UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from _________ to

Commission File Number: 333-205986

RIVER FINANCIAL CORPORATION
(Exact Name of Registrant as Specified in its Charter)

ALABAMA **(State or other jurisdiction of incorporation or organization)**	**46-1422125** **(I.R.S. Employer Identification No.)**
2611 Legends Drive **Prattville, Alabama** **(Address of principal executive offices)**	**36066** **(Zip Code)**

(334) 290-1012

"Registrant's telephone number, including area code"

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

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

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

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

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

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

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

As of November 1, 2024, the registrant had 7,661,275 shares of common stock, $1.00 par value per share, outstanding.

Auditor Firm Id:	669	Auditor Name:	Mauldin & Jenkins, LLC	Auditor Location:	Birmingham, Alabama, USA

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that reflect our current views with respect to, among other things, future events and financial performance, which involve substantial risks and uncertainties. Certain statements made in this Quarterly Report on Form 10-Q are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements are not historical facts and include any statement that, without limitation, may predict, forecast, indicate or imply future results, performance or achievements instead of historical or current facts and may contain words like "anticipates," "approximately," "believes," "budget," "can," "could," "continues," "contemplates," "estimates," "expects," "forecast," "intends," "may," "might," "objective," "outlook," "predicts," "probably," "plans," "potential," "project," "seeks," "shall," "should," "target," "will," or the negative of these terms and other words, phrases, or expressions with similar meaning.

Any forward-looking statements contained in this Quarterly Report on Form 10-Q are based upon our historical performance and on our current plans, estimates and expectations in light of information currently available to us. The inclusion of forward-looking information should not be regarded as a representation by us that the future plans, estimates or expectations will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from those projected in the forward-looking statements, and the Company cannot give assurances that such statements will prove to be correct. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information or otherwise. Given these uncertainties, the reader should not place undue reliance on forward-looking statements as a prediction of actual results. Factors that could cause actual results to differ materially from those projected or estimated by us include those that are discussed herein as well as in our Annual Report on Form 10-K for the year ended December 31, 2023, under "Part I, Item 1A. – Risk Factors," as well as other unknown risks and uncertainties. Factors that might cause such differences include, but are not limited to:

Acquisition related factors:

- The businesses of any bank acquired by us may not be integrated successfully or the integration may be more difficult, time-consuming or costly than expected;
- The expected growth opportunities or costs savings from such transactions may not be fully realized or may take longer to realize than expected;
- Revenues following such transactions may be lower than expected as a result of losses of customers or other reasons;
- Deposit attrition, operating costs, customer loss and business disruption following such transactions, including difficulties in maintaining relationships with employees, may be greater than expected;
- Governmental approvals of such transactions may not be obtained on the proposed terms or expected timeframe;
- Reputational risks and the reaction of the companies' customers may be adverse to such transactions;
- Diversion of management time on merger related issues may have negative effcts on day-to-day operations.

Factors affecting our Bank generally:

- Changes in asset quality and credit risk of our Bank;
- Inflation;
- Customer acceptance of our products and services;
- Customer borrowing, repayment, investment and deposit practices;
- The negative impact on profitability imposed on us by a compressed net interest margin on loans and other extensions of credit that affects our ability to lend profitably and to price loans effectively in the face of competitive pressures;
- Our liquidity requirements could be adversely affected by changes in our assets and liabilities;
- Our ability to attract, develop and retain qualified banking professionals;
- Failure to attract or retain stable deposits at reasonable cost that is competitive with the larger international, national, and regional financial service providers with which we compete;
- Significant reliance on loans secured by real estate and the associated vulnerability to downturns in the local real estate market, natural disasters and other variables impacting the value of real estate;

- The introduction, withdrawal, success and timing of business initiatives;
- The impact, extent, and timing of technological changes;
- A weakening of the economies in which we conduct operations may adversely affect our operating results;
- The U.S. legal and regulatory framework, changes in such framework, or official or informal mandates directed by state and federal regulators in reports of examination or other mandates could adversely affect our operating results;
- The interest rate environment may compress margins and adversely affect net interest income and negatively affect the market value of state, county and municipal securities held for investment;
- Competition from other financial services companies in our markets could adversely affect operations; and
- Interruption in our business and the businesses of our customers caused by a downturn in the economy and possible weather-related conditions such as tornadoes or hurricanes or further outbreaks of COVID.

You should also consider carefully the risk factors referred to in Item 1A of Part II of this Form 10-Q, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect our business, operating results and financial condition. The risks discussed in this report are factors that, individually or in the aggregate, management believes could cause our actual results to differ materially from expected and historical results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties. Factors not here or there listed may develop or, if currently extant, we may not have yet recognized them.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

RIVER FINANCIAL CORPORATION
Consolidated Statements of Financial Condition
(in thousands except share data)

	September 30, 2024 Unaudited	December 31, 2023 Audited
Assets		
Cash and due from banks	$ 41,159	$ 32,572
Interest-bearing deposits in banks	91,942	7,975
Federal funds sold	14,000	32,000
Cash and cash equivalents	147,101	72,547
Certificates of deposit in banks	4,218	4,218
Securities held-to-maturity, at amortized cost (fair value of $103,286 and $103,174, respectively)	123,288	126,793
Securities available-for-sale, at fair value (amortized cost of $692,958 and $703,915, respectively)	632,553	621,091
Loans held for sale	9,863	4,595
Loans, net of deferred fees and discounts	2,423,683	2,240,006
Less allowance for credit losses	(31,077)	(28,991)
Net loans	2,392,606	2,211,015
Premises and equipment, net	44,791	45,216
Accrued interest receivable	14,621	14,091
Bank owned life insurance	49,370	47,001
Foreclosed assets	44	92
Deferred income taxes, net	25,418	29,901
Core deposit intangible	1,051	1,445
Goodwill	27,817	27,817
Restricted equity securities	10,038	13,433
Other assets	13,695	15,995
Total assets	$ 3,496,474	$ 3,235,250
Liabilities and Shareholders' Equity		
Noninterest-bearing deposits	$ 638,122	$ 628,415
Interest-bearing deposits	2,400,700	2,102,240
Total deposits	3,038,822	2,730,655
Securities sold under agreements to repurchase	13,935	16,731
Federal Home Loan Bank advances	150,000	230,000
Subordinated debentures, net of loan costs	39,545	39,492
Accrued interest payable and other liabilities	15,514	15,551
Total liabilities	3,257,816	3,032,429
Common stock related to 401(k) Employee Stock Ownership Plan	5,374	4,483
Stockholders' Equity		
Preferred stock ($0.01 par value; 1,000,000 shares authorized; no shares issued or outstanding)	-	-
Common stock ($1 par value; 15,000,000 shares authorized; 7,678,561 and 7,670,318 shares issued; 7,664,200 and 7,655,860 shares outstanding at September 30, 2024 and December 31, 2023, respectively)	7,679	7,670
Additional paid-in capital	137,202	137,017
Retained earnings	142,606	124,333
Accumulated other comprehensive loss	(47,025)	(64,003)
Unvested restricted stock	(1,340)	(1,700)
Treasury stock at cost (14,361 and 14,458 shares, respectively)	(464)	(496)
Common stock related to 401(k) Employee Stock Ownership Plan	(5,374)	(4,483)
Total stockholders' equity	233,284	198,338
Total equity	238,658	202,821
Total liabilities and stockholders' equity	$ 3,496,474	$ 3,235,250

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

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Income
(in thousands except per share data)

	For the Three Months Ended: September 30, 2024	For the Three Months Ended: September 30, 2023	For the Nine Months Ended: September 30, 2024	For the Nine Months Ended: September 30, 2023
Interest income:				
Loans, including fees	$ 38,216	$ 29,895	$ 107,701	$ 80,379
Taxable securities	3,672	3,498	10,529	10,767
Nontaxable securities	352	357	1,048	1,198
Federal funds sold	180	793	956	1,390
Other interest income	1,177	172	3,987	1,028
Total interest income	43,597	34,715	124,221	94,762
Interest expense:				
Deposits	17,583	12,238	48,548	29,900
Short-term borrowings	118	173	379	403
Federal Home Loan Bank advances	1,502	1,658	5,908	4,576
Subordinated debentures	418	418	1,253	1,251
Note payable	-	185	-	520
Total interest expense	19,621	14,672	56,088	36,650
Net interest income	23,976	20,043	68,133	58,112
Provision for credit losses	1,326	1,311	3,961	3,933
Net interest income after provision for credit losses	22,650	18,732	64,172	54,179
Noninterest income:				
Service charges and fees	2,115	1,946	6,172	5,569
Investment brokerage revenue	209	134	573	435
Mortgage operations	1,221	1,234	3,301	2,814
Bank owned life insurance income	395	328	1,091	957
Net gain (loss) on sales of investment securities	73	-	(1,359)	5
Community Development Financial Institution income	-	-	-	3,718
Other noninterest income	527	288	1,571	1,675
Total noninterest income	4,540	3,930	11,349	15,173
Noninterest expense:				
Salaries and employee benefits	9,533	9,035	28,205	27,064
Occupancy expenses	1,017	934	2,963	2,764
Equipment rentals, depreciation, and maintenance	572	530	1,617	1,507
Telephone and communications	106	129	372	409
Advertising and business development	269	390	712	1,011
Data processing	1,093	779	3,121	2,729
Foreclosed assets, net	156	38	257	73
Federal deposit insurance and other regulatory assessments	747	698	2,176	1,992
Legal and other professional services	261	301	875	1,302
Other operating expenses	1,956	2,233	6,218	6,557
Total noninterest expense	15,710	15,067	46,516	45,408
Income before income taxes	11,480	7,595	29,005	23,944
Provision for income taxes	2,827	1,713	6,899	5,320
Net income	$ 8,653	$ 5,882	$ 22,106	$ 18,624
Basic net earnings per common share	$ 1.13	$ 0.86	$ 2.88	$ 2.76
Diluted net earnings per common share	$ 1.12	$ 0.84	$ 2.86	$ 2.73
Dividends per common share	$ -	$ -	$ 0.50	$ 0.48

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

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	$ 8,653	$ 5,882	$ 22,106	$ 18,624
Other comprehensive income (loss), net of tax:				
Investment securities available-for-sale:				
Net unrealized gains (losses)	22,407	(16,738)	21,565	(17,907)
Income tax effect	(5,626)	4,203	(5,415)	4,496
Reclassification adjustments for (gains) losses realized in net income	(73)	-	1,359	(5)
Income tax effect	18	-	(341)	1
Reclassification adjustment for accretion of unrealized holding loss included in accumulated other comprehensive loss from the transfer of securities from available-for-sale to held-to-maturity	(87)	(95)	(254)	(278)
Income tax effect	22	24	64	70
Other comprehensive income (loss), net of tax	16,661	(12,606)	16,978	(13,623)
Comprehensive income (loss)	$ 25,314	$ (6,724)	$ 39,084	$ 5,001

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

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Changes in Stockholders' Equity
(in thousands except share and per share data)

For the Nine Months Ended

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unvested Restricted Stock	Treasury Stock	Common Stock Related to ESOP	Total Stockholders' Equity
Balance at December 31, 2023	$ 7,670	$ 137,017	$ 124,333	$ (64,003)	$ (1,700)	$ (496)	$ (4,483)	$ 198,338
Net income	-	-	22,106	-	-	-	-	22,106
Other comprehensive , net of tax	-	-	-	16,978	-	-	-	16,978
Exercise of stock options (9,293 shares)	10	207	-	-	-	-	-	217
Purchase of treasury stock (39,866 shares)	-	-	-	-	-	(1,321)	-	(1,321)
Restricted stock forfeitures (1,050 shares)	(1)	(32)	-	-	33	-	-	-
Sale of treasury shares (39,963 shares)	-	(56)	-	-	-	1,353	-	1,297
Dividends declared ($0.50 per share)	-	-	(3,833)	-	-	-	-	(3,833)
Stock-based compensation expense	-	66	-	-	327	-	-	393
Change for ESOP related shares	-	-	-	-	-	-	(891)	(891)
Balance at September 30, 2024	$ 7,679	$ 137,202	$ 142,606	$ (47,025)	$ (1,340)	$ (464)	$ (5,374)	$ 233,284
Balance at December 31, 2022	$ 6,666	$ 104,294	$ 100,826	$ (71,564)	$ (1,730)	$ (306)	$ (4,160)	$ 134,026
Adoption of ASC topic 326			(24)					(24)
Net income	-	-	18,624	-	-	-	-	18,624
Other comprehensive loss, net of tax	-	-	-	(13,623)	-	-	-	(13,623)
Exercise of stock options (23,625 shares)	24	319	-	-	-	-	-	343
Purchase of treasury stock (16,109 shares)	-	-	-	-	-	(605)	-	(605)
Restricted stock grants, net of forfeiture (11,600 shares)	11	380	-	-	(391)	-	-	-
Sale of treasury shares (24,738 shares)	-	(51)	-	-	-	891	-	840
Issuance of common stock (968,904 shares)	969	31,974	-	-		-	-	32,943
Dividends declared ($0.48 per share)	-	-	(3,208)	-	-	-	-	(3,208)
Stock-based compensation expense	-	67	-	-	306	-	-	373
Change for ESOP related shares	-	-	-	-	-	-	(569)	(569)
Balance at September 30, 2023	$ 7,670	$ 136,983	$ 116,218	$ (85,187)	$ (1,815)	$ (20)	$ (4,729)	$ 169,120

