushion and for liquidity cushions for each stress scenario have been established. We believe that we have sufficient resources to meet our liquidity needs.

Liquidity is essential to our business. Our liquidity could be impaired by an inability to access the capital markets or by unforeseen outflows of cash, including deposits. This situation may arise due to circumstances that we may be unable to control, such as general market disruption, negative views about the financial services industry generally, or an operational problem that affects a third party or us. Our ability to borrow from other financial institutions on favorable terms or at all could be adversely affected by disruptions in the capital markets or other events. While we believe we have a healthy liquidity position and do not anticipate the loss of deposits of any of the significant deposit customers, any of the factors discussed above could materially impact our liquidity position in the future.

Financial Instruments with Off-Balance-Sheet Risk and Credit Risk

We are a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.

The Bank's maximum exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. We evaluate each customer's credit worthiness on a case-by-case basis and require collateral to support financial instruments when deemed necessary. The amount of collateral obtained upon extension of credit is based on our evaluation of the counterparty. Collateral held varies but may include deposits held by us, marketable securities, accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

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 generally have fixed expiration dates up to one year or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. These instruments represent obligations to extend credit or guarantee borrowings and are not recorded on the consolidated statements of financial condition. The rates and terms of these instruments are competitive with others in the market in which we do business.

Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. Those lines of credit may not be drawn upon to the total extent to which we have committed.

Standby letters of credit are conditional commitments we issued to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. We hold certificates of deposit, deposit accounts, and real estate as collateral supporting those commitments for which collateral is deemed necessary.

With the exception of these off-balance sheet arrangements, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, results of operations, changes in financial condition, revenue, expenses, capital expenditures, or capital resources, that is material to our business.

At December 31, 2024 and 2023, unused commitments to fund loans and lines of credit totaled $196.7 million and $252.5 million, respectively. Commercial and standby letters of credit totaled $25.2 million at December 31, 2024 and $26.0 million at December 31, 2023.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required.

Item 8. Financial Statements and Supplementary Data

FVCBankcorp, Inc. and Subsidiary

Fairfax, Virginia

CONSOLIDATED FINANCIAL REPORT

December 31, 2024

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of FVCBankcorp, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of condition of FVCBankcorp, Inc. and its subsidiary (the Company) as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, cash flows and changes in stockholders' equity for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matter

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

Allowance for Credit Losses – Collectively Evaluated Loans

As described in Notes 1 and 3 to the consolidated financial statements, the allowance for credit losses on loans (ACL) is a valuation allowance that represents management's best estimate of expected lifetime credit losses on loans measured at amortized cost. Loans sharing common risk characteristics are pooled and collectively evaluated by the Company using a cash flow model which includes loan-level cash flow projections based on pool-level assumptions and incorporates a reasonable and supportable forecast. Cash flow assumptions are derived from historical loss data of peers and internal loan level data for estimates of prepayments. The ACL on collectively evaluated loans also includes a qualitative assessment of available information relevant to assessing collectability that is not captured in the cash flow model. Management assesses qualitative factors prescribed by ASC 326 and has provided allocations for changes in the nature and volume of the loan portfolio and the existence, growth, and effect of concentrations of credit. The Company’s estimate of credit losses for collectively evaluated loans is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The Company’s ACL related to collectively evaluated loans represented $17.7 million of the total recorded ACL of $18.1 million as of December 31, 2024.

Management exercised significant judgment when estimating the ACL on collectively evaluated loans. We identified the estimation of the collectively evaluated ACL as a critical audit matter as auditing the collectively evaluated ACL involved especially complex and subjective auditor judgment in evaluating management’s assessment of the inherently subjective estimates.

The primary audit procedures we performed to address this critical audit matter included:

- Obtaining an understanding of the Company’s processes for determining its ACL on collectively evaluated loans, including the underlying methodology and significant inputs to the calculation.
- Substantively testing management’s process for measuring the collectively evaluated ACL, including:
  - Evaluating the conceptual soundness of the Company’s model and related accounting policies.
  - Testing the incorporation of reasonable and supportable forecasts in the collectively evaluated ACL estimate.
  - Testing the accuracy of key inputs and calculations used to determine the ACL for collectively evaluated loans, including the calculations underlying the cash flow model as well as application of qualitative factors to the collectively evaluated loan balances.
  - Evaluating management’s determination of qualitative adjustments, including the data on which the qualitative adjustments were based as well as the relative magnitude and directional consistency of the adjustments.
  - Evaluating the overall allowance, inclusive of the collectively evaluated ACL, as well as specific aspects of the collectively evaluated ACL by performing tests for contrary evidence which included consideration of certain alternative assumptions as well as metrics for an alternative peer group to determine whether this information supported or contradicted the Company’s estimate.

/s/ Yount, Hyde & Barbour, P.C.

We have served as the Company's auditor since 2007.

Winchester, Virginia
March 20, 2025

FVCBankcorp, Inc. and Subsidiary
Consolidated Statements of Condition
December 31, 2024 and 2023
(In thousands, except share data)

	2024	2023	December 31, 2024	December 31, 2023
Assets				
Cash and due from banks			$ 8,161	$ 8,042
Interest-bearing deposits at other financial institutions			82,789	52,480
Securities held-to-maturity (fair value of $256 thousand and $252 thousand at December 31, 2024 and 2023, respectively), net of allowance for credit losses of $0 and $0 at December 31, 2024 and 2023, respectively.			265	264
Securities available-for-sale, at fair value			156,475	171,595
Restricted stock, at cost			8,186	9,488
Loans, net of allowance for credit losses of $18.1 million and $18.9 million at December 31, 2024 and 2023, respectively			1,852,106	1,809,693
Premises and equipment, net			858	997
Accrued interest receivable			10,315	10,321
Prepaid expenses			3,413	3,506
Deferred tax assets, net			13,273	14,823
Goodwill and intangibles, net			7,420	7,585
Bank owned life insurance			9,219	56,823
Operating lease right-of-use assets			7,124	8,395
Other assets			39,346	36,546
Total assets			$ 2,198,950	$ 2,190,558
Liabilities and Stockholders' Equity				
Liabilities				
Deposits:				
Nonnterest-bearing			$ 365,666	$ 396,724
Interest-bearing checking			623,811	576,471
Savings and money market			383,087	320,498
Time deposits			248,154	306,349
Wholesale deposits			249,887	245,250
Total deposits			$ 1,870,605	$ 1,845,292
Other borrowed funds			$ 50,000	$ 85,000
Subordinated notes, net of issuance costs			18,695	19,620
Accrued interest payable			2,505	2,415
Operating lease liabilities			7,638	9,241
Reserves for unfunded commitments			510	602
Accrued expenses and other liabilities			13,643	11,271
Total liabilities			$ 1,963,596	$ 1,973,441
Commitments and Contingent Liabilities				
Shareholders' Equity	**2024**	**2023**		
Preferred stock, $0.01 par value				
Shares authorized	1,000,000	1,000,000		
Shares issued and outstanding	—	—	$ —	$ —
Common stock, $0.01 par value				
Shares authorized	20,000,000	20,000,000		
Shares issued and outstanding	18,204,455	17,806,995	182	178
Additional paid-in capital			127,471	125,209
Retained earnings			130,967	115,890
Accumulated other comprehensive (loss), net			(23,266)	(24,160)
Total shareholders' equity			$ 235,354	$ 217,117
Total liabilities and shareholders' equity			$ 2,198,950	$ 2,190,558

See Notes to Consolidated Financial Statements.

FVCBankcorp, Inc. and Subsidiary
Consolidated Statements of Income
For the Years Ended December 31,2024 and 2023
(In thousands, except per share data)

	2024	2023
Interest and Dividend Income		
Interest and fees on loans	**$ 106,668**	$ 98,373
Interest and dividends on securities held-to-maturity	**6**	6
Interest and dividends on securities available-for-sale	**3,734**	4,949
Dividends on restricted stock	**611**	646
Interest on deposits at other financial institutions	**2,293**	2,641
Total interest and dividend income	**$ 113,312**	$ 106,615
Interest Expense		
Interest on deposits	**$ 53,206**	$ 47,345
Interest on federal funds purchased	**2**	11
Interest on short-term debt	**3,488**	3,833
Interest on subordinated notes	**1,027**	1,030
Total interest expense	**$ 57,723**	$ 52,219
Net Interest Income	**$ 55,589**	$ 54,396
Provision for credit losses	**6**	132
Net interest income after provision for credit losses	**$ 55,583**	$ 54,264
Noninterest Income		
Service charges on deposit accounts	**$ 1,126**	$ 1,028
BOLI income	**397**	1,452
Gain (loss) income from minority membership interests	**376**	(1,110)
Gain (loss) on sale of securities available-for-sale	**—**	(15,577)
Other income	**635**	837
Total noninterest income (loss)	**$ 2,534**	$ (13,370)
Noninterest Expenses		
Salaries and employee benefits	**$ 18,752**	$ 20,643
Occupancy and equipment expense	**2,027**	2,357
Data processing and network administration	**2,719**	2,468
Internet banking and software expense	**2,990**	2,505
State franchise taxes	**2,358**	2,338
FDIC insurance	**1,321**	1,433
Marketing, business development and advertising	**969**	724
Loan related (benefit) expenses	**899**	(10)
Director's fee	**637**	660
Core deposit intangible amortization	**165**	205
Other operating expenses	**2,983**	3,339
Total noninterest expenses	**$ 35,820**	$ 36,662
Net income before income tax expense	**$ 22,297**	$ 4,232
Income tax expense	**7,233**	410
Net income	**$ 15,064**	$ 3,822
Earnings per share, basic	**$ 0.83**	$ 0.22
Earnings per share, diluted	**$ 0.82**	$ 0.21

See Notes to Consolidated Financial Statements.

FVCBankcorp, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
For the Years Ended December 31,2024 and 2023
(In thousands)

	2024	2023
Net income	**$ 15,064**	$ 3,822
Other comprehensive income (loss):		
Unrealized gain (loss) on securities available for sale, net of tax of $0.3 million and net of tax of $0.4 million in 2024 and 2023, respectively.	**(1,016)**	1,300
Unrealized (loss) gain on interest rate swaps, net of tax of $0.5 million and net of tax of $0.3 million in 2024 and 2023, respectively.	**1,910**	(1,043)
Reclassification adjustment for securities losses realized in income, net of tax of $0 and $3.4 million for 2024 and 2023, respectively.	—	12,150
Total other comprehensive income	**$ 894**	$ 12,407
Total comprehensive income	**$ 15,958**	$ 16,229

See Notes to Consolidated Financial Statements.

FVCBankcorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023
(In thousands)

	2024	2023
Cash Flows From Operating Activities		
Net income	$ 15,064	$ 3,822
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	280	390
Provision for credit losses	6	132
Net amortization of premium of securities	237	593
Net accretion of deferred loan costs, fees, and other acquisition accounting adjustments	(1,384)	(1,855)
Net accretion of acquisition accounting adjustments	—	(421)
(Gain)/Loss on sales and calls of available-for-sale investment securities	—	15,577
Office space reduction costs	—	273
Loss (income) from minority membership interest	(376)	1,110
Amortization of subordinated debt issuance costs	59	55
Core deposits intangible amortization	165	205
Tax credits amortization	(150)	126
Equity-based compensation expense	789	1,143
BOLI income	(397)	(1,452)
Deferred income tax expense	1,308	934
Changes in assets and liabilities:		
Increase (decrease) in accrued interest receivable, prepaid expenses and other assets	2,510	(16)
Increase (decrease) in accrued interest payable, accrued expenses and other liabilities	121	(4,347)
Net cash provided by operating activities	$ 18,232	$ 16,269
Cash Flows From Investing Activities		
Increase (decrease) in interest-bearing deposits at other financial institutions	$ (30,309)	$ 21,820
Purchases of available-for-sale securities	(1,884)	—
Proceeds from sales or maturity of securities available-for-sale	1,000	86,922
Proceeds from repayments of securities available-for-sale	14,466	20,795
Net redemption of restricted stock	1,302	6,124
Net increase (decrease) in loans	(41,127)	13,777
Proceeds from surrender of bank-owned life insurance	47,774	—
Purchases of premises and equipment, net	(141)	(212)
Net cash provided by (used in) investing activities	$ (8,919)	$ 149,226
Cash Flows From Financing Activities		
Net increase in non-maturing deposits	$ 78,871	$ (28,056)
Net (decrease) increase in time deposits	(53,558)	43,179
Redemption of subordinated debt, net	(984)	—
Decrease in federal funds purchased	—	(30,000)
Net decrease in FHLB advances	(35,000)	(150,000)
Repurchase of shares to satisfy tax withholding for stock-based compensation	(179)	(113)
Repurchase of shares of common stock	—	(1,460)
Common stock issuance	1,656	1,744
Net cash (used in) provided by financing activities	$ (9,194)	$ (164,706)
Net increase in cash and cash equivalents	$ 119	$ 789
Cash and cash equivalents, beginning of year	8,042	7,253
Cash and cash equivalents, end of period	$ 8,161	$ 8,042

See Notes to Consolidated Financial Statements.