For the Three Months Ended

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unvested Restricted Stock	Treasury Stock	Common Stock Related to ESOP	Total Stockholders' Equity
Balance at June 30, 2024	$ 7,676	$ 137,185	$ 133,953	$ (63,686)	$ (1,453)	$ (1,238)	$ (4,242)	$ 208,195
Net income	-	-	8,653	-	-	-	-	8,653
Other comprehensive income, net of tax	-	-	-	16,661	-	-	-	16,661
Exercise of stock options (2,387 shares)	3	53	-	-	-	-	-	56
Purchase of treasury stock (13,063 shares)	-	-	-	-	-	(418)	-	(418)
Sale of treasury shares (35,098 shares)	-	(60)	-	-	-	1,192	-	1,132
Stock-based compensation expense	-	24	-	-	113	-	-	137
Change for ESOP related shares	-	-	-	-	-	-	(1,132)	(1,132)
Balance at September 30, 2024	$ 7,679	$ 137,202	$ 142,606	$ (47,025)	$ (1,340)	$ (464)	$ (5,374)	$ 233,284
Balance at June 30, 2023	$ 6,690	$ 104,688	$ 110,336	$ (72,581)	$ (1,594)	$ (729)	$ (4,048)	$ 142,762
Adoption of ASC topic 326	-	-	-	-	-	-	-	-
Net income	-	-	5,882	-	-	-	-	5,882
Other comprehensive loss, net of tax	-	-	-	(12,606)	-	-	-	(12,606)
Exercise of stock options (725 shares)	1	15	-	-	-	-	-	16
Purchase of treasury stock (955 shares)		-	-	-	-	(34)	-	(34)
Restricted stock grants, net of forfeiture (10,000 shares)	10	328	-	-	(338)	-	-	-
Sale of treasury shares (19,989 shares)	-	(63)	-	-	-	743	-	680
Issuance of common stock (968,904 shares)	969	31,974	-	-	-	-	-	32,943
Stock-based compensation expense	-	41	-	-	117	-	-	158
Change for ESOP related shares	-	-	-	-	-	-	(681)	(681)
Balance at September 30, 2023	$ 7,670	$ 136,983	$ 116,218	$ (85,187)	$ (1,815)	$ (20)	$ (4,729)	$ 169,120

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

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Cash Flows
(in thousands)

	For the Nine Months Ended September 30, 2024	2023
Cash Flows From Operating Activities:		
Net Income	$ 22,106	$ 18,624
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	3,961	3,933
Provision for losses on foreclosed assets	60	91
Amortization of securities	1,890	2,210
Accretion of securities	(351)	(358)
Realized net loss (gain) on sales of securities available-for-sale	1,359	(5)
Accretion of discount on acquired loans	(7)	(7)
Accretion of deferred loan fees / costs	(3,634)	(3,115)
Amortization of core deposit intangible asset	394	522
Amortization of debt issuance costs	53	55
Stock-based compensation expense	393	373
Bank owned life insurance income	(1,091)	(957)
Depreciation and amortization of premises and equipment	2,421	2,056
Loss (gain) on sales of foreclosed assets	36	(51)
Deferred income tax benefit	(1,210)	(1,394)
(Increase) decrease in operating assets and (decrease) increase in operating liabilities:		
Loans held-for-sale	(5,268)	(3,510)
Accrued interest receivable	(530)	(1,931)
Other assets	2,300	(5,753)
Accrued interest payable and other liabilities	(37)	751
Net cash from operating activities	22,845	11,534
Cash Flows (Used For) Investing Activities:		
Maturity of certificate of deposit	-	722
Activity in securities available-for-sale:		
Sales of securities available-for-sale	81,705	15,252
Maturities, payments, calls of securities available-for-sale	32,556	32,704
Purchases of securities available-for-sale	(106,052)	(4,861)
Activity in securities held-to-maturity:		
Maturities, payments, calls of securities held-to-maturity	3,609	3,772
Loan principal originations, net	(182,865)	(317,130)
Proceeds from sale of foreclosed assets	906	497
Purchases of premises and equipment	(1,998)	(7,603)
Redemption (purchase) of restricted equity securities, net	3,395	(4,111)
Purchase of bank owned life insurance	(1,278)	-
Net cash used for investing activities	(170,022)	(280,758)
Cash Flows From Financing Activities:		
Net increase in deposits	308,167	262,551
Net (decrease) increase in securities sold under agreements to repurchase	(2,796)	11,634
Proceeds from Federal Home Loan Bank advances	50,000	250,000
Repayment of Federal Home Loan Bank advances	(130,000)	(190,000)
Proceeds from issuance of line of credit	-	12,000
Repayment of line of credit	-	(12,000)
Proceeds from Federal Reserve Bank discount window borrowings	-	26,500
Repayment of Federal Reserve Bank discount window borrowings	-	(51,500)
Proceeds from issuance of common stock	-	32,943
Proceeds from exercise of common stock options	217	343
Purchase of treasury stock	(1,321)	(605)
Sale of treasury stock	1,297	840
Cash dividends	(3,833)	(3,208)
Net cash from financing activities	221,731	339,498
Net Change In Cash And Cash Equivalents	74,554	70,274
Cash and Cash Equivalents At Beginning Of Period	72,547	74,826
Cash and Cash Equivalents At End Of Period	$ 147,101	$ 145,100
Supplemental Disclosures Of Cash Flows Information:		
Cash Payments For:		
Interest paid to depositors	$ 48,225	$ 29,471
Interest paid on borrowings	$ 7,543	$ 6,872
Income taxes	$ 4,770	$ 5,680
Non-cash investing and financing activities:		
Transfer of loans to foreclosed assets	$ 954	$ 444
Restricted stock (forfeiture) grant	$ (33)	$ 391

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

Note 1 – Basis of Presentation

General

The unaudited consolidated financial statements include the accounts of River Financial Corporation ("River" or the "Company") and its wholly owned subsidiary, River Bank & Trust ("Bank"). The Bank provides a full range of commercial and consumer banking services primarily in the Montgomery, Alabama metropolitan area, Autauga, Baldwin, Chilton, Coffee, Elmore, Etowah, Houston, Jefferson, Lee, Madison, Mobile, Morgan and Tallapoosa counties and surrounding counties in Alabama. The Bank is regulated by the Federal Deposit Insurance Corporation (FDIC) and undergoes periodic examinations by this regulatory agency and the Alabama Banking Department. The Company is regulated by the Federal Reserve Bank (FRB) and is also subject to periodic examinations.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly River Financial Corporation's consolidated statements of financial condition, statements of income, statements of comprehensive income, statements of changes in stockholders' equity and statements of cash flows for the periods presented, and all such adjustments are of a normal recurring nature. All material intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the entire year.

These interim consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and, therefore, certain information and note disclosures normally presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been omitted or abbreviated. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes as of December 31, 2023, which are contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, the allowance for credit losses, foreclosed asset valuations, useful lives for depreciation and amortization, fair value of financial instruments, deferred taxes, and contingencies. Estimates that are particularly susceptible to significant change for the Company include the determination of the allowance for credit losses, investment securities impairment, and assessment of deferred tax assets and liabilities, and therefore are critical accounting policies. Management does not anticipate any material changes to estimates in the near term. Factors that may cause sensitivity to the aforementioned estimates include but are not limited to: external market factors such as market interest rates and employment rates, changes to operating policies and procedures, economic conditions in our markets, and changes in applicable banking regulations. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the consolidated financial statements in any individual reporting period presented.

Significant Accounting Policies

Allowance for credit losses and provision for credit losses

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The Bank measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. Generally, collectively assessed loans are grouped by call report code and then risk grade grouping. Risk grade is grouped within each call report code by pass, watch, special mention, substandard, and doubtful. Other loan types are separated into their own cohorts due to specific risk characteristics for that pool of loans.

The Bank has elected a non-discounted cash flow methodology with a probability of default (PD) and loss-given default (LGD) for all cohorts. The PD calculation looks at the historical loan portfolio at particular points in time (each month during the lookback period) to determine the probability that loans in a certain cohort will default over the next 12-month period. A default is defined as a loan that has moved to past due 90 days and greater, nonaccrual status, or experienced a charge-off during the period. Currently, the Bank's historical data is insufficient due to a minimal amount of default activity or zero defaults, therefore management uses index PDs comprised of rates derived from the PD experience of other community banks in place of the Bank's historical PDs.

The LGD calculation looks at actual losses (net charge-offs) experienced over the entire lookback period for each cohort of loans. The aggregate loss amount is divided by the exposure at default to determine an LGD rate. All defaults (non-accrual, charge-off, or greater than 90 days past due) occurring during the lookback period are included in the denominator, whether a loss occurred or not and exposure at default is determined by the loan balance immediately preceding the default event (i.e. nonaccrual or charge-off). Due to the very limited charge-off history, management uses index LGDs comprised of rates derived from the LGD experience of other community banks in place of the Bank's historical LGDs.

The Bank utilizes reasonable and supportable forecasts of future economic conditions when estimating the allowance for credit losses on loans. The calculation includes a 12-month PD forecast based on the peer index regression model comparing peer defaults to the national unemployment rate. After the forecast period, PD rates revert on a straight-line basis back to long-term historical average rates over 12 months.

The Bank recognizes that all significant factors that affect the collectability of the loan portfolio must be considered to determine the estimated credit losses as of the evaluation date. Furthermore, the methodology, in and of itself and even when selectively adjusted by comparison to market and peer data, does not provide a sufficient basis to determine the estimated credit losses. The Bank adjusts the modeled historical losses by a qualitative adjustment to incorporate all significant risks to form a sufficient basis to estimate the credit losses. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, and concentrations, trends in underlying collateral, as well as external factors and economic conditions not already captured.

Loans that do not share risk characteristics are evaluated on an individual basis. Generally, this population includes loans on non-accrual status, however, they can also include any loan that does not share risk characteristics with its respective pool. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of the collateral at the reporting date unadjusted for selling costs as appropriate. When the expected source of repayment is from a source other than the underlying collateral, impairment will generally be measured based on the present value of expected proceeds discounted at the contractual interest rate.

The loss allocations for individually assessed and collectively assessed loans are totaled to determine the total required allowance for credit losses. This total is compared to the current allowance on the Bank's books and adjustments made accordingly by a charge or credit to the provision for credit losses.

Investment Securities Impairment

Effective January 1, 2023, the Company estimates and recognizes an allowance for credit losses for held-to-maturity (HTM) debt securities pursuant to ASU No. 2016-13. The Company has a zero loss expectation for its HTM securities portfolio, except for U.S. State and Municipal securities, and therefore it is not required to estimate an allowance for credit losses related to these securities. For HTM securities that do not have a zero loss expectation, the allowance for credit losses is based on the security's amortized cost, excluding interest receivable, and represents the portion of the amortized cost that the Company does not expect to collect over the life of the security. The allowance for credit losses is determined using average industry credit ratings and historical loss experience, and is initially recognized upon acquisition of the securities, and subsequently remeasured on a recurring basis. The Company evaluates available for sale (AFS) debt securities that experienced a decline in fair value below amortized cost for credit impairment. In performing an assessment of whether any decline in fair value is due to a credit loss, the Company considers the extent to which the fair value is less than the amortized cost, changes in credit ratings, any adverse economic conditions, as well as all relevant information at the individual security level, such as credit deterioration of the issuer, explicit or implicit guarantees by the federal government or collateral underlying the security. If it is determined that the decline in fair value was due to credit losses, an allowance for credit losses is recorded, limited to the amount the fair value is less than the amortized cost basis. The non-credit related decrease in the fair value, such as a decline due to changes in market interest rates, is recorded in other comprehensive income (loss), net of tax. The Company recognizes a credit impairment if the Company has the intent to sell the security, or it is more likely than not that the Bank will be required to sell the security before recovery of its amortized cost. Prior to the adoption of ASU No. 2016-13 Management evaluated AFS and HTM debt securities for other-than-temporary-impairment on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation.