FVCBankcorp, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31,2024 and 2023
(In thousands)

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net	Total
Balance at December 31, 2022	17,475	$ 175	$ 123,886	$ 114,888	$ (36,567)	$ 202,382
Net income	—	—	—	3,822	—	3,822
Impact of adoption of ASU 2016-13	—	—	—	(2,808)	—	(2,808)
Other comprehensive income	—	—	—	—	12,407	12,407
Repurchase of common stock	(116)	(1)	(1,447)	(12)	—	(1,460)
Common stock issuance for options exercised, net	364	4	1,740	—	—	1,744
Vesting of restricted stock grants, net	84	—	(113)	—	—	(113)
Stock-based compensation expense	—	—	1,143	—	—	1,143
Balance at December 31, 2023	17,807	$ 178	$ 125,209	$ 115,890	$ (24,160)	$ 217,117
Net income	—	—	—	15,064	—	15,064
Impact of adoption of ASU 2023-02	—	—	—	13	—	13
Other comprehensive income	—	—	—	—	894	894
Common stock issuance for options exercised, net	346	4	1,652	—	—	1,656
Vesting of restricted stock grants, net	51	—	(179)	—	—	(179)
Stock-based compensation expense	—	—	789	—	—	789
Balance at December 31, 2024	18,204	$ 182	$ 127,471	$ 130,967	$ (23,266)	$ 235,354

See Notes to Consolidated Financial Statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization

FVCBankcorp, Inc. (the "Company"), a Virginia corporation, was formed in 2015 and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. The Company is headquartered in Fairfax, Virginia. The Company conducts its business activities through the branch offices of its wholly owned subsidiary bank, FVCbank (the "Bank"). The Company exists primarily for the purposes of holding the stock of its subsidiary, the Bank.

The Bank was organized under the laws of the Commonwealth of Virginia to engage in a general banking business serving the Washington, D.C. and Baltimore metropolitan areas. The Bank commenced operations on November 27, 2007 and is a member of the Federal Reserve System (the "Federal Reserve"). It is subject to the regulations of the Board of Governors of the Federal Reserve and the State Corporation Commission of Virginia. Consequently, it undergoes periodic examinations by these regulatory authorities.

On August 31, 2021, the Bank made an investment in Atlantic Coast Mortgage, LLC ("ACM") for $20.4 million. As a result of this investment, the Bank obtained a 28.7% ownership interest in ACM. The investment is accounted for using the equity method of accounting. In addition, the Bank provides a warehouse lending facility to ACM, which includes a construction-to-permanant financing line, and has developed portfolio mortgage products to diversify the Bank's held to investment loan portfolio.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America ("GAAP") and conform to general practices within the banking industry.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, FVCbank. All material intercompany balances and transactions have been eliminated in consolidation.

(b) Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities, as of the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the allowance for credit losses - loans.

(c) Accounting for Business Combinations

Business combinations are accounted for under the acquisition method. The acquisition method requires that the assets acquired and liabilities assumed be recorded, based on their estimated fair values at the date of acquisition. The excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed, including identifiable intangibles, is recorded as goodwill.

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are purchased and sold for one day periods.

(e) Investment Securities

Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss), net of tax. Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

An individual debt security is impaired when the fair value of the security is less than its amortized cost. If the Company intends to sell an available-for-sale security in an unrealized loss position or it is more likely than not will be reversed through the provision for credit losses, then the difference between the amortized cost basis of the security and its fair value is recognized in the Company's Consolidated Statements of Income. For impaired debt securities that the Company has both the intent and ability to hold, the securities are evaluated to determine if a credit loss exists. The allowance for credit losses on the investment securities is recognized through the provision for credit losses and limited by the unrealized losses of a security measured as the difference between the security’s amortized cost and fair value.

The Company charges off any portion of an investment security that it determines is uncollectible. The amortized cost basis, excluding accrued interest, is charged off through the allowance for credit losses. Accrued interest is charged off as a reduction to interest income. Recoveries of previously charged off principal amounts are recognized in our provision for credit losses when received.

Interest income and dividends on securities are recognized in interest income on an accrual basis. Premiums and discounts are recognized in interest income using the effective interest method. Prepayments of the mortgages securing mortgage-backed securities may affect the yield to maturity. The Company uses actual principal prepayment experience and estimates of future principal prepayments in calculating the yield necessary to apply the effective interest method.

(f) Loans and Allowance for Credit Losses

Allowance for Credit Losses - Loans and Unfunded Commitments

The allowance for credit losses ("ACL") represents an estimate of the expected credit losses in the Company's held for investment loan portfolio as of a valuation date. The ACL is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the held for investment loan portfolio. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries are recorded to the extent they do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Reserves on loans that do not share risk characteristics are evaluated on an individual basis. Nonaccrual loans are specifically reviewed for loss potential and when deemed appropriate are assigned a reserve based on an individual evaluation. The remainder of the portfolio, representing all loans not evaluated individually, is segmented based on call report code and processed through a non-discounted cash flow valuation model. In particular, loan-level probability of default ("PD") and severity (also referred to as loss given default ("LGD")) is applied to derive a baseline expected loss as of the valuation date. These expected default and severity rates, which are regression-derived and based on peer historical loan-level performance data, are calibrated to incorporate the Company's reasonable and supportable forecast of future losses as well as any necessary qualitative adjustments.

Typically, financial institutions use their historical loss experience and trends in losses for each loan segment which are then adjusted for portfolio trends and economic and environmental factors in determining the ACL. Since the Bank’s inception in 2007, the Company has experienced minimal loss history within its loan portfolio. Due to the fact that limited internal loss history exists to generate statistical significance, management determined it was most prudent to rely on peer data when deriving its best estimate of PD and LGD. As part of the Company's estimation process, management will continue to assess the reasonableness of the data, assumptions, and model methodology utilized to derive its allowance for credit losses.

For each of the modeled loan segments, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speeds, PD rates, and LGD rates. The modeling of expected prepayment speeds is based on internal loan-level historical data. The Company utilizes national unemployment for its reasonable and supportable forecasting of expected default within the cash flow model. To further adjust the allowance for credit losses for expected losses not already within the quantitative component of the calculation, the Company may consider qualitative factors as prescribed in Accounting Standard Codification ("ASC") 326.

Financial instruments include off-balance sheet credit instruments such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded. The Company records a reserve for unfunded commitments on off-balance sheet credit exposures through a charge to provision for credit loss expense in its Consolidated Statement of Income. The reserve for unfunded commitments is estimated by call report code segmentation as of the valuation date under the ACL model using the same methodologies as portfolio loans taking utilization rates into consideration. The reserve for unfunded commitments is reflected as a liability on the Company's Consolidated Balance Sheet.

The Company's methodology utilized in the estimation of the ACL, which is performed at least quarterly, is designed to be dynamic and responsive to changes in its loan portfolio credit quality, composition, and forecasted economic conditions. The review of the reasonableness and appropriateness of the ACL is reviewed by the ACL Committee for approval as of the valuation date. Additionally, information is provided to the Board of Directors on a quarterly basis along with the Company's consolidated financial statements.

Collateral Dependent Financial Assets

Loans that do not share risk characteristics are evaluated on an individual basis. For collateral dependent financial assets where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the financial asset to be provided substantially through the sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the financial asset exceeds the net present value ("NPV") from the operation of the collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the financial asset exceeds the fair value of the underlying collateral less estimated cost to sell. The ACL may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the financial asset.

Allowance for Credit Losses - Securities

The Company evaluates its available-for-sale and held-to-maturity debt securities portfolios for expected credit losses as of the valuation date under ASC 326. For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or if it is more likely than not that it would be required to sell, the security before recovery of its amortized cost basis. If either criterion is met, the security’s amortized cost basis is written down to fair value through income during the current period. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other driving factors. If the Company's assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, an ACL is recorded for the credit loss (which represents the difference between the expected cash flows and amortized cost basis), limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income.

The entire amount of an impairment loss is recognized in earnings only when: (1) the Company intends to sell the security; or (2) it is more likely than not that the Company will have to sell the security before recovery of the Company's amortized cost basis; or (3) the Company does not expect to recover the entire amortized cost basis of the security. In all other situations, only the portion of the impairment loss representing the credit loss must be recognized in earnings, with the remaining portion being recognized in shareholders' equity as comprehensive income, net of deferred taxes.

Changes in the ACL are recorded as a provision for (or reversal of) credit losses. Losses are charged against the ACL when the Company believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Any impairment not recorded through an allowance for credit loss is recognized in other comprehensive income as a noncredit-related impairment.

As part of its estimation process, the Company has made a policy election to exclude accrued interest from the amortized cost basis of available-for-sale debt securities and report accrued interest separately in other assets in the Consolidated Balance Sheet. Available-for-sale debt securities are placed on nonaccrual status when the Company no longer expects to receive all contractual amounts due, which is generally at 90 days past due. Accrued interest receivable is reversed against interest income when a security is placed on nonaccrual status. Accordingly, the Company does not recognize an allowance for credit loss against accrued interest receivable. This approach is consistent with the Company's nonaccrual policy implemented for its loan portfolio.

The Company separately evaluates its held-to-maturity investment securities for any credit losses. If it determines that a security indicates evidence of deteriorated credit quality, the security is individually-evaluated and a discounted cash flow analysis is performed and compared to the amortized cost basis. As of December 31, 2024, the Company had one security classified as held-to-maturity with an amortized cost basis of $265 thousand, with the remainder of the securities portfolio held as available-for-sale.

(g) Premises, Equipment, and Leases

Land is carried at cost. Premises, furniture, equipment, and leasehold improvements are carried at cost less accumulated depreciation and amortization. Depreciation of premises, furniture, and equipment is computed using the straight-line method over estimated useful lives from three to seven years. Amortization of leasehold improvements is computed using the straight-line method over the useful lives of the improvements or the lease term, whichever is shorter. Purchased computer software which is capitalized is amortized over estimated useful lives of one to three years.

Contracts are evaluated to determine whether they are or contain a lease in accordance with Topic 842. Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs and any incentives received from the lessor.

Lease payments for short-term leases are recognized as lease expense on a straight-line basis over the lease term, or for variable lease payments, in the period in which the obligation was incurred. Payments for leases with terms longer than twelve months are included in the determination of the lease liability. Payments may be fixed for the term of the lease or variable. If the lease agreement provides a known escalator, such as a specified percentage increase per year or a stated increase at a specified time, the variable payment is included in the cash flows used to determine the lease liability. If the variable payment is based upon an unknown escalator, such as the consumer price index at a future date, the increase is not included in the cash flows used to determine the lease liability. The Company's leases provide known escalators that are included in the determination of the lease liability, with the exception of three lease agreements.

Most of the Company's leases offer the option to extend the lease term. Where the Company is reasonably certain it will exercise the options, the Company has included the additional time and lease payments in the calculation of the lease liability. None of the Company's leases provide for residual value guarantees and none provide restrictions or covenants that would impact dividends or require incurring additional financial obligations.

(h) Goodwill and Intangible Assets

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is not amortized but is evaluated at least annually for impairment by comparing its fair value of the reporting unit with its carrying amount. Impairment is indicated when the carrying amount of a reporting unit exceeds its estimated fair value.

Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist; that indicate that a goodwill impairment test should be performed. The Company performs the impairment test annually during the fourth quarter. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

No impairment was recorded for 2024 and 2023.

(i) Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale. At the time of acquisition, these properties are recorded at fair value less estimated selling costs, with any write down charged to the ACL and any gain on foreclosure recorded in net income, establishing a new cost basis. Subsequent to foreclosure, valuations of the assets are periodically performed by management, and these assets are subsequently accounted for at the lower of cost or fair value less estimated selling costs. Adjustments are made for subsequent decline in the fair value of the assets less selling costs. Revenue and expenses from operations and valuation changes are charged to operating income in the year of the transaction. The Company had no other real estate owned ("OREO") at December 31, 2024 and 2023.

(j) Bank Owned Life Insurance

The Company has purchased bank-owned life insurance policies on certain key employees. BOLI is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value. The increase in the cash surrender value over time is recorded as other noninterest income. The Company monitors the financial strength and condition of the counterparties.

During the first quarter of 2024, the Company surrendered certain BOLI policies with an aggregate cash surrender value of $48.0 million. Upon their surrender, the Company received a cash payout and was required to accrue additional income tax on the appreciation of those policies which had previously been treated as tax-exempt income. This resulted in additional statutory income tax expense of $1.6 million and tax penalties of $722 thousand. The tax penalties related to the surrender of the BOLI were recorded in income tax expense.

(k) Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed surrendered when (1) the assets have been isolated from the Company – put presumptively beyond reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of 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 or the ability to unilaterally cause the holder to return specific assets.

(l) Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets and liabilities are recognized for deductible temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. The Company had no such liability recorded at December 31, 2024 and 2023. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

(m) Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains (losses) on securities available-for-sale and cash flow hedges for 2024 and 2023, which are also recognized as separate components of equity.

(n) Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 14. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

(o) Equity-based Compensation

The Company recognizes in the income statement the grant date fair value of stock options and other equity-based compensation primarily consisting of restricted stock units and stock options. The Company classifies stock awards as either an equity award or a liability award. Equity classified awards are valued as of the grant date using either an observable market price or a valuation methodology. Liability classified awards are valued at fair value at each reporting date. For the years presented, all of the Company's stock-based compensation awards are classified as equity awards.

The fair value related to forfeitures of stock options and other equity-based compensation are recorded to the income statement as they occur, reducing equity-based compensation expense in that period. Most restricted stock units vest in one-quarter increments on the anniversary date of the grant. The Company did not grant stock options in the years ended December 31, 2024 and 2023.

(p) 401(k) Plan

Employee 401(k) plan expense is the amount of matching contributions paid by the Company. The 401(k) plan expense was $400 thousand and $431 thousand for the years ended December 31, 2024 and 2023, respectively.

(q) Earnings Per Share

Basic earnings per share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Common stock equivalents that may be issued by the Company consist primarily of outstanding stock options and restricted stock units, and the dilutive potential common shares resulting from outstanding stock options and restricted stock units are determined using the treasury method. The effects of anti-dilutive common stock equivalents are excluded from the calculation of diluted earnings per share.

(r) Segment Reporting

The Company's revenue is primarily derived from the business of banking. The Company's financial performance is monitored on consolidated basis by the Company's Chief Executive Officer and the President, which are considered to be the Company's Chief Operating Decision Makers ("CODM"). Financial performance is reported to the CODM monthly, and the primary measure of performance is consolidated net income. The allocation of resources throughout the Company is determined annually based upon consolidated net income performance. The presentation of financial performance to the CODM is consistent with amounts and financial statement lines items shown in the Company's consolidated balance sheets and consolidated statements of income. Additionally, the Company's significant expenses are adequately segmented by category and amount in the consolidated statements of income to include all significant items when considering both qualitative and quantitative factors. Significant expenses of the Company include salaries and employee benefits, occupancy and equipment, data processing and network administration, and internet banking and software expenses.

All of the Company’s financial results are similar and considered by the Company to be aggregated into one reportable operating segment. While management has assigned certain management responsibilities by region and business-line, the Company’s CODM evaluates financial performance on a Company-wide basis. The majority of the Company’s revenue is from the business of banking and the Company’s assigned regions have similar economic characteristics, products, services and customers. Accordingly, all of the Company’s operations are considered by management to be aggregated in one reportable operating segment.

(s) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's method of presentation. None of these reclassifications were significant.

(t) Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” The amendments in this Accounting Standards Update ("ASU") require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pretax income by the entity’s applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose 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. This ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied on a prospective basis; however, retrospective application is permitted. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its consolidated financial statements.

(u) Recently Adopted Accounting Developments

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.” The amendments in this ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. This ASU requires disclosure of significant segment expenses that are regularly provided to the CODM, an amount for other segment items by reportable segment and a description of its composition, all annual disclosures required by FASB ASU Topic 280 in interim periods as well, and the title and position of the CODM and how the CODM uses the reported measures. Additionally, this ASU requires that at least one of the reported segment profit and loss measures should be the measure that is most consistent with the measurement principles used in an entity’s consolidated financial statements. Lastly, this ASU requires public business entities with a single reportable segment to provide all disclosures required by these amendments in this ASU and all existing segment disclosures in Topic 280. This ASU became effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption was permitted. The amendments should be applied retrospectively. The adoption of ASU 2023-06 did not have a material impact on the Company's consolidated financial statements.

In March 2023, the FASB issued ASU 2023-02, “Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.” These amendments allow reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. ASU 2023-02 was effective for the Company on January 1, 2024. The Company recorded an adjustment of $13 thousand to shareholders' equity as of January 1, 2024.

($ in thousands, except per share data)

Note 2. Securities

Amortized cost and fair values of securities held-to-maturity and securities available-for-sale as of December 31, 2024 and 2023, were as follows:

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Held-to-maturity				
Securities of state and local municipalities tax exempt	$ 265	$ —	$ (9)	$ 256
Total Held-to-maturity Securities	$ 265	$ —	$ (9)	$ 256
Available-for-sale				
Securities of U.S. government and federal agencies	$ 9,998	$ —	$ (1,437)	$ 8,561
Securities of state and local municipalities tax exempt	—	—	—	—
Securities of state and local municipalities taxable	404	—	(55)	349
Corporate bonds	19,000	—	(1,883)	17,117
SBA pass-through securities	48	—	(3)	45
Mortgage-backed securities	158,956	—	(31,280)	127,676
Collateralized mortgage obligations	3,488	—	(761)	2,727
Total Available-for-sale Securities	$ 191,894	$ —	$ (35,419)	$ 156,475

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Held-to-maturity				
Securities of state and local municipalities tax exempt	$ 264	$ —	$ (12)	$ 252
Total Held-to-maturity Securities	$ 264	$ —	$ (12)	$ 252
Available-for-sale				
Securities of U.S. government and federal agencies	$ 9,998	$ —	$ (1,528)	$ 8,470
Securities of state and local municipalities tax exempt	1,000	—	(3)	997
Securities of state and local municipalities taxable	453	—	(49)	404
Corporate bonds	20,204	—	(2,556)	17,648
SBA pass-through securities	62	—	(5)	57
Mortgage-backed securities	170,179	—	(29,237)	140,942
Collateralized mortgage obligations	3,809	—	(732)	3,077
Total Available-for-sale Securities	$ 205,705	$ —	$ (34,110)	$ 171,595

No allowance for credit losses was recognized as of December 31, 2024 and December 31, 2023 related to the Company's investment portfolio.

The Company had no securities pledged for secured borrowings at December 31, 2024 and December 31, 2023, respectively. The Company had securities of $55.1 million and $7.2 million pledged to secure public deposits at December 31, 2024 and December 31, 2023, respectively.

($ in thousands, except per share data)

The Company monitors the credit quality of held-to-maturity securities through the use of credit ratings. The Company monitors credit ratings on a periodic basis. The following table summarizes the amortized cost of held-to-maturity securities at December 31, 2024 and 2023, aggregated by credit quality indicator:

Held-to-Maturity: State maturity municipal and tax exempt	December 31, 2024	December 31, 2023
Aa3	$ 265	$ 264
Total	$ 265	$ 264

The following tables show the fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2024 and 2023, respectively. The reference point for determining when securities are in an unrealized loss position is month-end. Therefore, it is possible that a security's market value exceeded its amortized cost on other days during the past twelve-month period. Available-for-sale securities that have been in a continuous unrealized loss position as of December 31, 2024 are as follows:

	Less Than 12 Months		12 Months or Longer		Total	
At December 31, 2024	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities of U.S. government and federal agencies	$ —	$ —	$ 8,561	$ (1,437)	$ 8,561	$ (1,437)
Securities of state and local municipalities tax exempt	—	—	—	—	—	—
Securities of state and local municipalities taxable	—	—	349	(55)	349	(55)
Corporate bonds	645	(105)	16,472	(1,778)	17,117	(1,883)
SBA pass-through securities	—	—	45	(3)	45	(3)
Mortgage-backed securities	1,856	(28)	125,820	(31,252)	127,676	(31,280)
Collateralized mortgage obligations	—	—	2,727	(761)	2,727	(761)
Total	$ 2,501	$ (133)	$ 153,974	$ (35,286)	$ 156,475	$ (35,419)

Available-for-sale securities that have been in a continuous unrealized loss position as of December 31, 2023 are as follows:

	Less Than 12 Months		12 Months or Longer		Total	
At December 31, 2023	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities of U.S. government and federal agencies	$ —	$ —	$ 8,470	$ (1,528)	$ 8,470	$ (1,528)
Securities of state and local municipalities tax exempt	—	—	997	(3)	997	(3)
Securities of state and local municipalities taxable	—	—	404	(49)	404	(49)
Corporate bonds	—	—	16,898	(2,556)	16,898	(2,556)
SBA pass-through securities	—	—	57	(5)	57	(5)
Mortgage-backed securities	—	—	140,942	(29,237)	140,942	(29,237)
Collateralized mortgage obligations	—	—	3,077	(732)	3,077	(732)
Total	$ —	$ —	$ 170,845	$ (34,110)	$170,845	$ (34,110)

Securities of U.S. government and federal agencies: The unrealized losses on two available-for-sale securities were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments.

($ in thousands, except per share data)

Securities of state and local municipalities tax-exempt: The unrealized loss on one of the investments in securities of state and local municipalities was caused by interest rate increases. The contractual terms of this investment does not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. The investment carries an S&P investment grade rating of AA3.

Securities of state and local municipalities taxable: The unrealized loss on one of the investments in securities of state and local municipalities was caused by interest rate increases. The contractual terms of this investment does not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. The investment carries an S&P investment grade rating of AAA.

Corporate bonds: The unrealized losses on 14 of the investments in corporate bonds were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Some of these investments do not carry a rating.

SBA pass-through securities: The unrealized losses on one available-for-sale security was caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments.

Mortgage-backed securities: The unrealized losses on the Company's investment on 37 mortgage-backed securities were caused by interest rate increases. The contractual cash flows of those investments are guaranteed by an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost basis of the Company's investments.

Collateralized mortgage obligations ("CMOs"): The unrealized loss associated with 10 CMOs was caused by interest rate increases. The contractual cash flows of these investments are guaranteed by an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost basis of the Company's investments.