Note 2 – Reclassifications

Certain prior period amounts have been reclassified to conform to the presentation used in 2024. These reclassifications had no material effect on the operations, financial condition or cash flows of the Company.

Note 3 – Earnings Per Share

Basic earnings per common share are computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share are computed by dividing net income by the effect of the issuance of potential common shares that are dilutive and by the sum of the weighted-average number of shares of common stock outstanding. All shares owned by the Company's 401(k) Employee Stock Ownership Plan (ESOP) are included in the earnings per share calculations.

The reconciliation of the components of the basic and diluted earnings per share is as follows (amounts in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net earnings available to common shareholders	$8,653	$5,882	$22,106	$18,624
Weighted average common shares outstanding	7,669,628	6,870,594	7,663,890	6,738,010
Dilutive effect of stock options	69,528	94,709	71,510	94,413
Diluted common shares	7,739,156	6,965,303	7,735,400	6,832,423
Basic earnings per common share	$1.13	$0.86	$2.88	$2.76
Diluted earnings per common share	$1.12	$0.84	$2.86	$2.73

Note 4 – Investment Securities

The following tables summarize the amortized cost and fair value of securities available-for-sale and securities held-to-maturity and the corresponding amounts of unrealized gains and losses recognized in accumulated other comprehensive loss at September 30, 2024 and December 31, 2023 (amounts in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2024:				
Securities available-for-sale:				
Residential mortgage-backed	$ 429,298	$ 555	$ (42,893)	$ 386,960
U.S. treasury securities	115,636	-	(6,104)	109,532
U.S. govt. sponsored enterprises	57,222	-	(3,133)	54,089
State, county, and municipal	74,078	65	(7,345)	66,798
Corporate debt obligations	16,724	32	(1,582)	15,174
Total available-for-sale	$ 692,958	$ 652	$ (61,057)	$ 632,553

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2024:				
Securities held-to-maturity:				
Residential mortgage-backed	$ 60,487	$ -	$ (10,185)	$ 50,302
State, county, and municipal	62,801	-	(9,817)	52,984
Total held-to-maturity	$ 123,288	$ -	$ (20,002)	$ 103,286

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023:				
Securities available-for-sale:				
Residential mortgage-backed	$ 413,179	$ 102	$ (55,981)	$ 357,300
U.S. treasury securities	130,713	-	(10,661)	120,052
U.S. govt. sponsored enterprises	68,751	-	(5,185)	63,566
State, county, and municipal	73,514	4	(8,857)	64,661
Corporate debt obligations	17,758	5	(2,251)	15,512
Total available-for-sale	$ 703,915	$ 111	$ (82,935)	$ 621,091

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023:				
Securities held-to-maturity:				
Residential mortgage-backed	$ 63,953	$ -	$ (12,022)	$ 51,931
State, county, and municipal	62,840	-	(11,597)	51,243
Total held-to-maturity	$ 126,793	$ -	$ (23,619)	$ 103,174

The unrecognized losses on held-to-maturity investment securities presented in the table above do not include unrecognized losses on securities that were transferred from available-for-sale to held-to-maturity totaling $2.37 million at September 30, 2024 and $2.62 million at December 31, 2023. These unrecognized losses that were transferred in 2022 are included as a separate component of stockholders' equity and are being amortized over the remaining term of the securities.

The Company has a zero loss expectation for its HTM securities portfolio, except for U.S. State and Municipal securities, and therefore it is not required to estimate an allowance for credit losses related to these securities. For HTM securities that do not have a zero loss expectation, the allowance for credit losses is based on the security's amortized cost, excluding interest receivable, and represents the portion of the amortized cost that the Company does not expect to collect over the life of the security. The allowance for credit losses is determined using average industry credit ratings and historical loss experience, and is initially recognized upon acquisition of the securities, and subsequently remeasured on a recurring basis. The Company evaluates available for sale (AFS) debt securities that experienced a decline in fair value below amortized cost for credit impairment. In performing an assessment of whether any decline in fair value is due to a credit loss, the Company considers the extent to which the fair value is less than the amortized cost, changes in credit ratings, any adverse economic conditions, as well as all relevant information at the individual security level, such as credit deterioration of the issuer, explicit or implicit guarantees by the federal government or collateral underlying the security. If it is determined that the decline in fair value was due to credit losses, an allowance for credit losses is recorded, limited to the amount the fair value is less than the amortized cost basis. The non-credit related decrease in the fair value, such as a decline due to changes in market interest rates, is recorded in other comprehensive income (loss), net of tax. The Company recognizes a credit impairment if the Company has the intent to sell the security, or it is more likely than not that the Bank will be required to sell the security before recovery of its amortized cost.

The following tables summarize securities with unrealized and unrecognized losses as of September 30, 2024 and December 31, 2023 aggregated by major security type and length of time in a continuous unrealized or unrecognized loss position (amounts in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2024:						
Securities available-for-sale:						
Residential mortgage-backed	$ 17,525	$ 59	$ 330,458	$ 42,834	$ 347,983	$ 42,893
U.S. treasury securities	-	-	109,532	6,104	109,532	6,104
U.S. govt. sponsored enterprises	-	-	54,089	3,133	54,089	3,133
State, county & municipal	-	-	60,553	7,345	60,553	7,345
Corporate debt obligations	455	4	12,727	1,578	13,182	1,582
Total available-for-sale	$ 17,980	$ 63	$ 567,359	$ 60,994	$ 585,339	$ 61,057
Securities held-to-maturity:						
Residential mortgage-backed	$ -	$ -	$ 50,302	$ 10,185	$ 50,302	$ 10,185
State, county & municipal	-	-	47,639	9,817	47,639	9,817
Total held-to-maturity	$ -	$ -	$ 97,941	$ 20,002	$ 97,941	$ 20,002
December 31, 2023:						
Securities available-for-sale:						
Residential mortgage-backed	$ 2,028	$ 2	$ 352,807	$ 55,979	$ 354,835	$ 55,981
U.S. treasury securities	-	-	120,053	10,661	120,053	10,661
U.S. govt. sponsored enterprises	1,689	7	61,877	5,178	63,566	5,185
State, county & municipal	-	-	63,657	8,857	63,657	8,857
Corporate debt obligations	926	29	13,131	2,222	14,057	2,251
Total available-for-sale	$ 4,643	$ 38	$ 611,525	$ 82,897	$ 616,168	$ 82,935
Securities held-to-maturity:						
Residential mortgage-backed	$ -	$ -	$ 51,931	$ 12,022	$ 51,931	$ 12,022
State, county & municipal	-	-	45,898	11,597	45,898	11,597
Total held-to-maturity	$ -	$ -	$ 97,829	$ 23,619	$ 97,829	$ 23,619

The Company owned a total of 313 securities with unrealized losses of $81.1 million at September 30, 2024. The unrealized losses were primarily attributable to changes in interest rates, rather than deterioration in credit quality. The individual securities are each investment grade securities. The Company considers factors such as the financial condition of the issuer including credit ratings and specific events affecting the operations of the issuer, volatility of the security, underlying assets that collateralize the debt security, and other industry and macroeconomic conditions. The Company does not intend to sell these securities, and it is more likely than not that the Company will not be required to sell these securities before recovery of the amortized cost. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. As such, there is no allowance for credit losses on available for sale or held to maturity securities recognized as of September 30, 2024 and December 31, 2023. Accrued interest receivable is not included in available-for-sale security balances and is presented in accrued interest receivable on the consolidated statement of financial condition. Interest receivable on securities was approximately $2.8 million and $2.1 million as of September 30, 2024 and December 31, 2023, respectively, and was excluded from the estimate of credit losses.

As of September 30, 2024 and December 31, 2023, securities with a carrying value of approximately $287.8 million and $268.2 million, respectively, were pledged to secure public deposits as required by law. At September 30, 2024 and December 31, 2023, the carrying value of securities pledged to secure repurchase agreements was approximately $22.8 million and $26.9 million, respectively.

During the nine months ended September 30, 2024, the Company sold investment securities for proceeds of $81.7 million and realized losses of $1.4 million. The net loss consisted of gross gains of $289.0 thousand and gross losses of $1.6 million. During the nine months ended September 30, 2023, the Company sold investment securities for proceeds of $15.3 million and realized gains of $5.0 thousand. The net gain consisted of gross gains of $150.0 thousand and gross losses of $145.0 thousand.

The amortized cost and estimated fair value of debt securities at September 30, 2024 and December 31, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities for residential mortgage backed securities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. These securities are therefore not presented by maturity classification.

	September 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)		(In Thousands)	
Securities available-for-sale				
Less than 1 year	$ -	$ -	$ 2,500	$ 2,424
1 to 5 years	158,782	150,323	163,927	150,501
5 to 10 years	37,321	34,152	51,970	46,415
After 10 years	67,557	61,118	72,339	64,451
	263,660	245,593	290,736	263,791
Residential mortgage-backed securities	429,298	386,960	413,179	357,300
Total available-for-sale	$ 692,958	$ 632,553	$ 703,915	$ 621,091

	September 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)		(In Thousands)	
Securities held-to-maturity				
5 to 10 years	$ 25,835	$ 22,334	$ 19,706	$ 16,192
After 10 years	36,966	30,650	43,134	35,051
	62,801	52,984	62,840	51,243
Residential mortgage-backed securities	60,487	50,302	63,953	51,931
Total held-to-maturity	$ 123,288	$ 103,286	$ 126,793	$ 103,174

Note 5 – Loans, Allowance for Credit Losses and Credit Quality

Major classifications of loans at September 30, 2024 and December 31, 2023 are summarized as follows (amounts in thousands):

	September 30, 2024		December 31, 2023	
	Amount	% of Total	Amount	% of Total
Residential real estate:				
Closed-end 1-4 family - first lien	$ 841,742	35.2%	$ 771,144	34.9%
Closed-end 1-4 family - junior lien	14,254	0.6%	11,814	0.5%
Multi-family	29,661	1.2%	26,739	1.2%
Total residential real estate	885,657	37.0%	809,697	36.6%
Commercial real estate:				
Nonfarm nonresidential	630,947	26.4%	557,202	25.2%
Farmland	71,671	3.0%	58,532	2.6%
Total commercial real estate	702,618	29.4%	615,734	27.8%
Construction and land development:				
Residential	103,974	4.3%	100,974	4.6%
Other	163,011	6.8%	195,724	8.9%
Total construction and land development	266,985	11.1%	296,698	13.5%
Home equity lines of credit	117,722	4.9%	95,544	4.3%
Commercial loans:				
Other commercial loans	288,455	12.2%	273,639	12.4%
Agricultural	79,434	3.3%	66,510	3.0%
State, county, and municipal loans	34,666	1.4%	34,819	1.6%
Total commercial loans	402,555	16.9%	374,968	17.0%
Consumer loans	56,602	2.4%	55,587	2.5%
Total gross loans	2,432,139	101.7%	2,248,228	101.7%
Allowance for credit losses	(31,077)	-1.3%	(28,991)	-1.3%
Net discounts	(16)	0.0%	(129)	0.0%
Net deferred loan fees	(8,440)	-0.4%	(8,093)	-0.4%
Net loans	$ 2,392,606	100.0%	$ 2,211,015	100.0%

The Bank grants loans and extensions of credit to individuals and a variety of businesses and corporations located in its general trade area. Although the Bank has a diversified loan portfolio, a substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent upon the real estate market. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to-income, collateral type and loan-to-value ratios for consumer loans.

The loan portfolio has been disaggregated into segments and then further disaggregated into classes for certain disclosures. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. There are three primary loan portfolio segments that include real estate, commercial, and consumer. A class is generally determined based on the initial measurement attribute, risk characteristic of the loan, and the Company’s method for monitoring and assessing credit risk. Classes within the real estate portfolio segment include residential real estate, commercial real estate, construction and land development and home equity lines of credit. The portfolio segments of non-real estate commercial loans and consumer loans have not been further segregated by class.