The Company has evaluated its available-for-sale investments securities in an unrealized loss position for credit related impairment at December 31, 2024 and 2023 and concluded no impairment existed based on several factors which included: (1) the majority of these securities are of high credit quality, (2) unrealized losses are primarily the result of market volatility and increases in market interest rates, (3) issuers continue to make timely principal and interest payments, and (4) the Company does not intend to sell any of the investments and the accounting standard of "more likely than not" has not been met for the Company to be required to sell any of the investments before recovery of its amortized cost basis. Additionally, the Company's mortgage-backed investment securities are primarily guaranteed by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association and do not have credit risk given the implicit and explicit government guarantees associated with these agencies.

The amortized cost and fair value of securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without penalties.

	December 31, 2024			
	Held-to-maturity		Available-for-sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
3 months or less	$ —	$ —	$ —	$ —
After 1 year through 5 years	265	256	3,824	3,568
After 5 years through 10 years	—	—	27,913	24,784
After 10 years	—	—	160,157	128,123
Total	$ 265	$ 256	$ 191,894	$ 156,475

For the years ended December 31, 2024 and 2023, principal repayments of securities totaled $14.5 million and $20.8 million, respectively. For the years ended December 31, 2024 and 2023, proceeds from sales and maturities of securities were $1.0 million and $86.9 million, respectively. There were no securities sold during the year ended

($ in thousands, except per share data)

December 31, 2024. There were no realized gains or losses during the year ended December 31, 2024 and realized gross losses totaled $15.6 million during the year ended December 31, 2023.

During 2023, the Company executed a balance sheet repositioning strategy and sold available-for-sale investment securities with a total book value of $102.5 million at a pre-tax loss of $15.6 million and used the net proceeds to reduce existing high cost short-term Federal Home Loan Bank of Atlanta ("FHLB") advances and to fund higher yielding newly originated commercial loans.

The Company has other investments in the form of restricted stock totaling $8.2 million and $9.5 million at December 31, 2024 and 2023, respectively. The following table discloses the types of investments included in other investments:

	2024	2023
Federal Reserve stock	$ 4,055	$ 3,586
FHLB stock	3,983	5,755
Community Bankers' Bank stock	122	122
Atlantic Bankers' Bank stock	25	25
Total	$ 8,186	$ 9,488

As a member of the Federal Reserve Bank of Richmond ("FRB") and the FHLB, the Company is required to hold stock in these entities. Stock membership in Community Bankers' Bank allows the Company to secure overnight funding and participate in other services offered by this institution. These investments are carried at cost since no active trading markets exist.

($ in thousands, except per share data)

Note 3. Loans and Allowance for Credit Losses

A summary of loan balances at amortized cost by type at December 31, 2024 and 2023 follows:

	December 31, 2024	December 31, 2023
Commercial real estate	$ 1,038,307	$ 1,091,633
Commercial and industrial	336,662	219,873
Commercial construction	162,367	147,998
Consumer real estate	325,313	363,317
Consumer nonresidential	7,586	5,743
	$ 1,870,235	$ 1,828,564
Less:		
Allowance for credit losses	18,129	18,871
Loans, net	$ 1,852,106	$ 1,809,693

An analysis of the allowance for credit losses for the years ended December 31, 2024 and 2023 follows:

	Commercial Real Estate	Commercial and Industrial	Commercial Construction	Consumer Real Estate	Consumer Nonresidential	Total
2024						
Allowance for credit losses:						
Beginning Balance, January 1	$ 10,174	$ 3,385	$ 1,425	$ 3,822	$ 65	$ 18,871
Charge-offs	—	(821)	—	(122)	(26)	(969)
Recoveries	—	74	—	1	54	129
Provision (reversal)	(740)	501	288	74	(25)	98
Ending Balance, December 31,	$ 9,434	$ 3,139	$ 1,713	$ 3,775	$ 68	$ 18,129

	Commercial Real Estate	Commercial and Industrial	Commercial Construction	Consumer Real Estate	Consumer Nonresidential	Total
2023						
Allowance for credit losses:						
Beginning Balance, Prior to January 1, 2023 Adoption of ASC 326	$ 10,777	$ 2,623	$ 1,499	$ 1,044	$ 97	$ 16,040
Impact of Adoption of ASC 326	498	452	70	1,856	(12)	2,864
Charge-offs	(53)	(350)	—	—	(15)	(418)
Recoveries	—	3	—	1	39	43
Provision (reversal)	(1,048)	657	(144)	921	(44)	342
Ending Balance, December 31,	$ 10,174	$ 3,385	$ 1,425	$ 3,822	$ 65	$ 18,871

($ in thousands, except per share data)

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024 and 2023:

	December 31, 2024		December 31, 2023	
	Real Estate	Business / Other Assets	Real Estate	Business / Other Assets
Collateral-Dependent Loans				
Commercial real estate	$ 10,244	$ —	$ 20,765	$ —
Commercial and industrial	—	471	—	1,070
Commercial construction	—	—	—	—
Consumer real estate	490	—	654	—
Consumer nonresidential	—	—	—	—
Total	$ 10,734	$ 471	$ 21,419	$ 1,070

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

Pass — Loans listed as pass include larger non-homogeneous loans not meeting the risk rating definitions below and smaller, homogeneous loans not assessed on an individual basis.

Special Mention — Loans classified as special mention have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company’s credit position at some future date.

Substandard — Loans classified as substandard are 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 enhanced possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful — Loans classified as doubtful include those loans which have all the weaknesses inherent in those classified as "Substandard," with the added characteristic that the weaknesses make collection or liquidation in full, based on currently known facts, conditions and values, improbable.

Loss — Loans classified as loss include those loans which are considered uncollectible and of such little value that their continuance as loans is not warranted. Even though partial recovery may be achieved in the future, it is neither practical nor desirable to defer writing off these loans.

($ in thousands, except per share data)

Based on the most recent analysis performed, amortized cost basis of loans by risk category, class, and year of origination was as follows as of December 31, 2024:

	Prior	2020	2021	2022	2023	2024	Revolving Loans Amort. Cost Basis	Revolving Loans Convert. to Term	Total
Commercial Real Estate									
Grade:									
Pass	$ 377,345	$ 68,364	$ 134,808	$ 207,568	$ 70,488	$ 13,027	$ 153,448	$ —	$1,025,048
Special mention	2,385	—	—	—	630	—	—	—	3,015
Substandard	—	—	—	10,244	—	—	—	—	10,244
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 379,730	$ 68,364	$ 134,808	$ 217,812	$ 71,118	$ 13,027	$ 153,448	$ —	$1,038,307
Charge-offs	(122)	—	—	—	—	—	—	—	(122)
Commercial and Industrial									
Grade:									
Pass	$ 27,989	$ 2,033	$ 7,938	$ 26,557	$ 35,381	$ 111,507	$ 124,786	$ —	$ 336,191
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	424	—	47	—	471
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 27,989	$ 2,033	$ 7,938	$ 26,557	$ 35,805	$ 111,507	$ 124,833	$ —	$ 336,662
Charge-offs	—	(186)	—	(635)	—	—	—	—	(821)
Commercial Construction									
Grade:									
Pass	$ 8,267	$ —	$ 6,098	$ —	$ —	$ —	$ 148,002	$ —	$ 162,367
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 8,267	$ —	$ 6,098	$ —	$ —	$ —	$ 148,002	$ —	$ 162,367
Charge-offs	—	—	—	—	—	—	—	—	—
Consumer Real Estate									
Grade:									
Pass	$ 38,023	$ 4,621	$ 27,154	$ 178,257	$ 47,005	$ 571	$ 28,925	$ —	$ 324,556
Special mention	—	—	—	—	—	—	266	—	266
Substandard	108	—	—	—	—	—	383	—	491
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 38,131	$ 4,621	$ 27,154	$ 178,257	$ 47,005	$ 571	$ 29,574	$ —	$ 325,313
Charge-offs	—	—	—	—	—	—	—	—	—
Consumer Nonresidential									
Grade:									
Pass	$ 536	$ 1	$ 1	$ 25	$ 101	$ 120	$ 6,802	$ —	$ 7,586
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 536	$ 1	$ 1	$ 25	$ 101	$ 120	$ 6,802	$ —	$ 7,586
Charge-offs	(23)	(1)	—	—	—	(2)	—	—	(26)
Total Recorded Investment	$ 454,653	$ 75,019	$ 175,999	$ 422,651	$ 154,029	$ 125,225	$ 462,659	$ —	$1,870,235
Total Charge-Offs	$ (145)	$ (187)	$ —	$ (635)	$ —	$ (2)	$ —	$ —	$ (969)

($ in thousands, except per share data)

Based on the most recent analysis performed, amortized cost basis of loans by risk category, class, and year of origination was as follows as of December 31, 2023:

	Prior	2019	2020	2021	2022	2023	Revolving Loans Amort. Cost Basis	Revolving Loans Convert. to Term	Total
Commercial Real Estate									
Grade:									
Pass	$ 341,765	$ 82,924	$ 70,564	$ 147,252	$ 211,786	$ 57,422	$ 153,838	$ —	$1,065,551
Special mention	1,268	1,361	—	2,688	—	—	—	—	5,317
Substandard	—	—	849	—	—	19,916	—	—	20,765
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 343,033	$ 84,285	$ 71,413	$ 149,940	$ 211,786	$ 77,338	$ 153,838	$ —	$1,091,633
Charge-offs	(53)	—	—	—	—	—	—	—	(53)
Commercial and Industrial									
Grade:									
Pass	$ 9,997	$ 2,285	$ 6,296	$ 13,623	$ 54,784	$ 42,034	$ 88,926	$ —	$ 217,945
Special mention	—	—	—	76	—	—	782	—	858
Substandard	—	—	—	—	884	—	186	—	1,070
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 9,997	$ 2,285	$ 6,296	$ 13,699	$ 55,668	$ 42,034	$ 89,894	$ —	$ 219,873
Charge-offs	(350)	—	—	—	—	—	—	—	(350)
Commercial Construction									
Grade:									
Pass	$ 11,149	$ —	$ —	$ 6,204	$ —	$ 709	$ 129,936	$ —	$ 147,998
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 11,149	$ —	$ —	$ 6,204	$ —	$ 709	$ 129,936	$ —	$ 147,998
Charge-offs	—	—	—	—	—	—	—	—	—
Consumer Real Estate									
Grade:									
Pass	$ 35,240	$ 8,196	$ 8,914	$ 28,848	$ 196,678	$ 51,767	$ 32,963	$ —	$ 362,606
Special mention	—	—	—	—	—	—	57	—	57
Substandard	108	—	—	—	—	—	546	—	654
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 35,348	$ 8,196	$ 8,914	$ 28,848	$ 196,678	$ 51,767	$ 33,566	$ —	$ 363,317
Charge-offs	—	—	—	—	—	—	—	—	—
Consumer Nonresidential									
Grade:									
Pass	$ 659	$ —	$ 7	$ 3	$ 36	$ 177	$ 4,861	$ —	$ 5,743
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 659	$ —	$ 7	$ 3	$ 36	$ 177	$ 4,861	$ —	$ 5,743
Charge-offs	(15)	—	—	—	—	—	—	—	(15)
Total Recorded Investment	$ 400,186	$ 94,766	$ 86,630	$ 198,694	$ 464,168	$ 172,025	$ 412,095	$ —	$1,828,564
Total Charge-offs	$ (365)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (365)

($ in thousands, except per share data)

Total Loan Portfolio - As of December 31, 2024 and **December 31, 2023**

	December 31, 2024	December 31, 2023
Grade:		
Pass	$ 1,855,748	$ 1,800,261
Special mention	3,281	6,232
Substandard	11,206	22,489
Doubtful	—	—
Total Recorded Investment	1,870,235	1,828,982
Charge-offs	(969)	(418)

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes larger non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. At December 31, 2024, the Company had $3.3 million in loans identified as special mention, a decrease from $6.2 million at December 31, 2023. Special mention rated loans are loans that have a potential weakness that deserves management's close attention, however, the borrower continues to pay in accordance with their contract. Loans rated as special mention do not have a specific reserve and are considered well-secured.

At December 31, 2024, the Company had $11.2 million in loans identified as substandard, a decrease of $11.2 million from December 31, 2023. Substandard rated loans are loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans are individually evaluated, typically on the basis of the underlying collateral. At December 31, 2024, an individually assessed allowance for credit losses totaling $468 thousand has been estimated to supplement any shortfall of collateral.

($ in thousands, except per share data)

Past due and nonaccrual loans presented by loan class were as follows at December 31, 2024 and 2023:

As of December 31, 2024	Accruing 30-59 days past due	Accruing 60-89 days past due	Accruing 90 days or more past due	Total past due loans	Current	Nonaccruals	Total Recorded Investment in Loans
Commercial real estate	$ 1,300	$ —	$ 214	$ 1,514	$ 1,026,513	$ 10,280	$ 1,038,307
Commercial and industrial	50	—	—	50	336,140	472	336,662
Commercial construction	—	—	—	—	162,367	—	162,367
Consumer real estate	4,764	752	1,405	6,921	317,903	489	325,313
Consumer nonresidential	2	—	—	2	7,584	—	7,586
Total	$ 6,116	$ 752	$ 1,619	$ 8,487	$ 1,850,507	$ 11,241	$ 1,870,235

As of December 31, 2023	Accruing 30-59 days past due	Accruing 60-89 days past due	Accruing 90 days or more past due	Total past due loans	Current	Nonaccruals	Total Recorded Investment in Loans
Commercial real estate	$ 1,115	$ —	$ —	$ 1,115	$ 1,089,669	$ 849	$ 1,091,633
Commercial and industrial	51	1,387	—	1,438	218,249	186	219,873
Commercial construction	2,569	391	—	2,960	145,038	—	147,998
Consumer real estate	1,300	—	134	1,434	361,229	654	363,317
Consumer nonresidential	—	—	6	6	5,737	—	5,743
Total	$ 5,035	$ 1,778	$ 140	$ 6,953	$ 1,819,922	$ 1,689	$ 1,828,564

The following presents nonaccrual loans as of December 31, 2024 and 2023:

As of December 31, 2024	Nonaccrual with No Allowance for Credit Losses	Nonaccrual with an Allowance for Credit Losses	Total Nonaccrual Loans	Interest Income Recognized
Nonaccrual Loans				
Commercial real estate	$ —	$ 10,280	$ 10,280	$ 379
Commercial and industrial	472	—	472	40
Commercial construction	—	—	—	—
Consumer real estate	489	—	489	55
Consumer nonresidential	—	—	—	—
Total	$ 961	$ 10,280	$ 11,241	$ 474

As of December 31, 2023	Nonaccrual with No Allowance for Credit Losses	Nonaccrual with an Allowance for Credit Losses	Total Nonaccrual Loans	Interest Income Recognized
Nonaccrual Loans				
Commercial real estate	$ 849	$ —	$ 849	$ 37
Commercial and industrial	—	186	186	19
Commercial construction	—	—	—	—
Consumer real estate	654	—	654	53
Consumer nonresidential	—	—	—	—
Total	$ 1,503	$ 186	$ 1,689	$ 109

There were two consumer mortgage loans totaling $107 thousand secured by residential real estate properties for which formal foreclosure proceedings were in process as of December 31, 2024. There were no consumer mortgage loans in process of foreclosure at December 31, 2023.

($ in thousands, except per share data)

There were overdrafts of $32 thousand and $147 thousand at December 31, 2024 and 2023, respectively, which have been reclassified from deposits to loans. At December 31, 2024 and 2023, loans with a carrying value of $493.1 million and $530.2 million were pledged to the FHLB.

Modifications with Borrowers Experiencing Financial Difficulty

Loan modifications when a borrower is experiencing financial difficulty ("FDMs") occur as a result of loss mitigation activities. A variety of solutions are offered to borrowers, including loan modifications that may result in principal forgiveness, interest rate reductions, term extensions, payment delays, repayment plans or combinations thereof. FDMs exclude loans held for sale and loans accounted for under the fair value option. Loans with guarantor support, or guaranteed loans are included in the Company's disclosed population of FDMs when those loan modifications are granted to a borrower experiencing financial difficulty.

There were no loans designated as modifications for borrowers who were experiencing financial difficulty during the years ended December 31, 2024, and 2023, respectively.

As of December 31, 2024, the reserve for unfunded commitments decreased to $510 thousand from $602 thousand at December 31, 2023.

The following table presents a breakdown of the provision for credit losses included in the Consolidated Statements of Income for the applicable periods:

	For the Year Ended	
	December 31, 2024	December 31, 2023
Provision for credit losses - loans	$ 98	$ 342
Provision for (reversal of) credit losses - unfunded commitments	(92)	(210)
Total provision for credit losses	$ 6	$ 132

Note 4. Goodwill and Intangibles

As a result of the Company's past acquisitions, the Company recognized goodwill and core deposit intangibles.

Information concerning amortizable intangibles for the years ended December 31, 2024 and 2023 follows:

	Acquisition of 1st Commonwealth		Acquisition of Colombo Bank		Total	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Balance at December 31, 2022	$ 204	$ 204	$ 1,950	$ 1,317	$ 2,154	$ 1,521
2023 activity:						
Colombo Bank amortization	—	—	—	205	—	205
Balance at December 31, 2023	$ 204	$ 204	$ 1,950	$ 1,522	$ 2,154	$ 1,726
2024 activity:						
Colombo Bank amortization	—	—	—	165	—	165
Balance at December 31, 2024	$ 204	$ 204	$ 1,950	$ 1,687	$ 2,154	$ 1,891

($ in thousands, except per share data)

The aggregate amortization expense was $165 thousand for 2024 and $205 thousand for 2023. As of December 31, 2024, the estimated remaining amortization expense is as follows:

2025	$ 125
2026	85
2027	45
2028	8
	$ 263

The carrying amount of goodwill for the years ended December 31, 2024 and 2023 is as follows:

Balance at December 31, 2024 and 2023	$ 7,157

Note 5. Premises, Equipment, and Leases

The following table summarizes the cost and accumulated depreciation of premises and equipment as of December 31, 2024 and 2023:

	2024	2023
Leasehold improvements	$ 2,722	$ 2,622
Furniture, fixtures and equipment	3,885	3,833
Computer software	1,183	1,183
Land	61	61
Buildings	196	196
Vehicles	47	47
Premises and equipment, gross	$ 8,094	$ 7,942
Less: accumulated depreciation	7,236	6,945
Premises and equipment, net	$ 858	$ 997

For the years ended December 31, 2024 and 2023, depreciation expense was $280 thousand and $390 thousand, respectively.

The Company has entered into operating leases for office space over various terms. The leases cover an agreed upon period of time and generally have options to renew and are subject to annual increases as well as allocations for real estate taxes and certain operating expenses.

The following tables present information about leases as of and for the years ended December 31, 2024 and 2023:

	2024	2023
Right-of-Use-Asset	$ 7,124	$ 8,395
Lease Liability	$ 7,638	$ 9,241
Weighted Average Remaining Lease Term (Years)	6.18	7.1
Weighted Average discount rate	3.51 %	3.27 %

($ in thousands, except per share data)

	Years Ended December 31,	
	2024	2023
Operating Lease Expense	$ 1,573	$ 1,733
Cash paid for amounts included in lease liabilities	$ 1,858	$ 1,840
Impairment loss on right-of-use asset	—	228
Modification of right-of-use assets and lease liability	(735)	—
Right-of-use assets obtained in exchange for operating lease liabilities	790	820

The following table presents a maturity schedule of undiscounted cash flows that contribute to the lease liability as of December 31, 2024:

2025	$ 1,736
2026	1,718
2027	1,476
2028	759
2029	706
Thereafter	2,111
Total	$ 8,506
Less: discount	(868)
	$ 7,638

Note 6. Deposits

Remaining maturities on certificates of deposit are as follows as of December 31, 2024:

2025	$ 457,120
2026	18,380
2027	19,821
2028	884
2029	1,836
	$ 498,041

Total time deposits greater than $250,000 were $156.9 million and $164.9 million at December 31, 2024 and 2023, respectively.

At December 31, 2024, the Company had two customer relationships whose related balances on deposit exceeded 5% of outstanding deposits. These customer relationships comprise 15% of outstanding deposits at December 31, 2024. At December 31, 2023, the Company had one customer relationship whose related balances on deposit exceeded 5% of outstanding deposits, which comprised 9% of outstanding deposits at December 31, 2023.

Brokered deposits totaled $249.9 million and $245.3 million at December 31, 2024 and 2023, respectively.

($ in thousands, except per share data)

Note 7. Other Borrowed Funds

Other borrowed funds at December 31, 2024 and 2023 consist of the following:

	Federal Funds Purchased		FHLB Advances		Subordinated Debt, net	
	2024	2023	2024	2023	2024	2023
Balance Outstanding at December 31,	$ —	$ —	$ 50,000	$ 85,000	$18,695	$19,620
Maximum balance at any month end during the year	$ —	$ —	$ 118,000	$ 245,000	$19,675	$19,620
Average balance for the year	$ —	$ —	$ 79,874	$ 101,682	$19,613	$19,590
Weighted average rate on borrowings for the year ended	— %	0.00 %	4.37 %	3.77 %	5.23 %	5.26 %

The Company had FHLB advances of $50.0 million and $85.0 million at December 31, 2024 and 2023, respectively. The company had an unfunded letter of credit with the FHLB of $80 million at December 31, 2024. The outstanding FHLB advances at December 31, 2024 are hedged with interest rate swaps that reprice quarterly, and therefore the advances mature during the first quarter of 2025. At December 31, 2024, collateral pledged with FHLB included the following: 1-4 family residential loans with a lendable value of $149.3 million, multi-family residential loans with a lendable value of $40.2 million, home equity lines of credit with a lendable value of $3.4 million and commercial real estate loans with a lendable value of $166.7 million. The available line of credit with the FHLB totaled $572.0 million at December 31, 2024, and the excess lendable collateral value at December 31, 2024 totaled $230.0 million. The Bank has a letter of credit with the FHLB in the amount of $80.0 million for the purpose of providing collateral for Virginia public deposits. The remaining lendable collateral value at December 31, 2024 totaled $418 million.

The Company had unsecured lines of credit with correspondent banks available for overnight borrowing which totaled $184.0 million at each of December 31, 2024 and December 31, 2023. At December 31, 2024 and 2023, the Company had no advances on these lines outstanding.

On October 13, 2020, the Company completed a private placement of $20 million of its 4.875% fixed-to-floating subordinated notes due 2030 (the "Notes") to certain qualified institutional buyers and accredited investors. The Notes have a maturity date of October 15, 2030 and carry a fixed rate of interest of 4.875% for the first five years. Thereafter, the Notes will pay interest at the then current three-month Secured Overnight Financing Rate plus 471 basis points, resetting quarterly. The Notes include a right of prepayment without penalty on or after October 15, 2025. The Company used the proceeds from the placement of the Notes for general corporate purposes, including to support capital ratios at the Bank, and the repayment of previously issued subordinated debt which was called in August 2021. The Notes qualify as Tier 2 capital for the Company to the fullest extent permitted under the Basel III capital rules. When contributed to the capital of the Bank, the proceeds of the subordinated notes may be included in Tier 1 capital for the Bank. The Company paid approximately $984 thousand to repurchase and retire a portion of the notes in 2024.