Under the current expected credit losses (CECL) methodology, the allowance for credit losses is measured on a collective basis for pools of loans with similar risk characteristics. For loans that do not share similar risk characteristics with the collectively evaluated pools, evaluations are performed on an individual basis. For all loan segments collectively evaluated, losses are predicted over a period of time determined to be reasonable and supportable, and at the end of the reasonable and supportable forecast period losses are reverted to long-term historical averages. The estimated loan losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses.

The following tables present the balance in the allowance for credit losses by portfolio segment. It also includes the balance in the allowance for credit losses and the recorded investment in loans by portfolio segment and based on evaluation method for the periods indicated below (amounts in thousands).

	Real Estate Mortgage Loans						
Allowance for Credit Losses	Residential	Commercial	Construction and land development	Home equity lines of credit	Commercial	Consumer	Total
Balance - December 31, 2023	$7,233	$10,530	$4,646	$1,078	$4,906	$598	$28,991
Provision for credit losses	(464)	595	(1,114)	688	4,238	18	3,961
Loan charge-offs	(35)	(498)	(29)	(50)	(1,213)	(126)	(1,951)
Loan recoveries	2	8	-	-	53	13	76
Balance - September 30, 2024	$6,736	$10,635	$3,503	$1,716	$7,984	$503	$31,077
Balance - June 30, 2024	$7,258	$11,084	$3,892	$1,152	$6,922	$608	$30,916
Provision for credit losses	(489)	(202)	(379)	564	1,915	(83)	1,326
Loan charge-offs	(35)	(250)	(10)	-	(867)	(25)	(1,187)
Loan recoveries	2	3	-	-	14	3	22
Balance - September 30, 2024	$6,736	$10,635	$3,503	$1,716	$7,984	$503	$31,077
Individually evaluated	$10	$233	$-	$-	$2,002	$45	$2,290
Collectively evaluated	6,726	10,402	3,503	1,716	5,982	458	28,787
Total	$6,736	$10,635	$3,503	$1,716	$7,984	$503	$31,077
Loans:							
Individually evaluated	$4,176	$5,792	$124	$145	$2,298	$45	$12,580
Collectively evaluated	881,481	696,826	266,861	117,577	400,257	56,557	2,419,559
Total	$885,657	$702,618	$266,985	$117,722	$402,555	$56,602	$2,432,139

Allowance for Credit Losses	Real Estate Mortgage Loans: Residential	Real Estate Mortgage Loans: Commercial	Real Estate Mortgage Loans: Construction and land development	Home equity lines of credit	Commercial	Consumer	Total
Balance - December 31, 2022 prior to adoption of ASC 326	$5,088	$10,057	$3,377	$562	$4,778	$448	$24,310
Impact of adopting ASC 326	-	-	-	-	73	7	80
Provision for credit losses	1,397	1,048	539	328	412	209	3,933
Loan charge-offs	-	-	(196)	-	(510)	(98)	(804)
Loan recoveries	-	81	-	-	205	27	313
Balance - September 30, 2023	$6,485	$11,186	$3,720	$890	$4,958	$593	$27,832
Balance - June 30, 2023	$5,859	$11,011	$3,611	$801	$5,035	$572	$26,889
Impact of adopting ASC 326	-	-	-	-	-	-	-
Provision for credit losses	626	172	109	89	252	63	1,311
Loan charge-offs	-	-	-	-	(348)	(58)	(406)
Loan recoveries	-	3	-	-	19	16	38
Balance - September 30, 2023	$6,485	$11,186	$3,720	$890	$4,958	$593	$27,832
Ending balance:							
Individually evaluated	$14	$322	$-	$-	$26	$37	$399
Collectively evaluated	6,471	10,864	3,720	890	4,932	556	27,433
Total	$6,485	$11,186	$3,720	$890	$4,958	$593	$27,832
Loans:							
Individually evaluated	$1,403	$3,712	$-	$527	$26	$37	$5,705
Collectively evaluated	756,723	604,069	275,747	83,878	347,242	56,992	2,124,651
Total	$758,126	$607,781	$275,747	$84,405	$347,268	$57,029	$2,130,356

The Company's unfunded lending commitments are unconditionally cancellable and therefore no allowance for credit losses has been recorded. In the event that collection of principal becomes uncertain, the Company has policies in place to reverse accrued interest in a timely manner. Therefore, the Company has made a policy election to exclude accrued interest from the measurement of the allowance for credit losses. Accrued interest on loans of $11.8 million and $11.3 million at September 30, 2024 and December 31, 2023, respectively, was included in accrued interest receivable and was excluded from the estimate of credit losses.

The following table presents collateral dependent loans by class of loans as of September 30, 2024 (amounts in thousands). Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. The Company reviews individually evaluated loans for designation as collateral dependent loans, as well as other loans that management of the Company designates as having higher risk. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. The Company considers all individually evaluated loans to be collateral dependent.

Nonaccruing Collateral Dependent Loans	Unpaid Principal Balance	Recorded Investment	Loans With No Allowance	Loans With Allowance	Allowance for Credit Losses
Mortgage loans on real estate:					
Residential real estate	$ 2,426	$ 2,419	$ 2,419	$ -	$ -
Commercial real estate	5,801	5,551	4,272	1,279	233
Construction and land development	124	124	124	-	-
Total mortgage loans on real estate	8,351	8,094	6,815	1,279	233
Home equity lines of credit	125	125	125	-	-
Commercial loans	2,274	2,274	-	2,274	1,978
Consumer loans	21	21	-	21	21
Total Loans	$ 10,771	$ 10,514	$ 6,940	$ 3,574	$ 2,232

Accruing Collateral Dependent Loans	Unpaid Principal Balance	Recorded Investment	Loans With No Allowance	Loans With Allowance	Allowance for Credit Losses
Mortgage loans on real estate:					
Residential real estate	$ 1,757	$ 1,757	$ 1,594	$ 163	$ 10
Commercial real estate	241	241	241	-	-
Construction and land development	-	-	-	-	-
Total mortgage loans on real estate	1,998	1,998	1,835	163	10
Home equity lines of credit	20	20	20	-	-
Commercial loans	24	24	-	24	24
Consumer loans	24	24	-	24	24
Total Loans	$ 2,066	$ 2,066	$ 1,855	$ 211	$ 58

Total Collateral Dependent Loans	Unpaid Principal Balance	Recorded Investment	Loans With No Allowance	Loans With Allowance	Allowance for Credit Losses
Mortgage loans on real estate:					
Residential real estate	$ 4,183	$ 4,176	$ 4,013	$ 163	$ 10
Commercial real estate	6,042	5,792	4,513	1,279	233
Construction and land development	124	124	124	-	-
Total mortgage loans on real estate	10,349	10,092	8,650	1,442	243
Home equity lines of credit	145	145	145	-	-
Commercial loans	2,298	2,298	-	2,298	2,002
Consumer loans	45	45	-	45	45
Total Loans	$ 12,837	$ 12,580	$ 8,795	$ 3,785	$ 2,290

The following table presents collateral dependent loans by class of loans as of December 31, 2023 (amounts in thousands).

Nonaccruing Collateral Dependent Loans	Unpaid Principal Balance	Recorded Investment	Loans With No Allowance	Loans With Allowance	Allowance for Credit Losses
Mortgage loans on real estate:					
Residential real estate	$ 1,229	$ 1,229	$ 1,229	$ -	$ -
Commercial real estate	2,769	2,769	1,423	1,346	300
Construction and land development	364	364	364	-	-
Total mortgage loans on real estate	4,362	4,362	3,016	1,346	300
Home equity lines of credit	202	202	202	-	-
Commercial loans	-	-	-	-	-
Consumer loans	5	5	-	5	5
Total Loans	$ 4,569	$ 4,569	$ 3,218	$ 1,351	$ 305

Accruing Collateral Dependent Loans	Unpaid Principal Balance	Recorded Investment	Loans With No Allowance	Loans With Allowance	Allowance for Credit Losses
Mortgage loans on real estate:					
Residential real estate	$ 1,099	$ 1,099	$ 934	$ 165	$ 12
Commercial real estate	9	9	9	-	-
Construction and land development	-	-	-	-	-
Total mortgage loans on real estate	1,108	1,108	943	165	12
Home equity lines of credit	-	-	-	-	-
Commercial loans	26	26	-	26	26
Consumer loans	35	35	-	35	35
Total Loans	$ 1,169	$ 1,169	$ 943	$ 226	$ 73

Total Collateral Dependent Loans	Unpaid Principal Balance	Recorded Investment	Loans With No Allowance	Loans With Allowance	Allowance for Credit Losses
Mortgage loans on real estate:					
Residential real estate	$ 2,328	$ 2,328	$ 2,163	$ 165	$ 12
Commercial real estate	2,778	2,778	1,432	1,346	300
Construction and land development	364	364	364	-	-
Total mortgage loans on real estate	5,470	5,470	3,959	1,511	312
Home equity lines of credit	202	202	202	-	-
Commercial loans	26	26	-	26	26
Consumer loans	40	40	-	40	40
Total Loans	$ 5,738	$ 5,738	$ 4,161	$ 1,577	$ 378

The following tables present the performance status of loans as of September 30, 2024 and December 31, 2023, by class of loans (amounts in thousands).

As of September 30, 2024	Performing	Nonperforming	Total
Mortgage loans on real estate:			
Residential real estate	$ 882,711	$ 2,946	$ 885,657
Commercial real estate	697,009	5,609	702,618
Construction and land development	266,818	167	266,985
Total mortgage loans on real estate	1,846,538	8,722	1,855,260
Home equity lines of credit	117,509	213	117,722
Commercial loans	400,128	2,427	402,555
Consumer loans	56,502	100	56,602
Total Loans	$ 2,420,677	$ 11,462	$ 2,432,139

As of December 31, 2023	Performing	Nonperforming	Total
Mortgage loans on real estate:			
Residential real estate	$ 807,682	$ 2,015	$ 809,697
Commercial real estate	612,965	2,769	615,734
Construction and land development	296,187	511	296,698
Total mortgage loans on real estate	1,716,834	5,295	1,722,129
Home equity lines of credit	95,115	429	95,544
Commercial loans	374,968	-	374,968
Consumer loans	55,444	143	55,587
Total Loans	$ 2,242,361	$ 5,867	$ 2,248,228

The following tables present the aging of loans and non-accrual loans as of September 30, 2024 and December 31, 2023, by class of loans (amounts in thousands).

As of September 30, 2024	Accruing Loans Current	Accruing Loans 30-89 Days Past Due	Accruing Loans 90+ Days Past Due	Nonaccrual Loans	Total Loans	Nonaccrual With No ACL
Mortgage loans on real estate:						
Residential real estate	$ 878,974	$ 3,737	$ -	$ 2,946	$ 885,657	$ 2,946
Commercial real estate	696,725	284	-	5,609	702,618	4,330
Construction and land development	265,712	1,106	-	167	266,985	167
Total mortgage loans on real estate	1,841,411	5,127	-	8,722	1,855,260	7,443
Home equity lines of credit	117,258	251	-	213	117,722	213
Commercial loans	399,867	261	24	2,403	402,555	130
Consumer loans	55,975	527	-	100	56,602	79
Total Loans	$2,414,511	$ 6,166	$ 24	$ 11,438	$2,432,139	$ 7,865

As of December 31, 2023	Accruing Loans Current	Accruing Loans 30-89 Days Past Due	Accruing Loans 90+ Days Past Due	Nonaccrual Loans	Total Loans	Nonaccrual With No ACL
Mortgage loans on real estate:						
Residential real estate	$ 805,262	$ 2,420	$ 288	$ 1,727	$ 809,697	$ 1,727
Commercial real estate	612,901	64	-	2,769	615,734	1,423
Construction and land development	296,030	157	-	511	296,698	511
Total mortgage loans on real estate	1,714,193	2,641	288	5,007	1,722,129	3,661
Home equity lines of credit	95,003	112	-	429	95,544	429
Commercial loans	374,699	269	-	-	374,968	-
Consumer loans	55,061	383	-	143	55,587	137
Total Loans	$2,238,956	$ 3,405	$ 288	$ 5,579	$2,248,228	$ 4,227

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

Special Mention - Weakness exists that could cause future impairment, including the deterioration of financial ratios, past due status and questionable management capabilities. Collateral values generally afford adequate coverage but may not be immediately marketable.