($ in thousands, except per share data)

Note 8. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2024 and 2023 are presented below:

	2024	2023
Deferred Tax Assets:		
Allowance for credit losses	$ 4,129	$ 4,304
Net operating loss carryforward – federal and state	1,908	3,061
Bank premises and equipment	280	301
Nonqualified stock options and restricted stock	342	500
Organizational and start-up expenses	7	13
Nonaccrual loan interest	28	52
Supplemental retirement plans	205	—
Lease liability	1,740	2,108
Unrealized loss on securities available for sale	8,081	7,777
Reserves for unfunded commitments	116	137
	$ 16,836	$ 18,253
Deferred Tax Liabilities:		
Right-of-use assets	$ (1,623)	$ (1,894)
Deferred loan costs	(278)	(307)
Acquisition accounting adjustments	(439)	(564)
Unrealized gain on interest rate swap	(1,223)	(665)
	$ (3,563)	$ (3,430)
Net Deferred Tax Assets	$ 13,273	$ 14,823

The income tax expense charged to operations for the years ended December 31, 2024 and 2023 consists of the following:

	2024	2023
Current tax (benefit) expense	$ 5,925	$ (524)
Deferred tax expense	1,308	934
	$ 7,233	$ 410

Income tax expense differed from amounts computed by applying the U.S. federal income tax rate to income, before income tax expense as a result of the following:

	2024	2023
Computed "expected" tax expense	$ 4,682	$ 875
Increase (decrease) in income taxes resulting from:		
State income tax expense, net of federal benefit	536	275
Non-deductible expense	61	163
Tax free income	(90)	(310)
Tax benefits from exercise of stock options	(258)	(352)
Modified endowment contract penalties on BOLI surrender	722	—
Tax on loss of BOLI tax favored status of prior appreciation	1,644	—
Other	(64)	(241)
	$ 7,233	$ 410

($ in thousands, except per share data)

The Company files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Company is no longer subject to U.S. federal examination by tax authorities for years prior to 2021.

Under the provisions of the Internal Revenue Code, the Company has $7.9 million of net operating loss carryforwards acquired from Colombo which can be offset against future taxable income. The carryforwards expire through December 31, 2037. The full realization of tax benefits associated with carryforwards depends predominately upon the recognition of ordinary income during the carryforward period. The federal portion of net operating loss carryforwards available to offset taxable income is limited to $762 thousand annually under Internal Revenue Code section 382. The Company believes it will generate sufficient future taxable income to fully utilize the remaining deferred tax assets.

Note 9. Derivative Financial Instruments

The Company enters into interest rate swap agreements ("swap agreements") to facilitate the risk management strategies needed in order to accommodate the needs of its banking customers. The Company mitigates the risk of entering into these loan agreements by entering into equal and offsetting swap agreements with highly-rated third party financial institutions. These back-to-back swap agreements are free-standing derivatives and are recorded at fair value in the Company's Consolidated Statements of Condition (asset positions are included in other assets and liability positions are included in other liabilities) as of December 31, 2024 and December 31, 2023. The Company is party to master netting arrangements with its financial institution counterparty; however, the Company does not offset assets and liabilities under these arrangements for financial statement presentation purposes. The master netting arrangements provide for a single net settlement of all swap agreements, as well as collateral, in the event of default on, or termination of, any one contract. Parties to a centrally cleared over-the-counter derivative exchange daily payments that reflect the daily change in value of the derivative. These payments, commonly referred to as variation margin, are recorded as settlements of the derivatives' mark-to-market exposure rather than collateral against the exposures, which effectively results in any centrally cleared derivative having a Level 2 fair value that approximates zero on a daily basis, and therefore, these swap agreements were not included in the offsetting table in the Fair Value Measurement section below. As of December 31, 2024 and December 31, 2023, the Company had entered into 17 interest rate swap agreements which were collateralized by $30 thousand in cash.

The notional amount and fair value of the Company's derivative financial instruments as of December 31, 2024 and December 31, 2023 were as follows:

	December 31, 2024	
	Notional Amount	Fair Value
Interest Rate Swap Agreements		
Receive Fixed/Pay Variable Swaps	$ 80,512	$ 3,536
Pay Fixed/Receive Variable Swaps	80,512	(3,536)

	December 31, 2023	
	Notional Amount	Fair Value
Interest Rate Swap Agreements		
Receive Fixed/Pay Variable Swaps	$ 82,483	$ 2,853
Pay Fixed/Receive Variable Swaps	82,483	(2,853)

Interest Rate Risk Management—Cash Flow Hedging Instruments

The Company uses wholesale funding (in the form of FHLB advances and brokered certificates of deposit) from time to time as a source of funds for use in the Company's lending and investment activities and other general business purposes. This wholesale funding exposes the Company to increased interest rate risk as a result of the variability in cash flows (future interest payments). The Company believes it is prudent to reduce this interest rate risk. To meet this objective, the Company entered into interest rate swap agreements whereby the Company reduces the interest rate risk associated with the Company's variable rate wholesale funding from the designation date and going through the maturity date.

($ in thousands, except per share data)

At December 31, 2024 and 2023, the information pertaining to outstanding interest rate swap agreements used to hedge variability in cash flows is as follows:

	December 31, 2024	December 31, 2023
Notional amount	$ 250,000	$ 250,000
Weighted average pay rate	3.25 %	3.25 %
Weighted average receive rate	5.15 %	5.34 %
Weighted average maturity in years	3.03 years	4.03 years
Unrealized gain relating to interest rate swaps	$ 5,371	$ 2,915

These agreements provided for the Company to receive payments determined by a specific index in exchange for making payments at a fixed rate. At December 31, 2024 and 2023, the unrealized gain or loss relating to interest rate swaps designated as hedging instruments of the variability of cash flows associated with wholesale funding are reported in other comprehensive income (loss). These amounts are subsequently reclassified into interest expense as a yield adjustment in the same period in which the related interest on wholesale funding affects earnings. The Company measures cash flow hedging relationships for effectiveness on a monthly basis, and at December 31, 2024 and 2023, the hedges were highly effective and the amount of ineffectiveness reflected in earnings was de minimus.

($ in thousands, except per share data)

Note 10. Financial Instruments with Off-Balance Sheet Risk

The Company is party to credit-related 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 and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

At December 31, 2024 and December 31, 2023, the following financial instruments were outstanding which contract amounts represent credit risk:

	December 31, 2024	December 31, 2023
Commitments to grant loans	$ 24,989	$ 36,650
Unused commitments to fund loans and lines of credit	171,752	215,892
Commercial and standby letters of credit	25,221	26,024

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 generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Commercial and standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Substantially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments, if deemed necessary.

The Company enters into rate lock commitments to finance residential mortgage loans with its customers. These commitments offer the borrower an interest rate guarantee provided the loan meets underwriting guidelines and closes within the timeframe established by the Company.

The Company maintains its cash accounts with the FRB and correspondent banks. The total amount of cash on deposit in correspondent banks exceeding the federally insured limits was $6.8 million and $41 thousand at December 31, 2024 and 2023, respectively.

Note 11. Minimum Regulatory Capital Requirements

Banks and bank holding companies are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, financial institutions must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. A financial institution’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

($ in thousands, except per share data)

In August, 2018, the Federal Reserve updated the Small Bank Holding Company Policy Statement (the "Statement"), in compliance with the Economic Growth, Regulatory Relief and Consumer Protection Act of 2018. The Statement, among other things, exempts bank holding companies that have assets below a specified asset threshold from the consolidated regulatory capital requirements. The rule expanded the exemption to bank holding companies with consolidated total assets of less than $3 billion. Prior to August 2018, the statement exempted bank holding companies with consolidated total assets of less than $1 billion. As a result of the rule, the Company qualifies as a small bank holding company and is no longer subject to regulatory capital requirements on a consolidated basis.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks ("Basel III") became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being fully phased in January 1, 2019. As a part of the requirements, the Common Equity Tier 1 Capital ratio is calculated and utilized in the assessment of capital for all institutions. Under the Basel III rules, institutions must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios.

Prompt corrective action regulations, which also apply to the Bank, provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

As of December 31, 2024 and 2023, the Bank meets all capital adequacy requirements to which it is subject and is considered well capitalized under the prompt corrective action regulations.

The capital ratios for the Bank as of December 31, 2024 and 2023 are shown in the following table.

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Action		
	Amount	Ratio	Amount	Ratio [(1)]	Amount		Ratio
At December 31, 2024							
Total risk-based capital	$ 277,248	14.73%	$ 197,582	10.50%	$ 188,174	≥	10.00%
Tier 1 risk-based capital	258,608	13.74%	159,948	8.50%	150,539	≥	8.00%
Common equity tier 1 capital	258,608	13.74%	131,722	7.00%	122,313	≥	6.50%
Leverage capital ratio	258,608	11.74%	88,115	4.00%	110,144	≥	5.00%
At December 31, 2023							
Total risk-based capital	$ 261,403	13.83%	$ 198,413	10.50%	$ 188,965	≥	10.00%
Tier 1 risk-based capital	241,930	12.80%	160,620	8.50%	151,172	≥	8.00%
Common equity tier 1 capital	241,930	12.80%	132,275	7.00%	122,827	≥	6.50%
Leverage capital ratio	241,930	10.77%	89,842	4.00%	112,302	≥	5.00%

(1). Ratios include capital conservation buffer.

Dividend Restrictions – The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amounts of dividends that may be paid without approval of regulatory agencies. As of December 31, 2024, $46.7 million of retained earnings is available to pay dividends.

Note 12. Related Party Transactions

Officers, directors and their affiliates had borrowings of $53.4 million and $47.6 million at December 31, 2024 and 2023, respectively, with the Company. During the years ended December 31, 2024 and 2023, total principal additions were $15.2 million and $10.6 million, respectively, and total principal payments were $9.4 million and $0.9 million, respectively.

($ in thousands, except per share data)

Related party deposits amounted to $41.4 million and $33.0 million at December 31, 2024 and 2023, respectively.

Note 13. Stock-Based Compensation Plan

The Company’s Amended and Restated 2008 Option Plan (the "Plan"), which is stockholder-approved, was adopted to advance the interests of the Company by providing selected key employees of the Company, their affiliates, and directors with the opportunity to acquire shares of common stock in connection with their service to the Company. In May 2022, the stockholders approved an amendment to the Plan to extend the term and increase the number of shares authorized for issuance under the Plan by 200,000 shares. The Company has granted stock options and restricted stock units under the Plan.

The maximum number of shares with respect to which awards may be made is 2,929,296 shares of common stock, subject to adjustment for certain corporate events. Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant, generally vest annually over four years of continuous service and have contractual terms of ten years. At December 31, 2024, 212,504 shares were available to grant under the Plan.

No options were granted during the years ended December 31, 2024 and 2023. For the year ended December 31, 2024, there were 106,469 shares withheld from issuance upon exercise of options in order to cover the cost of the exercise by the participant. There were 63,634 shares withheld from issuance upon exercise of options in order to cover the cost of the exercise by the participant during the year ended December 31, 2023.

A summary of option activity under the Plan as of December 31, 2024, and changes during the year ended is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (1)
Outstanding at January 1, 2024	1,174,131	$ 7.14	1.30	
Granted	—	—		
Exercised	(452,441)	5.86		
Forfeited or expired	—	—		
Outstanding and Exercisable at December 31, 2024	721,690	$ 7.94	0.74	$ 3,339,614

(1) The aggregate intrinsic value of stock options represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that would have been received by the option holders had all option holders exercised their options on December 31, 2024. This amount changes based on changes in the market value of the Company's stock.

As of December 31, 2024, all outstanding options of the Plan were fully vested. Tax benefits recognized for qualified and non-qualified stock option exercises during 2024 and 2023 totaled $258 thousand and $352 thousand, respectively.

($ in thousands, except per share data)

A summary of the Company's restricted stock unit activity for the year ended December 31, 2024 is shown below.

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2024	179,115	$ 14.30
Granted	—	—
Vested	(64,199)	14.34
Forfeited	(25,861)	13.82
Balance at December 31, 2024	89,055	$ 14.41

The compensation cost that has been charged to income for the Plan was $782 thousand and $1.1 million for 2024 and 2023, respectively. For the year ended December 31, 2024 and 2023, 4,613 shares and 10,071 shares were withheld from issuance upon vesting of restricted stock units in order to cover the cost of the exercise by the participant. As of December 31, 2024, there was $775 thousand of total unrecognized compensation cost related to nonvested restricted shares granted under the Plan. The cost is expected to be recognized over a weighted-average period of 16 months.