Substandard - Specific and well-defined weaknesses exist that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.

Doubtful - Specific weaknesses characterized as Substandard that are severe enough to make collection in full unlikely. There is no reliable secondary source of full repayment. Loans classified as doubtful will be placed on non-accrual, analyzed and fully or partially charged-off based on review of collateral and other relevant factors.

Loans not meeting the criteria above that are evaluated individually as part of the above described process are considered to be Pass rated loans.

The following table presents loan balances classified by credit quality indicator, loan type and based on year of origination as of September 30, 2024 (amounts in thousands).

	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
Residential real estate								
Pass	$ 94,663	$ 236,365	$ 338,154	$ 109,551	$ 60,437	$ 31,653	$ 5,461	$ 876,284
Special Mention	512	1,332	2,204	279	10	119	-	4,456
Substandard	363	754	1,874	79	397	1,450	-	4,917
Doubtful	-	-	-	-	-	-	-	-
Total residential real estate	$ 95,538	$ 238,451	$ 342,232	$ 109,909	$ 60,844	$ 33,222	$ 5,461	$ 885,657
Current-period gross charge-offs	$ -	$ 15	$ 20	$ -	$ -	$ -	$ -	$ 35
Commercial real estate								
Pass	$ 54,621	$ 118,893	$ 210,978	$ 90,936	$ 91,259	$ 101,743	$ 20,376	$ 688,806
Special Mention	1,091	-	659	385	1,346	4,221	168	7,870
Substandard	110	324	-	3,322	240	1,937	9	5,942
Doubtful	-	-	-	-	-	-	-	-
Total commercial real estate	$ 55,822	$ 119,217	$ 211,637	$ 94,643	$ 92,845	$ 107,901	$ 20,553	$ 702,618
Current-period gross charge-offs	$ -	$ -		$ 250	$ -	$ 248	$ -	$ 498
Construction and land development								
Pass	$ 91,300	$ 96,128	$ 49,468	$ 10,821	$ 3,426	$ 5,571	$ 9,566	$ 266,280
Special Mention	-	209	296	-	-	30	-	535
Substandard	3	-	164	-	3	-	-	170
Doubtful	-	-	-	-	-	-	-	-
Total construction and land development	$ 91,303	$ 96,337	$ 49,928	$ 10,821	$ 3,429	$ 5,601	$ 9,566	$ 266,985
Current-period gross charge-offs	$ -	$ 10	$ 19	$ -	$ -	$ -	$ -	$ 29
Home equity lines of credit								
Pass	$ 231	$ 491	$ 450	$ -	$ 582	$ -	$ 115,130	$ 116,884
Special Mention	-	-	-	-	-	-	565	565
Substandard	-	-	-	-	-	-	273	273
Doubtful	-	-	-	-	-	-	-	-
Total home equity lines of credit	$ 231	$ 491	$ 450	$ -	$ 582	$ -	$ 115,968	$ 117,722
Current-period gross charge-offs	$ -	$ -	$ -	$ 50	$ -	$ -	$ -	$ 50
Commercial loans								
Pass	$ 70,896	$ 79,742	$ 56,050	$ 24,019	$ 12,991	$ 13,579	$ 134,469	$ 391,746
Special Mention	-	53	3,180	72	45	3,942	1,085	8,377
Substandard	49	425	26	38	24	-	1,870	2,432
Doubtful	-	-	-	-	-	-	-	-
Total commercial loans	$ 70,945	$ 80,220	$ 59,256	$ 24,129	$ 13,060	$ 17,521	$ 137,424	$ 402,555
Current-period gross charge-offs	$ -	$ 684	$ 203	$ -	$ 104	$ 222	$ -	$ 1,213
Consumer loans								
Pass	$ 15,049	$ 15,359	$ 10,594	$ 5,890	$ 2,683	$ 2,787	$ 3,674	$ 56,036
Special Mention	39	27	48	103	80	-	23	320
Substandard	3	25	66	21	75	48	8	246
Doubtful	-	-	-	-	-	-	-	-
Total consumer loans	$ 15,091	$ 15,411	$ 10,708	$ 6,014	$ 2,838	$ 2,835	$ 3,705	$ 56,602
Current-period gross charge-offs	$ 23	$ 75	$ 21	$ 3	$ 4	$ -	$ -	$ 126
Total Loans								
Pass	$ 326,760	$ 546,978	$ 665,694	$ 241,217	$ 171,378	$ 155,333	$ 288,676	$ 2,396,036
Special Mention	1,642	1,621	6,387	839	1,481	8,312	1,841	22,123
Substandard	528	1,528	2,130	3,460	739	3,435	2,160	13,980
Doubtful	-	-	-	-	-	-	-	-
Total loans	$ 328,930	$ 550,127	$ 674,211	$ 245,516	$ 173,598	$ 167,080	$ 292,677	$ 2,432,139
Current-period gross charge-offs	$ 23	$ 784	$ 263	$ 303	$ 108	$ 470	$ -	$ 1,951

The following table presents loan balances classified by credit quality indicator, loan type and based on year of origination as of December 31, 2023 (amounts in thousands).

	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Residential real estate								
Pass	$ 209,016	$ 354,153	$ 120,802	$ 68,229	$ 16,903	$ 25,380	$ 7,420	$ 801,903
Special Mention	1,742	2,013	590	157	27	176	-	4,705
Substandard	36	1,240	151	258	719	685	-	3,089
Doubtful	-	-	-	-	-	-	-	-
Total residential real estate	$ 210,794	$ 357,406	$ 121,543	$ 68,644	$ 17,649	$ 26,241	$ 7,420	$ 809,697
Commercial real estate								
Pass	$ 81,239	$ 196,437	$ 99,072	$ 96,775	$ 51,677	$ 64,851	$ 14,977	$ 605,028
Special Mention	419	978	383	881	-	5,122	-	7,783
Substandard	49	-	-	46	50	2,769	9	2,923
Doubtful	-	-	-	-	-	-	-	-
Total commercial real estate	$ 81,707	$ 197,415	$ 99,455	$ 97,702	$ 51,727	$ 72,742	$ 14,986	$ 615,734
Construction and land development								
Pass	$ 148,804	$ 93,987	$ 20,752	$ 4,678	$ 2,421	$ 4,591	$ 20,139	$ 295,372
Special Mention	211	472	14	-	22	12	-	731
Substandard	-	411	84	-	-	100	-	595
Doubtful	-	-	-	-	-	-	-	-
Total construction and land development	$ 149,015	$ 94,870	$ 20,850	$ 4,678	$ 2,443	$ 4,703	$ 20,139	$ 296,698
Current-period gross charge-offs	$ -	$ -	$ 196	$ -	$ -	$ -	$ -	$ 196
Home equity lines of credit								
Pass	$ 750	$ 450	$ -	$ 852	$ -	$ -	$ 92,823	$ 94,875
Special Mention	-	-	-	-	-	-	200	200
Substandard	-	-	-	-	-	20	449	469
Doubtful	-	-	-	-	-	-	-	-
Total home equity lines of credit	$ 750	$ 450	$ -	$ 852	$ -	$ 20	$ 93,472	$ 95,544
Commercial loans								
Pass	$ 94,966	$ 73,381	$ 30,912	$ 16,257	$ 6,505	$ 10,700	$ 134,488	$ 367,209
Special Mention	175	142	49	294	26	4,057	2,990	7,733
Substandard	-	-	-	26	-	-	-	26
Doubtful	-	-	-	-	-	-	-	-
Total commercial loans	$ 95,141	$ 73,523	$ 30,961	$ 16,577	$ 6,531	$ 14,757	$ 137,478	$ 374,968
Current-period gross charge-offs	$ 288	$ 46	$ 1	$ -	$ 23	$ 338	$ -	$ 696
Consumer loans								
Pass	$ 21,479	$ 14,017	$ 8,188	$ 3,949	$ 1,950	$ 2,567	$ 2,933	$ 55,083
Special Mention	77	107	36	16	3	-	27	266
Substandard	65	46	26	56	-	34	11	238
Doubtful	-	-	-	-	-	-	-	-
Total consumer loans	$ 21,621	$ 14,170	$ 8,250	$ 4,021	$ 1,953	$ 2,601	$ 2,971	$ 55,587
Current-period gross charge-offs	$ -	$ 120	$ -	$ 15	$ -	$ -	$ -	$ 135
Total Loans								
Pass	$ 556,254	$ 732,425	$ 279,726	$ 190,740	$ 79,456	$ 108,089	$ 272,780	$ 2,219,470
Special Mention	2,624	3,712	1,072	1,348	78	9,367	3,217	21,418
Substandard	150	1,697	261	386	769	3,608	469	7,340
Doubtful	-	-	-	-	-	-	-	-
Total loans	$ 559,028	$ 737,834	$ 281,059	$ 192,474	$ 80,303	$ 121,064	$ 276,466	$ 2,248,228
Current-period gross charge-offs	$ 288	$ 166	$ 197	$ 15	$ 23	$ 338	$ -	$ 1,027

Note 6 – Fair Value Measurements and Disclosures

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as individually evaluated loans, foreclosed assets, and repossessed assets. These nonrecurring fair value adjustments typically involve application of the lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

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

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

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

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

The following is a description of valuation methodologies used for assets and liabilities recorded or disclosed at fair value:

Cash and cash equivalents – For disclosure purposes, for cash, due from banks, interest-bearing deposits and federal funds sold, the carrying amount is a reasonable estimate of fair value.

Certificates of deposit in banks – For disclosure purposes, the carrying amount of certificates of deposit is a reasonable estimate of fair value.

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

Mortgage loans held for sale – Loans held for sale are carried at the lower of cost or fair value, which is evaluated on a loan-level basis. The fair value of loans held for sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan or other observable market data, such as outstanding commitments from third party investors.

Loans – The fair value estimation process for the loan portfolio uses an exit price concept and reflects discounts the Company believes are consistent with discounts in the marketplace. Fair values are estimated for portfolios of loans with similar characteristics. The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for similar maturities. The fair value analysis also includes other assumptions to estimate fair value, intended to approximate those a market participant would use in an orderly transaction, with adjustments for discount rates, interest rates, liquidity, and credit spreads, as appropriate.

Accrued interest receivable – For disclosure purposes, the fair value of the accrued interest on investments and loans is the carrying value.

Bank owned life insurance – For disclosure purposes, the fair value of the cash surrender value of bank owned life insurance policies is equivalent to the carrying value.

Foreclosed assets – Other real estate properties and miscellaneous repossessed assets are adjusted to fair value upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value less selling costs. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price, the Company records the foreclosed asset as nonrecurring Level 2. When the fair value is based on an appraised value or management's estimate of value, the Company records the foreclosed asset as nonrecurring Level 3.

Restricted equity securities – It is not practical to determine the fair value of restricted equity securities due to restrictions placed on transferability.

Deposits – For disclosure purposes, the fair value for demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities.

Securities sold under agreements to repurchase – For disclosure purposes, the carrying amounts of securities sold under agreements to repurchase approximate their fair values.

Federal Home Loan Bank advances – For disclosure purposes, the fair value of Federal Home Loan Bank advances is estimated using discounted cash flow analyses using interest rates offered for borrowings with similar maturities.

Subordinated debentures – For disclosure purposes, the fair value is estimated using a discounted cash flow calculation that applies interest rates currently being offered for similar subordinated debenture offerings.

Accrued interest payable – For disclosure purposes, the fair value of the accrued interest payable on deposits is the carrying value.

Commitments to extend credit and standby letters of credit – Because commitments to extend credit and standby letters of credit are generally short-term and made using variable rates, the carrying value and estimated fair value associated with these instruments are immaterial.