Note 14. Fair Value Measurements

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with fair value measurements and disclosures topic of FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date (exit price). Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 — Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 — Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model - based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

($ in thousands, except per share data)

Level 3 — Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

Securities available-for-sale: Securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2).

Derivatives: The Company has interest rate swap derivatives on certain loans and interest rate swap derivatives on certain time deposits and borrowings, which the latter are designated as cash flow hedges. These derivatives are recorded at fair value using published yield curve rates from a national valuation service. These observable rates and inputs are applied to a third party industry-wide valuation model, and therefore, the valuations fall into a Level 2 category.

The following tables present the balances of financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 and 2023:

		Fair Value Measurements at December 31, 2024 Using		
Description	**Balance as of December 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 of U.S. government and federal agencies	$ 8,561	$ —	$ 8,561	$ —
Securities of state and local municipalities taxable	349	—	349	—
Corporate bonds	17,117	—	17,117	—
SBA pass-through securities	45	—	45	—
Mortgage-backed securities	127,676	—	127,676	—
Collateralized mortgage obligations	2,727	—	2,727	—
Total Available-for-Sale Securities	$ 156,475	$ —	$ 156,475	$ —
Derivative assets - interest rate swaps	$ 3,536	$ —	$ 3,536	$ —
Derivative assets - cash flow hedge	5,371	—	5,371	—
Liabilities				
Derivative liabilities - interest rate swaps	$ 3,536	$ —	$ 3,536	$ —

($ in thousands, except per share data)

Description	Balance as of December 31, 2023	Fair Value Measurements at December 31, 2023 Using — 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 of U.S. government and federal agencies	$ 8,470	$ —	$ 8,470	$ —
Securities of state and local municipalities tax exempt	997	—	997	—
Securities of state and local municipalities taxable	404	—	404	—
Corporate bonds	17,648	—	17,648	—
SBA pass-through securities	57	—	57	—
Mortgage-backed securities	140,942	—	140,942	—
Collateralized mortgage obligations	3,077	—	3,077	—
Total Available-for-Sale Securities	$ 171,595	$ —	$ 171,595	$ —
Derivative assets - interest rate swaps	$ 2,853	$ —	$ 2,853	$ —
Derivative assets - cash flow hedge	2,915	—	2,915	—
Liabilities				
Derivative liabilties - interest rate swaps	$ 2,853	$ —	$ 2,853	$ —

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower of cost or market accounting or write-downs of individual assets.

The following describes the valuation techniques used by the Company to measure certain financial assets recorded at fair value on a nonrecurring basis in the financial statements:

At December 31, 2024 and 2023, all of the Company's individually evaluated loans were evaluated based upon the fair value of the collateral. In accordance with ASC 820, individually evaluated loans where an allowance is established based on the the fair value of collateral (i.e., those loans that are collateral dependent) require classification in the fair value hierarchy. Fair value is measured based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the collateral is real estate. The value of real estate collateral is determined utilizing a market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company using observable market data (Level 2). However, if the collateral is a house or building in the process of construction, has the value derived by discounting comparable sales due to lack of similar properties, or is discounted by the Company due to marketability, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business’s financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Any fair value adjustments are recorded in the period incurred as provision for credit losses on the Consolidated Statements of Income.

($ in thousands, except per share data)

The following tables summarize the Company's assets that were measured at fair value on a nonrecurring basis at December 31, 2024 and 2023:

Description	Balance as of December 31, 2024	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Collateral-dependent loans				
Commercial real estate	$ 9,812	$ —	$ —	$ 9,812
Total Collateral-dependent loans	$ 9,812	$ —	$ —	$ 9,812

Description	Balance as of December 31, 2023	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Collateral-dependent loans				
Commercial real estate	$ 849	$ —	$ —	$ 849
Commercial and industrial	396	—	—	396
Total Collateral-dependent loans	$ 1,245	$ —	$ —	$ 1,245

The following tables display quantitative information about Level 3 Fair Value Measurements for December 31, 2024 and 2023:

Quantitative information about Level 3 Fair Value Measurements at December 31, 2024

Assets	Fair Value	Valuation Technique(s)	Unobservable input	Range	(Avg.)
Collateral-dependent loans					
Commercial real estate	$ 9,812	Discounted appraised value	Marketability/ Selling costs	10% - 10%	10.00 %

Quantitative information about Level 3 Fair Value Measurements at December 31, 2023

Assets	Fair Value	Valuation Technique(s)	Unobservable input	Range	(Avg.)
Collateral-dependent loans					
Commercial real estate	$ 849	Discounted appraised value	Marketability/ Selling costs	10% - 10%	10.00 %
Commercial and industrial	$ 396	Discounted appraised value	Marketability/ Selling costs	10% - 10%	10.00 %

($ in thousands, except per share data)

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of December 31, 2024 and 2023.

		Fair Value Measurements as of December 31, 2024 using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Financial assets:				
Cash and due from banks	$ 8,161	$ 8,161	$ —	$ —
Interest-bearing deposits at other institutions	82,789	82,789	—	—
Securities held-to-maturity	265	—	256	—
Securities available-for-sale	156,475	—	156,475	—
Restricted stock	8,186	—	8,186	—
Loans, net	1,852,106	—	—	1,779,966
Bank owned life insurance	9,219	—	9,219	—
Accrued interest receivable	10,315	—	10,315	—
Derivative assets - interest rate swaps	3,536	—	3,536	—
Derivative assets - cash flow hedge	5,371	—	5,371	—
Financial liabilities:				
Checking	$ 989,477	$ —	$ 989,477	$ —
Savings and money market	383,087	—	383,087	—
Time deposits	248,154	—	248,674	—
Wholesale deposits	249,887	—	250,168	—
FHLB advances	50,000	—	50,000	—
Subordinated notes	18,695	—	18,709	—
Accrued interest payable	2,505	—	2,505	—
Derivative liabilities - interest rate swaps	3,536	—	3,536	—

($ in thousands, except per share data)

	Carrying Amount	Fair Value Measurements as of December 31, 2023 using: Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Financial assets:				
Cash and due from banks	$ 8,042	$ 8,042	$ —	$ —
Interest-bearing deposits at other institutions	52,480	52,480	—	—
Securities held-to-maturity	264	—	252	—
Securities available-for-sale	171,595	—	171,595	—
Restricted stock	9,488	—	9,488	—
Loans, net	1,809,693	—	—	1,725,785
Bank owned life insurance	56,823	—	56,823	—
Accrued interest receivable	10,321	—	10,321	—
Derivative assets - interest rate swaps	2,853	—	2,853	—
Derivative assets - cash flow hedge	2,915	—	2,915	—
Financial liabilities:				
Checking	$ 973,195	$ —	$ 973,195	$ —
Savings and money market	320,498	—	320,498	—
Time deposits	306,349	—	306,733	—
Wholesale deposits	245,250	—	245,216	—
FHLB advances	85,000	—	85,000	—
Subordinated notes	19,620	—	18,565	—
Accrued interest payable	2,415	—	2,415	—
Derivative liabilities - interest rate swaps	2,853	—	2,853	—

Note 15. Earnings Per Share

Basic earnings per share ("EPS") excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if contracts to issue common stock were exercised or converted into common stock, or resulted in the issuance of stock which then shared in the earnings of the Company. Weighted average shares – diluted includes only the potential dilution of stock options and unvested restricted stock units as of December 31, 2024 and 2023, respectively.

The following shows the weighted average number of shares used in computing earnings per share and the effect of weighted average number of shares of dilutive potential common stock. Dilutive potential common stock has no effect on income available to common shareholders. There were no anti-dilutive shares for each of the years ended December 31, 2024 and 2023.

The holders of restricted stock units do not share in dividends and do not have voting rights during the vesting period.

(average shares are in thousands)	For the Years Ended December 31, 2024	For the Years Ended December 31, 2023
Net income	$ 15,064	$ 3,822
Weighted average - basic shares	18,057	17,723
Effect of dilutive securities, restricted stock units and options	340	508
Weighted average - diluted shares	18,397	18,231
Basic EPS	$ 0.83	$ 0.22
Diluted EPS	$ 0.82	$ 0.21

Note 16. Supplemental Cash Flow Information

Below is additional information regarding the Company's cash flows for the years ended December 31, 2024 and 2023.

	For the Years Ended December 31, 2024	For the Years Ended December 31, 2023
Supplemental Disclosure of Cash Flow Information:		
Cash paid for:		
Interest on deposits and borrowed funds	$ 57,574	$ 51,017
Income taxes	5,577	2,360
Noncash investing and financing activities:		
Unrealized gain (loss) on securities available-for-sale	(1,309)	17,413
Unrealized (loss) gain on interest rate swaps	2,456	(1,337)
Adoption of accounting standards	13	(2,808)
Right-of-use assets obtained in the exchange for lease liabilities during the current period	790	820
Modification of right-of-use assets and lease liability	(735)	455

($ in thousands, except per share data)

Note 17. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) ("AOCI") for the years ended December 31, 2024 and 2023 are shown in the following table. The Company has two components of AOCI, which are available-for-sale securities and cash flow hedges, for the periods presented.

	December 31, 2024		
	Available-for-Sale Securities	Cash Flow Hedges	Total
Balance, beginning of period	$ (26,476)	$ 2,316	$ (24,160)
Net unrealized gains (losses) during the period	(1,016)	1,910	894
Net reclassification adjustment for losses realized in income	—	—	—
Other comprehensive (loss) income, net of tax	(1,016)	1,910	894
Balance, end of period	$ (27,492)	$ 4,226	$ (23,266)

	December 31, 2023		
	Available-for-Sale Securities	Cash Flow Hedges	Total
Balance, beginning of period	$ (39,926)	$ 3359	$ (36,567)
Net unrealized gains (losses) during the period	1,300	(1,043)	257
Net reclassification adjustment for losses realized in income	12,150	—	12,150
Other comprehensive income, net of tax	13,450	(1,043)	12,407
Balance, end of period	$ (26,476)	$ 2,316	$ (24,160)

There were $0 thousand in gains that were reclassified from AOCI into income for the year ended December 31, 2024. During 2023, $102.5 million in investment securities available-for-sale, or 31% of the investment portfolio, were sold with a realized after-tax loss of $12.1 million that was reclassified from AOCI into income.

Note 18. Revenue Recognition

The Company recognizes revenue in accordance with ASC 606 ‘‘Revenue from Contracts with Customers’’ ("Topic 606"). Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, gain on sale of securities, bank-owned life insurance income, financial guarantees, derivatives, and certain credit card fees are also not in scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit related fees, interchange fees, merchant income, and insurance commissions. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Substantially all of the Company’s revenue is generated from contracts with customers. Noninterest revenue streams in-scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and personal checking accounts), monthly service fees, check orders, and other deposit account related fees. The Company’s performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and therefore, the Company’s performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers’ accounts.

Fees, Exchange and Other Service Charges

Fees, exchange, and other service charges are primarily comprised of debit and credit card income, ATM fees, merchant services income, and other service charges and are included in other income on the Company’s consolidated statements of income. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company’s debit and credit cards are processed through card payment networks such as Visa. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees. Other service charges include revenue from processing wire transfers, bill pay service, cashier’s checks, and other services. The Company’s performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. This income is reflected in other income on the Company’s Consolidated Statements of Income.

Other Income

Other noninterest income consists of loan swap fees, insurance commissions, and other miscellaneous revenue streams not meeting the criteria above. When the Company enters into an interest rate swap agreement, the Company may receive an additional one-time payment fee which is recognized as income when received. The Company receives monthly recurring commissions based on a percentage of premiums issued and revenue is recognized when received. Any residual miscellaneous fees are recognized as they occur, and therefore, the Company determined this consistent practice satisfies the obligation for performance.