Assets and liabilities measured at fair value on a recurring basis – The only assets and liabilities measured at fair value on a recurring basis are our securities available-for-sale. Information related to the Company's assets and liabilities measured at fair value on a recurring basis at September 30, 2024 and December 31, 2023 is as follows: (amounts in thousands)

		Fair Value Measurements At Reporting Date Using:		
September 30, 2024	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available-for-sale:				
Residential mortgage -backed	$ 386,960	$ -	$ 386,960	$ -
U.S. treasury securities	109,532	-	109,532	-
U.S. government sponsored enterprises	54,089	-	54,089	-
State, county, and municipal	66,798	-	66,798	-
Corporate debt obligations	15,174	-	15,174	-
Totals	$ 632,553	$ -	$ 632,553	$ -

		Fair Value Measurements At Reporting Date Using:		
December 31, 2023	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available-for-sale:				
Residential mortgage -backed	$ 357,300	$ -	$ 357,300	$ -
U.S. treasury securities	120,052	-	120,052	-
U.S. government sponsored enterprises	63,566	-	63,566	-
State, county, and municipal	64,661	-	64,661	-
Corporate debt obligations	15,512	-	15,512	-
Totals	$ 621,091	$ -	$ 621,091	$ -

The Company's policy is to recognize transfers in and transfers out of levels 1, 2, and 3 as of the end of a reporting period. There were no transfers between levels from December 31, 2023 to September 30, 2024 (amounts in thousands):

	Significant Unobservable Inputs (Level 3)	
	September 30, 2024	December 31, 2023
Fair value, beginning of period	$ -	$ 5,621
Transfers into Level 3	-	-
Transfers out of Level 3	-	(5,621)
Changes in unrealized gains/losses included in other comprehensive income for assets and liabilities still held at period-end	-	-
Fair value, end of period	$ -	$ -

Assets measured at fair value on a nonrecurring basis – The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. GAAP. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of September 30, 2024 and December 31, 2023 (amounts in thousands):

		Fair Value Measurements At Reporting Date Using:		
September 30, 2024	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Individually evaluated loans	$ 10,290	$ -	$ -	$ 10,290
Foreclosed assets	44	-	-	44
Totals	$ 10,334	$ -	$ -	$ 10,334

December 31, 2023	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Individually evaluated loans	$ 5,360	$ -	$ -	$ 5,360
Foreclosed assets	92	-	-	92
Totals	$ 5,452	$ -	$ -	$ 5,452

The Company has estimated the fair values of these assets using Level 3 inputs, specifically the appraised value of the collateral. Individually evaluated loan balances represent those collateral dependent loans where management has estimated the credit loss by comparing the loan's carrying value against the expected realizable fair value of the collateral dependent loan for the amount of the credit loss. For Level 3 assets measured at fair value on a non-recurring basis as of September 30, 2024 and December 31, 2023 for the valuation technique, we used appraisals. For the significant unobservable input, we used appraisal discounts, and weighted average input of 15-20% was used for the period ended September 30, 2024 and December 31, 2023.

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments as of September 30, 2024 and December 31, 2023 are as follows (amounts in thousands):

		Estimated Fair Value		
September 30, 2024	Carrying Amount	Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 147,101	$ 147,101	$ -	$ -
Certificates of deposit in banks	4,218	-	4,218	-
Securities held-to-maturity	123,288	-	103,286	-
Securities available-for-sale	632,553	-	632,553	-
Loans held-for-sale	9,863	-	9,863	-
Loans receivable, net	2,392,606	-	2,392,923	10,290
Accrued interest receivable	14,621	-	14,621	-
Bank owned life insurance	49,370	-	49,370	-
Restricted equity securities	10,038	-	-	10,038
Financial liabilities:				
Deposits	3,038,822	-	2,888,785	-
Securities sold under agreements to repurchase	13,935	-	13,935	-
Federal Home Loan Bank advances	150,000	-	148,845	-
Subordinated debentures	39,545	-	30,836	-
Accrued interest payable	2,058	-	2,058	-

		Estimated Fair Value		
December 31, 2023	Carrying Amount	Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 72,547	$ 72,547	$ -	$ -
Certificates of deposit in banks	4,218	-	4,218	-
Securities held-to-maturity	126,793	-	103,174	-
Securities available-for-sale	621,091	-	621,091	-
Loans held-for-sale	4,595	-	4,595	-
Loans receivable, net	2,211,015	-	2,180,082	5,360
Accrued interest receivable	14,091	-	14,091	-
Bank owned life insurance	47,001	-	47,001	-
Restricted equity securities	13,433	-	-	13,433
Financial liabilities:				
Deposits	2,730,655	-	2,574,801	-
Securities sold under agreements to repurchase	16,731	-	16,731	-
Federal Home Loan Bank advances	230,000	-	229,430	-
Subordinated debentures	39,492	-	30,944	-
Accrued interest payable	2,178	-	2,178	-

The estimated fair values of the standby letters of credit and loan commitments on which the committed interest rate is less than the current market rate are insignificant as of September 30, 2024 and December 31, 2023.

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed-rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed-rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling-rate environment. Management monitors rates and maturities of assets and liabilities, and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company's overall interest rate risk.

Note 7 – Recently Adopted Accounting Pronouncements

On January 1, 2024, the Company adopted 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 allowed 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. The ASU responded to stakeholder feedback that the proportional amortization method provided investors and other allocators of capital with a better understanding of the returns from investments that were made primarily for the purpose of receiving income tax credits and other income tax benefits. ASU 2023-02 was effective for public entities for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Adoption of ASU 2023-02 did not have a material impact on the Company's consolidated financial statements.

Note 8 – Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 expands disclosure requirements for significant segment expenses under Topic 280. The amendments require public entities to disclose significant expense categories for each reportable segment, other segment items, the title and position of the chief operating decision-maker, and interim disclosures of certain segment-related information previously required only on an annual basis. The amendments clarify that entities reporting single segments must disclose both the new and existing segment disclosures under Topic 280, and a public entity is permitted to disclose multiple measures of segment profit or loss if certain criteria are met. The amendments in this update are effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 31, 2024. ASU 2023-07 must be applied on a retrospective basis. Early adoption is permitted. This standard is not expected to have a material impact on the Company's consolidated results of operations or financial position.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 expands income tax disclosure requirements. The amendments require annual disclosure of certain information relating to the rate reconciliation, income taxes paid by jurisdiction, income (loss) from continuing operations before income tax expense (benefit) disaggregated between domestic and foreign, income tax expense (benefit) from continuing operations disaggregated by federal (national), state, and foreign. The amendments also eliminate certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures. The amendments in this update are effective for years beginning after December 15, 2024. ASU 2023-09 should be applied on a prospective basis, but retrospective application is permitted. Early adoption is permitted. This standard is not expected to have a material impact on the Company's consolidated results of operations or financial position.

Note 9 – Defined Contribution Plan

The Company provides a 401(k) employee stock ownership plan (ESOP), which covers substantially all of the Company's employees who are eligible, as to age and length of service. A participant may elect to make contributions up to $23.0 thousand and $22.5 thousand of the participant's annual compensation in 2024 and 2023, respectively. The Company makes contributions up to 3% of each participant's annual compensation and the Company matches 50% of the next 2% contributed by the employee. Contributions to the plan by the Company were approximately $726 thousand and $655 thousand for the nine months ended September 30, 2024 and 2023, respectively. Outstanding shares of the Company's common stock allocated to participants at September 30, 2024 and December 31, 2023 totaled 192,699 shares and 166,664 shares, respectively, and there were no unallocated shares. These shares are treated as outstanding for purposes of calculating earnings per share and dividends on these shares are included in the Consolidated Statements of Stockholders' Equity.

The Company's ESOP includes a put option for shares of the Company's common stock distributed from the ESOP. Shares are distributed from the ESOP primarily to separate vested participants and certain eligible participants who elect to diversify their account balances. Since the Company's common stock is not currently traded on an established securities market, if the owners of distributed shares desire to sell their shares, the Company is required to purchase the shares at fair value during two put option periods following the distribution of the shares from the ESOP. The first put option period is within sixty days following the distribution of the shares from the ESOP. The second put option period begins on the first day of the fifth month of the plan year for a sixty day period. The fair value of distributed shares subject to the put option totaled $0 as of September 30, 2024 and December 31, 2023. The cost of the ESOP shares totaled $5.37 million and $4.48 million as of September 30, 2024 and December 31, 2023, respectively. Due to the Company's obligation under the put option, the distributed shares and ESOP shares are classified as temporary equity in the mezzanine section of the consolidated statements of financial condition and totaled $5.37 million and $4.48 million as of September 30, 2024 and December 31, 2023, respectively. The fair value of the ESOP shares totaled $6.89 million and $6.17 million as of September 30, 2024 and December 31, 2023, respectively.

Note 10 – Loans Held for Sale

The Company has entered into agreements with secondary market investors to deliver loans on a “best efforts delivery” basis. When a rate is committed to a borrower, it is based on the best price that day and locked with the investor for the customer for a thirty day period. In the event the loan is not delivered to the investor, the Company has no risk or exposure with the investor. The fair values of the Company’s agreements with investors and rate lock commitments to customers as of September 30, 2024 and December 31, 2023, respectively, were not material.

Note 11 – Leases

Operating lease assets represent the Company’s right to use an underlying asset during the lease term and operating lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at lease commencement based on the present value of the remaining lease payments using a discount rate that represents the Company’s incremental borrowing rate at the lease commencement date. Operating lease cost, which is comprised of amortization of the operating lease asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term, and is recorded in occupancy expenses in the consolidated statements of income.The Company leases certain full-service branch offices, land, and equipment. Leases with an initial term of twelve months or less are not recorded on the balance sheet. Most leases include one or more options to renew and the exercise of the lease renewal options are at the Company’s sole discretion. The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option.

The following table represents the consolidated statements of financial condition classification of the Company’s ROU assets and lease liabilities. The Company elected not to include short-term leases (i.e., leases with initial terms of twelve months or less), or equipment leases (deemed immaterial) on the consolidated statements of financial condition.

Lease Right-of-Use Assets	Classification on Consolidated Statement of Condition	September 30, 2024	December 31, 2023
Operating lease right-of-use assets	Other Assets	$ 2,821	$ 3,243

Lease Liabilities	Classification on Consolidated Statement of Condition	September 30, 2024	December 31, 2023
Operating lease liabilities	Accrued interest payable and other liabilities	$ 2,970	$ 3,407

	September 30, 2024	December 31, 2023
Weighted-average remaining lease term for operating leases	8.44 Years	8.50 Years
Weighted-average discount rate for operating leases	6.00%	6.00%

Future minimum payments for operating leases with initial or remaining terms of one year or more as of September 30, 2024 are as follows:

	Operating Leases
October 1, 2024 - September 30, 2025	$ 703
October 1, 2025 - September 30, 2026	531
October 1, 2026 - September 30, 2027	421
October 1, 2027 - September 30, 2028	385
October 1, 2028 - September 30, 2029	252
Afterward	1,590
Total future minimum lease payments	3,882
Amounts representing interest	(912)
Present value of net future minimum lease payments	$ 2,970

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

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes thereto for the year ended December 31, 2023, which are contained in the Annual Report on Form 10-K for the year ended December 31, 2023. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from our expectations. Factors that could cause such differences are discussed in our 2023 Annual Report on Form 10-K under "Part I, Item 1A - Risk Factors." We assume no obligation to update any of these forward-looking statements.

The following discussion pertains to our historical results on a consolidated basis. However, because we conduct all of our material business operations through our subsidiaries, the discussion and analysis relates to activities primarily conducted at the subsidiary level.

All dollar amounts in the tables in this section are in thousands of dollars, except per share data, yields, percentages and rates or when specifically identified. As used in this Item, the words "we," "us," "our," the "Company," "RFC," "River" and similar terms refer to River Financial Corporation and its consolidated affiliate, unless the context indicates otherwise.

Our Business

We are a bank holding company headquartered in Prattville, Alabama. We engage in the business of banking through our wholly-owned banking subsidiary, River Bank & Trust, which we may refer to as the "Bank" or "River Bank." Through the Bank, we provide a broad array of financial services to businesses, business owners, professionals, and consumers. As of September 30, 2024, we operated twenty-three full-service banking offices in Alabama in the cities of Montgomery, Prattville, Millbrook, Wetumpka, Auburn, Opelika, Gadsden, Alexander City, Daphne, Clanton, Dothan, Enterprise, Mobile, Decatur, Huntsville, Saraland, and Birmingham, Alabama. We also have one loan production office in Florence, Alabama.

Segments

While our chief decision makers monitor the revenue streams of the various banking products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the Company's banking operations are considered by management to be aggregated in one reportable operating segment. Because the overall banking operations comprise substantially all of the consolidated operations, no separate segment disclosures are presented in the accompanying consolidated financial statements.