($ in thousands, except per share data)

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2024 and 2023:

	Years Ended December 31,	
	2024	**2023**
Noninterest income		
In-scope of topic 606		
Service charges on deposit accounts	$ 1,126	$ 1,028
Fees, exchange, and other service charges	367	350
Other income	71	96
Noninterest income (in-scope of topic 606)	1,564	1,474
Noninterest income (out-scope of topic 606)	970	(14,844)
Total noninterest (loss) income	$ 2,534	$ (13,370)

Contract Balances

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Company's noninterest revenue streams are largely based on transactional activity. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2024 and 2023, the Company did not have any significant contract balances.

Contract Acquisition Costs

Under Topic 606, an entity is required to capitalize, and subsequently amortize into expense, certain incremental costs of obtaining a contract with a customer if these costs are expected to be recovered. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, sales commission). The Company utilizes the practical expedient which allows entities to immediately expense contract acquisition costs when the asset that would have resulted from capitalizing these costs would have been amortized in one year or less. The Company did not capitalize any contract acquisition costs during the years ended December 31, 2024 or 2023.

($ in thousands, except per share data)

Note 19. Parent Company Only Financial Statements

The FVCBankcorp, Inc. (Parent Company only) condensed financial statements are as follows:

PARENT COMPANY ONLY CONDENSED STATEMENTS OF CONDITION
December 31, 2024 and 2023

Assets	2024	2023
Cash and cash equivalents	$ 1,175	$ 85
Securities available-for-sale	986	991
Investment in subsidiary	245,064	227,658
Other assets	7,025	8,391
Total assets	$ 254,250	$ 237,125
Liabilities and Stockholders' Equity		
Subordinated notes	$ 18,695	$ 19,620
Other liabilities	201	388
Total liabilities	$ 18,896	$ 20,008
Total stockholders' equity	$ 235,354	$ 217,117
Total liabilities and stockholders' equity	$ 254,250	$ 237,125

($ in thousands, except per share data)

PARENT COMPANY ONLY CONDENSED STATEMENTS OF INCOME
For the Years Ended December 31, 2024 and 2023

	2024	2023
Income:		
Interest on securities available-for-sale	$ 111	$ 101
Income from minority membership interest	—	1,654
Dividend income	—	683
Total income	$ 111	$ 2,438
Expense:		
Interest on subordinated notes	$ 1,027	$ 1,030
Salaries and employee benefits	790	1,151
Occupancy and equipment	80	80
Audit, legal and consulting fees	13	256
Other operating expenses	28	252
Total expense	$ 1,938	$ 2,769
Net (loss) before income tax benefit and equity in undistributed earnings of subsidiary	$ (1,827)	$ (331)
Income tax benefit	(396)	(477)
Equity in undistributed earnings of subsidiary	16,495	3,676
Net income	$ 15,064	$ 3,822

($ in thousands, except per share data)

PARENT COMPANY ONLY CONDENSED STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Net income	$ 15,064	$ 3,822
Equity in undistributed earnings of subsidiary	(16,495)	(3,676)
Amortization of subordinated debt issuance costs	59	55
Stock-based compensation expense	789	1,143
Change in other assets and liabilities	1,180	(1,961)
Net cash (used in) provided by operating activities	$ 597	$ (617)
Cash Flows From Investing Activities		
Net cash used in investing activities	$ —	$ —
Cash Flows From Financing Activities		
Redemption of subordinated notes	$ (984)	$ —
Repurchase of shares of common stock	—	(1,460)
Vesting of restricted stock options	(179)	(113)
Common stock issuance	1,656	1,744
Net cash provided by financing activities	$ 493	$ 171
Net decrease (increase) in cash and cash equivalents	$ 1,090	$ (446)
Cash and cash equivalents, beginning of year	85	531
Cash and cash equivalents, end of year	$ 1,175	$ 85

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

No changes in the Company's independent registered public accounting firm or disagreements on accounting and financial disclosure required to be reported hereunder have taken place.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to provide assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods required by the Securities and Exchange Commission and that such information is accumulated and communicated to the Company's management including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report was carried out under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer. Based on the evaluation, the aforementioned officers concluded that the Company's disclosure controls and procedures were effective as of the end of such period.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024. In making this assessment, management used the 2013 criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework*. Based on management's assessment, management believes that as of December 31, 2024, the Company's internal control over financial reporting was effective based on criteria set forth by COSO in its 2013 *Internal Control-Integrated Framework*.

The Company's annual report does not include an attestation report of the Company's independent registered public accounting firm, Yount, Hyde & Barbour. P.C. ("YHB"), Auditor Firm ID: 613 regarding internal control over financial reporting under Public Company Accounting Oversight Board standards. Management's report was not subject to attestation by YHB pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in its annual report.

The 2024 consolidated financial statements have been audited by the independent registered public accounting firm of YHB. Personnel from YHB were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and Committees thereof. Management believes that all representations made to the independent registered public accounting firm were valid and appropriate. The resulting report from YHB accompanies the consolidated financial statements.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting identified in connection with the evaluation of internal controls that occurred during the fourth quarter of 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

(a) None.

(b) During the quarter ended December 31, 2024, no director or Section 16 officer of the Company adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Pursuant to General Instruction G(3) of Form 10-K, the information contained under the captions "Election of Directors," "Executive Officers," "Ownership of Company Securities – Delinquent Section 16(a) Reports" and "Corporate Governance and The Board of Directors" in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders is incorporated by reference.

The Company has adopted an insider trading policy that governs the purchase, sale, and/or other transactions of the Company’s securities by its directors, officers and employees. A copy of the Company’s insider trading policy is filed as Exhibit 19.1 to this Annual Report on Form 10-K. In addition, with regard to the Company’s trading in its own securities, it is the Company’s policy to comply with the federal securities laws and the applicable exchange listing requirements.

Item 11. Executive Compensation

Pursuant to General Instruction G(3) of Form 10-K, the information contained under the captions "Executive Compensation," "Corporate Governance and The Board of Directors – Director Compensation" and "Corporate Governance and The Board of Directors – "Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Security Ownership of Certain Beneficial Owners and Management. Pursuant to General Instruction G(3) of Form 10-K, the information contained under the caption "Ownership of Company Securities - Security Ownership of Directors, Executive Officers and Certain Beneficial Owners" in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders is incorporated by reference.

Equity Compensation Plan Information. The following table sets forth information as of December 31, 2024, with respect to compensation plans under which shares of our Common Stock are authorized for issuance.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans(1)
Equity Compensation Plans Approved by Stockholders:			
Amended and Restated 2008 Stock Plan	721,690	$ 7.94	212,504
Equity Compensation Plans Not Approved by Stockholders (2)	—	—	—
Total	721,690	$ 7.94	212,504

(1) Amounts exclude any securities to be issued upon exercise of outstanding options, warrants and rights.

(2) The Company does not have any equity compensation plans that have not been approved by stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Pursuant to General Instruction G(3) of Form 10-K, the information contained under the captions "Executive Compensation – Certain Relationships and Related Transactions" and "Corporate Governance and The Board of Directors – Director Independence" in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders is incorporated by reference.

Item 14. Principal Accountant Fees and Services

Pursuant to General Instruction G(3) of Form 10-K, the information contained under the captions "Audit information – Fees of Independent Registered Public Accountants" and "Audit Information – Audit Committee Pre-Approval Policies and Procedures" in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders is incorporated by reference.

Item 15. Exhibit and Financial Statement Schedules

(a) Exhibits

Number	Description
3.1	Articles of Incorporation of FVCBankcorp, Inc. (incorporated by reference to Exhibit 3.1 of the Registration Statement on Form S-1 filed on August 20, 2018 (Registration No. 333-226942))
3.2	Amendment, dated May 11, 2018, to Articles of Incorporation of FVCBankcorp, Inc. (incorporated by reference to Exhibit 3.2 of the Registration Statement on Form S-1 filed on August 20, 2018 (Registration No. 333-226942))
3.3	Bylaws of FVCBankcorp, Inc., as amended (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on April 9, 2020)
4.1	Specimen Certificate for Common Stock (incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-1 filed on August 20, 2018 (Registration No. 333-226942))
4.2	Form of Subordinated Note due October 15, 2030 (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed on October 14, 2020)
4.3	Description of FVCBankcorp, Inc.'s Securities
10.1	Amended and Restated Employment Agreement, dated as of March 16, 2021, by and among FVCBankcorp, Inc., FVCbank and David W. Pijor (incorporated by reference to Exhibit 10.1 of the Registration Statement on Form S-1 filed on August 20, 2018 (Registration No. 333-226942))*
10.2	Amended and Restated Change in Control Agreement, dated as of March 16, 2021, by and among FVCBankcorp, Inc., FVCbank and Patricia A. Ferrick (incorporated by reference to Exhibit 10.2 of the Registration Statement on Form S-1 filed on August 20, 2018 (Registration No. 333-226942))*
10.3	Supplemental Executive Retirement Plan Agreement, dated June 7, 2022, between FVCBankcorp, Inc. and David W. Pijor (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on June 7, 2022)*
10.4	Supplemental Executive Retirement Plan Agreement, dated June 7, 2022, between FVCBankcorp, Inc. and Patricia A. Ferrick (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on June 7, 2022)*
10.5	Supplemental Executive Retirement Plan Agreement, dated June 7, 2022, between FVCBankcorp, Inc. and Jennifer L. Deacon (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed on June 7, 2022)*
10.6	Supplemental Executive Retirement Plan Agreement, dated June 7, 2022, between FVCBankcorp, Inc. and William G. Byers (incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K filed on June 7, 2022)*
10.7	Supplemental Executive Retirement Plan Agreement dated June 26, 2024 between FVCBankcorp, Inc. and Alissa Curry Briggs *
10.8	Form of Subordinated Note Purchase Agreement dated October 13, 2020 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on October 14, 2020)
10.9	FVCBankcorp, Inc. Amended and Restated 2008 Stock Plan, as amended (incorporated by reference to Appendix A of the Proxy Statement for the Annual Meeting of Shareholders held on May 18, 2022, filed on April 8, 2022)*
19.1	Insider Trading Policy dated October 31, 2024
21	Subsidiaries of the Registrant
23.1	Consent of Yount, Hyde & Barbour, P.C.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Statement of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Statement of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
97	FVCBankcorp, Inc. Clawback policy (incorporated by reference to Exhibit 97 of the Annual Report on Form 10-K filed on March 21, 2024).
101	Interactive data files pursuant to Item 405 of Regulation S-T

(i) Consolidated Statements of Condition at December 31, 2024 and 2023
(ii) Consolidated Statement of Income for the years ended December 31, 2024 and 2023
(iii) Consolidated Statement of Comprehensive Income for the years ended December 31, 2024 and 2023
(iv) Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2024 and 2023
(v) Consolidated Statement of Cash Flows for the years ended December 31, 2024 and 2023
(vi) Notes to the Consolidated Financial Statements

104 The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2024, formatted in Inline Extensible Business Reporting Language (included with Exhibit 101).

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*Management contracts and compensatory plans and arrangements.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 and 15 (d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	FVCBankcorp, Inc.
March 20, 2025	By: /s/ David W. Pijor
	Name: David W. Pijor
	Title: *Chairman and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 20, 2025.

Signatures	Titles
/s/ David W. Pijor Name: David W. Pijor	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ Jennifer L. Deacon Name: Jennifer L. Deacon	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ Patricia A. Ferrick Name: Patricia A. Ferrick	President and Director
/s/ Marc N. Duber Name: Marc N. Duber	Director
/s/ L. Burwell Gunn Name: L. Burwell Gunn	Director
/s/ Meena Krishnan Name: Meena Krishnan	Director
/s/ Scott Laughlin Name: Scott Laughlin	Director
/s/ Devin Satz Name: Devin Satz	Director
/s/ Lawrence W. Schwartz Name: Lawrence W. Schwartz	Director
/s/ Sidney G. Simmonds Name: Sidney G. Simmonds	Director
/s/ Daniel M. Testa Name: Daniel M. Testa	Director
/s/ Philip R. Wills III Name: Philip R. Wills III	Director
/s/ Steven M. Wiltse Name: Steven M. Wiltse	Director

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