Overview of Third Quarter 2024 Results

Net income was $8.7 million in the quarter ended September 30, 2024, compared with $5.9 million in the quarter ended September 30, 2023. Several significant measures from the 2024 third quarter include:

- Net interest margin (taxable equivalent) of 2.90%, compared with 2.66% for the third quarter of 2023.
- Net interest income increase of $4.0 million for the quarter ended September 30, 2024, representing a 19.62% rate of increase over the quarter ended September 30, 2023.
- Annualized return on average earning assets for the quarter ended September 30, 2024 of 1.05% compared with 0.78% for the quarter ended September 30, 2023.
- Annualized return on average equity for the quarter ended September 30, 2024 of 15.67% compared with 15.10% for the quarter ended September 30, 2023.
- Loan increase of $73.3 million during the quarter ended September 30, 2024, representing a 12.47% annualized growth rate.
- Securities increase of $34.9 million during the quarter ended September 30, 2024, representing a 19.36% annualized increase for the quarter.
- Deposit increase of $96.1 million during the quarter ended September 30, 2024, representing a 13.07% annualized growth rate.
- Stockholders' equity increase of $25.1 million during the quarter ended September 30, 2024, representing a 48.20% annualized increase.
- Book value per share of $31.14 at September 30, 2024, compared with $26.49 per share at December 31, 2023.
- Tangible book value per share of $27.37 at September 30, 2024, compared with $22.67 at December 31, 2023.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared based on the application of certain accounting policies, the most significant of which are described in the notes to the financial statements for the year ended December 31, 2023, which are contained in our Annual Report filed on Form 10-K. Certain of these policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variation and may significantly affect our reported results and financial position for the current period or future periods. The use of estimates, assumptions, and judgment is necessary when financial assets and liabilities are required to be recorded at or adjusted to reflect fair value. Assets carried at fair value inherently result in more financial statement volatility. Fair values and information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices or are provided by other independent third-party sources, when available. When such information is not available, management estimates valuation adjustments. Changes in underlying factors, assumptions or estimates in any of these areas could have a material impact on our future financial condition and results of operations.

The following briefly describes the more complex policies involving a significant amount of judgments about valuation and the application of complex accounting standards and interpretations.

Allowance for Credit Losses

The allowance for credit losses has been determined in accordance with GAAP. The Company is responsible for the timely and periodic determination of the amount of the allowance for credit losses. Management believes that the allowance for credit losses is adequate to cover expected credit losses over the life of the loan portfolio. Although management evaluates available information to determine the adequacy of the allowance for credit losses, the level of allowance is an estimate which is subject to significant judgment and short-term change. Because of uncertainties associated with local and national economic forecasts, the operating and regulatory environment, collateral values and future cash flows from the loan portfolio, it is possible that a material change could occur in the allowance for credit losses in the near term. The evaluation of the adequacy of loan collateral is often based upon estimates and appraisals. Because of changing economic conditions, the valuations determined from such estimates and appraisals may also change.

Accordingly, the Company may ultimately incur losses that vary from management's current estimates. Adjustments to the allowance for credit losses will be reported in the period in which such adjustments become known and can be reasonably estimated. All loan losses are charged to the allowance for credit losses when the loss actually occurs or when the collectability of the principal is unlikely. Recoveries are credited to the allowance at the time of recovery. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for credit losses. As a result of such examinations, the Company may need to recognize additions to the allowance for credit losses based on the regulators' judgments.

In estimating the allowance for credit losses, the Company relies on models and economic forecasts developed by external parties as the primary driver of the allowance for credit losses. These models and forecasts are based on nationwide sets of data. Economic forecasts can change significantly over an economic cycle and have a significant level of uncertainty associated with them. The performance of the models is dependent on the variables used in the models being reasonable proxies for the loan portfolio's performance. However, these variables may not capture all sources of risk within the portfolio. As a result, the Company reviews the results and makes qualitative adjustments to the models to capture limitations of the models as necessary. Such qualitative factors may include adjustments to better capture the imprecision associated with the economic forecasts, and the ability of the models to capture emerging risks within the portfolio that may not be represented in the data. These judgments are evaluated through the Company's review process and revised on a quarterly basis to account for changes in facts and circumstances. It is difficult to estimate how potential changes in any one of the quantitative inputs or qualitative factors might affect the overall allowance for credit losses, and the Company's current assessments may not reflect the potential future impact of changes to those inputs or factors.

Investment Securities Impairment

Effective January 1, 2023, the Company estimates and recognizes an allowance for credit losses for held-to-maturity (HTM) debt securities pursuant to ASU No. 2016-13. The Company has a zero loss expectation for its HTM securities portfolio, except for U.S. State and Municipal securities, and therefore it is not required to estimate an allowance for credit losses related to these securities. For HTM securities that do not have a zero loss expectation, the allowance for credit losses is based on the security's amortized cost, excluding interest receivable, and represents the portion of the amortized cost that the Company does not expect to collect over the life of the security. The allowance for credit losses is determined using average industry credit ratings and historical loss experience, and is initially recognized upon acquisition of the securities, and subsequently remeasured on a recurring basis. The Company evaluates available for sale (AFS) debt securities that experienced a decline in fair value below amortized cost for credit impairment. In performing an assessment of whether any decline in fair value is due to a credit loss, the Company considers the extent to which the fair value is less than the amortized cost, changes in credit ratings, any adverse economic conditions, as well as all relevant information at the individual security level, such as credit deterioration of the issuer, explicit or implicit guarantees by the federal government or collateral underlying the security. If it is determined that the decline in fair value was due to credit losses, an allowance for credit losses is recorded, limited to the amount the fair value is less than the amortized cost basis. The non-credit related decrease in the fair value, such as a decline due to changes in market interest rates, is recorded in other comprehensive income (loss), net of tax. The Company recognizes a credit impairment if the Company has the intent to sell the security, or it is more likely than not that the Bank will be required to sell the security before recovery of its amortized cost. Prior to the adoption of ASU No. 2016-13 Management evaluated AFS and HTM debt securities for other-than-temporary-impairment on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation.

Comparison of the Results of Operations for the three and nine months ended September 30, 2024 and 2023

The following is a narrative discussion and analysis of significant changes in our results of operations for the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023.

Net Income

During the three months ended September 30, 2024, our net income was $8.7 million, compared to $5.9 million for the three months ended September 30, 2023, an increase of $2.8 million, or 47.11%. The primary reason for the increase in net income for the third quarter of 2024 as compared to the third quarter of 2023 was an increase in net interest income coupled with an increase in noninterest income. During the three months ended September 30, 2024, net interest income was $24.0 million compared to $20.0 million for the three months ended September 30, 2023, an increase of $4.0 million, or 19.62%. This increase is a result of higher yields on new and repricing loans. Total noninterest income for the third quarter of 2024 was $4.5 million compared to $3.9 million for the quarter ended September 30, 2023. This increase in noninterest income was primarily the result of loan related fee income. Total noninterest expense in the third quarter of 2024 increased $643.0 thousand, or 4.27%, from the third quarter of 2023. The most significant noninterest expense continues to be salaries and employee benefits which increased approximately $498.0 thousand.

During the nine months ended September 30, 2024, our net income was $22.1 million, compared to $18.6 million for the nine months ended September 30, 2023, an increase of $3.5 million, or 18.70%. The primary reason for the increase in net income for the third quarter of 2024 as compared to the third quarter of 2023 was an increase in net interest income offset by a decrease in noninterest income. During the nine months ended September 30, 2024, net interest income was $68.1 million compared to $58.1 million for the nine months ended September 30, 2023, an increase of $10.0 million, or 17.24%. This increase is a result of higher yields on new and repricing loans. Total noninterest income for the first nine months of 2024 was $11.3 million compared to $15.2 million in the first nine months of 2023. This decrease in noninterest income was primarily the result of a $3.7 million Community Development Financial Institution award recognized in 2023. Noninterest income for the first nine months of 2024 was also reduced by a $1.4 million net loss on sales of investment securities. Total noninterest expense in the third quarter of 2024 increased $1.1 million, or 2.44%, from the third quarter of 2023. The most significant increase was an increase of $1.1 million in salaries and employee benefits.

Net Interest Income and Net Interest Margin Analysis

The largest component of our net income is net interest income – the difference between the income earned on interest earning assets and the interest paid on deposits and borrowed funds used to support assets. Net interest income divided by average interest earning assets represents our net interest margin. The major factors that affect net interest income and net interest margin are changes in volumes, the yield on interest earning assets and the cost of interest bearing liabilities. Our net interest margin can also be affected by economic conditions, the competitive environment, loan demand, and deposit flow. Management's ability to respond to changes in these factors by using effective asset-liability management techniques is critical to maintaining the stability of the net interest margin and the primary source of earnings. This is discussed in greater detail under the heading "Interest Sensitivity and Market Risk".

Comparison of net interest income for the three months ended September 30, 2024 and 2023

The following table shows, for the three months ended September 30, 2024 and 2023, the average balances of each principal category of our earning assets and interest bearing liabilities and the average taxable equivalent yields on assets and average costs of liabilities. These yields and costs are calculated by dividing the income or expense by the average daily balance of the associated assets or liabilities (amounts in thousands).

	Three Months Ended September 30, 2024			Three Months Ended September 30, 2023		
	Average Balance	Interest Income/ Expense	Average Yield/Rate	Average Balance	Interest Income/ Expense	Average Yield/Rate
Interest earning assets						
Loans	$ 2,389,722	$ 38,223	6.35%	$ 2,084,083	$ 29,884	5.69%
Mortgage loans held for sale	6,291	86	5.40%	10,124	102	4.01%
Investment securities:						
Taxable securities	744,814	3,672	1.95%	784,550	3,498	1.77%
Tax-exempt securities	64,806	473	2.90%	67,744	480	2.81%
Interest bearing balances in other banks	85,820	1,177	5.44%	14,180	172	4.82%
Federal funds sold	13,102	180	5.44%	57,358	793	5.48%
Total interest earning assets	$ 3,304,555	$ 43,811	5.26%	$ 3,018,039	$ 34,929	4.59%
Interest bearing liabilities						
Interest bearing transaction accounts	$ 700,018	$ 2,983	1.69%	$ 670,072	$ 2,519	1.49%
Savings and money market accounts	982,656	7,250	2.93%	869,058	5,123	2.34%
Time deposits	666,044	7,350	4.38%	517,990	4,596	3.52%
Short-term borrowings	13,852	118	3.38%	20,378	173	3.60%
Federal Home Loan Bank advances	150,000	1,502	3.97%	155,000	1,658	4.21%
Subordinated debentures	40,000	418	4.14%	40,000	418	4.14%
Line of credit	-	-	0.00%	8,609	185	8.52%
Total interest bearing liabilities	$ 2,552,570	$ 19,621	3.05%	$ 2,281,107	$ 14,672	2.55%
Noninterest-bearing funding of earning assets	751,985	-	0.00%	736,932	-	0.00%
Total cost of funding earning assets	$ 3,304,555	$ 19,621	2.36%	$ 3,018,039	$ 14,672	1.93%
Net interest rate spread			2.21%			2.04%
Net interest income/margin (taxable equivalent)		$ 24,190	2.90%		$ 20,257	2.66%
Tax equivalent adjustment		(214)			(214)	
Net interest income/margin		$ 23,976	2.88%		$ 20,043	2.63%

The following table reflects, for the three months ended September 30, 2024 and 2023, the changes in our net interest income due to variances in the volume of interest earning assets and interest bearing liabilities and variances in the associated rates earned or paid on these assets and liabilities (amounts in thousands).

	Three Months Ended September 30, 2024 vs. Three Months Ended September 30, 2023		
	Volume	Variance due to Yield/Rate	Total
Interest earning assets			
Loans	$ 4,364	$ 3,975	$ 8,339
Mortgage loans held for sale	(38)	22	(16)
Investment securities:			
Taxable securities	(164)	338	174
Tax-exempt securities	(22)	15	(7)
Interest bearing balances in other banks	871	134	1,005
Federal funds sold	(612)	(1)	(613)
Total interest earning assets	$ 4,399	$ 4,483	$ 8,882
Interest bearing liabilities			
Interest bearing transaction accounts	$ 112	$ 352	$ 464
Savings and money market accounts	670	1,457	2,127
Time deposits	1,316	1,438	2,754
Short-term borrowings	(47)	(8)	(55)
Federal Home Loan Bank advances	(64)	(92)	(156)
Subordinated debentures	-	-	-
Line of credit	(185)	-	(185)
Total interest bearing liabilities	$ 1,802	$ 3,147	$ 4,949
Net interest income			
Net interest income (taxable equivalent)	$ 2,597	$ 1,336	$ 3,933
Taxable equivalent adjustment	12	(12)	-
Net interest income	$ 2,609	$ 1,324	$ 3,933

Total interest income for the three months ended September 30, 2024 was $43.6 million and total interest expense was $19.6 million, resulting in net interest income of $24.0 million for the period. For the same period of 2023, total interest income was $34.7 million and total interest expense was $14.7 million, resulting in net interest income of $20.0 million for the period. This represents a 19.62% increase in net interest income when comparing the same period from 2024 and 2023. When comparing the variances related to interest income for the three months ended September 30, 2024 and 2023, the increase was primarily attributed to increases in average volumes in loans and loan yields. The volume related increase in interest income for the three months ended September 30, 2024 was accompanied by an increase in the yield on loans and investment securities as well as interest bearing balances in other banks. When comparing variances related to interest expense for the three months ended September 30, 2024 and 2023, the increase primarily resulted from an increase in deposit and borrowing rates in 2024 along with an increase in deposits.

Comparison of net interest income for the nine months ended September 30, 2024 and 2023

The following table shows, for the nine months ended September 30, 2024 and 2023, the average balances of each principal category of our earning assets and interest bearing liabilities and the average taxable equivalent yields on assets and average costs of liabilities. These yields and costs are calculated by dividing the income or expense by the average daily balance of the associated assets or liabilities (amounts in thousands).

	Nine Months Ended September 30, 2024			Nine Months Ended September 30, 2023		
	Average Balance	Interest Income/ Expense	Average Yield/Rate	Average Balance	Interest Income/ Expense	Average Yield/Rate
Interest earning assets						
Loans	$ 2,315,031	$107,772	6.20%	$ 1,969,975	$ 80,417	5.46%
Mortgage loans held for sale	5,617	227	5.38%	8,775	241	3.67%
Investment securities:						
Taxable securities	741,233	10,529	1.89%	797,421	10,767	1.81%
Tax-exempt securities	64,982	1,399	2.87%	73,044	1,595	2.92%
Interest bearing balances in other banks	97,142	3,987	5.47%	29,886	1,028	4.60%
Federal funds sold	23,274	956	5.47%	35,044	1,390	5.30%
Total interest earning assets	$ 3,247,279	$124,870	5.05%	$ 2,914,145	$ 95,438	4.39%
Interest bearing liabilities						
Interest bearing transaction accounts	$ 688,013	$ 8,641	1.67%	$ 643,614	$ 5,753	1.20%
Savings and money market accounts	947,622	20,215	2.84%	846,563	12,337	1.95%
Time deposits	615,458	19,692	4.26%	495,356	11,810	3.19%
Securities sold under repurchase agreements	14,651	379	3.45%	17,393	403	3.10%
Federal Home Loan Bank advances	189,033	5,908	4.16%	129,590	4,576	4.72%
Subordinated debentures	40,000	1,253	4.17%	40,000	1,251	4.18%
Line of credit	-	-	0.00%	8,377	520	8.30%
Total interest bearing liabilities	$ 2,494,777	$ 56,088	2.99%	$ 2,180,893	$ 36,650	2.25%
Noninterest-bearing funding of earning assets	752,502	-	0.00%	733,252	-	0.00%
Total cost of funding earning assets	$ 3,247,279	$ 56,088	2.30%	$ 2,914,145	$ 36,650	1.68%
Net interest rate spread			2.06%			2.14%
Net interest income/margin (taxable equivalent)		$ 68,782	2.82%		$ 58,788	2.70%
Tax equivalent adjustment		(649)			(676)	
Net interest income/margin		$ 68,133	2.79%		$ 58,112	2.67%

The following table reflects, for the nine months ended September 30, 2024 and 2023, the changes in our net interest income due to variances in the volume of interest earning assets and interest bearing liabilities and variances in the associated rates earned or paid on these assets and liabilities (amounts in thousands).

	Nine Months Ended September 30, 2024 vs. Nine Months Ended September 30, 2023		
	Volume	Variance due to Yield/Rate	Total
Interest earning assets			
Loans	$ 14,316	$ 13,039	$ 27,355
Mortgage loans held for sale	(87)	73	(14)
Investment securities:			
Taxable securities	(689)	451	(238)
Tax-exempt securities	(171)	(25)	(196)
Interest bearing balances in other banks	2,316	643	2,959
Federal funds sold	(464)	30	(434)
Total interest earning assets	$ 15,221	$ 14,211	$ 29,432
Interest bearing liabilities			
Interest bearing transaction accounts	$ 406	$ 2,482	$ 2,888
Savings and money market accounts	1,501	6,377	7,878
Time deposits	2,915	4,967	7,882
Short-term debt	(45)	21	(24)
Federal Home Loan Bank advances	2,109	(777)	1,332
Subordinated debentures	5	(3)	2
Line of credit	(529)	9	(520)
Total interest bearing liabilities	$ 6,362	$ 13,076	$ 19,438
Net interest income			
Net interest income (taxable equivalent)	$ 8,859	$ 1,135	$ 9,994
Taxable equivalent adjustment	60	(33)	27
Net interest income	$ 8,919	$ 1,102	$ 10,021

Total interest income for the nine months ended September 30, 2024 was $124.2 million and total interest expense was $56.1 million, resulting in net interest income of $68.1 million for the period. For the same period of 2023, total interest income was $94.8 million and total interest expense was $36.7 million, resulting in net interest income of $58.1 million for the period. This represents a 17.24% increase in net interest income when comparing the same period from 2024 and 2023. When comparing the variances related to interest income for the nine months ended September 30, 2024 and 2023, the increase was primarily attributed to increases in average volumes in loans and loan yields. The volume related increase in interest income for the nine months ended September 30, 2024 was accompanied by an increase in the yield on loans and taxable investment securities as well as interest bearing balances in other banks. When comparing variances related to interest expense for the nine months ended September 30, 2024 and 2023, the increase primarily resulted from an increase in deposit and borrowing rates in 2024 along with an increase in deposits.

Provision for Credit Losses

On January 1, 2023, we adopted ASC 326, which introduces the current expected credit losses (CECL) methodology and requires us to estimate all expected credit losses over the remaining life of our loans. Accordingly, the provision for credit losses represents a charge to earnings necessary to establish an allowance for credit losses that, in management's evaluation, is adequate to provide coverage for all expected credit losses. As a result of evaluating the allowance for credit losses at September 30, 2024, management recorded a provision for credit losses of $1.33 million in the third quarter of 2024 compared to $1.31 million in the third quarter of 2023. For the nine months ended September 30, 2024 and 2023, management recorded a provision for credit losses of $4.0 million and $3.9 million, respectively. The minimally increased provision for credit losses allocated was primarily due to continued strength in the performance of our loan portfolio despite some indications of a slowdown in the economy. In management's evaluation, our allowance for credit losses reflects an amount we believe appropriate, based on our allowance assessment methodology, to adequately cover all expected future losses as of the date the allowance is determined.

Noninterest Income

In addition to net interest income, we generate various types of noninterest income from our operations. Our banking operations generate revenue from service charges and fees mainly on deposit accounts. Our mortgage division generates revenue from originating and selling mortgage loans. Our investment brokerage division generates revenue through a revenue-sharing relationship with a registered broker-dealer. We also own life insurance policies on several key employees and record income on the increase in the cash surrender value of these policies.

The following table sets forth the principal components of noninterest income for the periods indicated (amounts in thousands).

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Service charges and fees	$ 2,115	$ 1,946	$ 6,172	$ 5,569
Investment brokerage revenue	209	134	573	435
Mortgage operations	1,221	1,234	3,301	2,814
Bank owned life insurance income	395	328	1,091	957
Net gain (loss) on sales of investment securities	73	-	(1,359)	5
Community Development Financial Institution income	-	-	-	3,718
Other noninterest income	527	288	1,571	1,675
Total noninterest income	$ 4,540	$ 3,930	$ 11,349	$ 15,173

Noninterest income for the three months ended September 30, 2024 was $4.5 million compared to $3.9 million for the same period in 2023. The most significant increase in noninterest income was due to a $123 thousand increase in loan related fee income.

Noninterest income for the nine months ended September 30, 2024 was $11.3 million compared to $15.2 million for the same period in 2023. The most significant decreases in noninterest income was due to a $3.7 million Community Development Financial Institution award for the same period in 2023 as well as an approximate $1.4 million loss on sales of investment securities in 2024 while the most significant increase was a $487 thousand increase in mortgage operations revenue.

Noninterest Expense

Noninterest expenses consist primarily of salaries and employee benefits, building occupancy and equipment expenses, advertising and promotion expenses, data processing expenses, legal and professional services and miscellaneous other operating expenses.

The following table sets forth the principal components of noninterest expense for the periods indicated (amounts in thousands).

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Salaries and employee benefits	$ 9,533	$ 9,035	$ 28,205	$ 27,064
Occupancy expenses	1,017	934	2,963	2,764
Equipment rentals, depreciation, and maintenance	572	530	1,617	1,507
Telephone and communications	106	129	372	409
Advertising and business development	269	390	712	1,011
Data processing	1,093	779	3,121	2,729
Foreclosed assets, net	156	38	257	73
Federal deposit insurance and other regulatory assessments	747	698	2,176	1,992
Legal and other professional services	261	301	875	1,302
Other operating expense	1,956	2,233	6,218	6,557
Total noninterest expense	$ 15,710	$ 15,067	$ 46,516	$ 45,408

Noninterest expense for the three months ended September 30, 2024 totaled $15.7 million compared with $15.1 million for the same period of 2023. The overall increase was primarily a result of salaries and employee benefits. Salaries and employee benefits increased $498.0 thousand, or 5.51%, to $9.53 million in the third quarter of 2024 from $9.04 million in the third quarter of 2023. The number of full-time equivalent employees decreased from approximately 342 at September 30, 2023 to approximately 340 at September 30, 2024 for an decrease of approximately 0.58%.

Noninterest expense for the nine months ended September 30, 2024 totaled $46.5 million compared with $45.4 million for the same period of 2023. The overall increase was primarily a result of increases in salaries and employee benefits. Salaries and employee benefits increased $1.1 million, or 4.22%, to $28.2 million in the first nine months of 2024 from $27.1 million in the first nine months of 2023.

Provision for Income Taxes

We recognized income tax expense of $2.8 million for the three months ended September 30, 2024, compared to $1.7 million for the three months ended September 30, 2023. The effective tax rate for the three months ended September 30, 2024 was 24.6% compared to 22.6% for the same period in 2023. The effective tax rate is affected by levels of items of income that are not subject to federal and/or state taxation and by levels of items of expense that are not deductible for federal and/or state income tax purposes.

We recognized income tax expense of $6.9 million for the nine months ended September 30, 2024, compared to $5.3 million for the nine months ended September 30, 2023. The effective tax rate for the nine months ended September 30, 2024 was 23.8% compared to 22.2% for the same period in 2023. The effective tax rate is affected by levels of items of income that are not subject to federal and/or state taxation and by levels of items of expense that are not deductible for federal and/or state income tax purposes.

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

Overview

Our total assets increased $261.2 million, or 8.07%, from December 31, 2023 to September 30, 2024. Loans, net of deferred fees and discounts, increased $183.7 million, or 8.20%, from December 31, 2023 to September 30, 2024. Securities available-for-sale increased by $11.5 million, or 1.85%, and securities held-to-maturity decreased by $3.5 million, or 2.76%, from December 31, 2023 to September 30, 2024, respectively. Cash and cash equivalents increased $74.6 million, or 102.77% from December 31, 2023 to September 30, 2024. Total deposits increased $308.2 million, or 11.29%, from December 31, 2023 to September 30, 2024 which funded a majority of our loan growth. Total stockholders' equity increased $35.0 million, or 17.62% from December 31, 2023 to September 30, 2024.

Investment Securities

We use our securities portfolio primarily to enhance our overall yield on interest-earning assets and as a source of liquidity, as a tool to manage our balance sheet sensitivity and regulatory capital ratios, and as a base upon which to pledge assets for public deposits. When our liquidity position exceeds current needs and our expected loan demand, other investments are considered as a secondary earnings alternative. As investments mature, they are used to meet current cash needs, or they are reinvested to maintain our desired liquidity position. We have designated the majority of our securities as available-for-sale to provide flexibility, in case an immediate need for liquidity arises, and we believe that the composition of the portfolio offers needed flexibility in managing our liquidity position and interest rate sensitivity without adversely impacting our regulatory capital levels. In certain cases, we have designated securities as held-to-maturity to protect capital from changes in the value of the securities portfolio. Securities available-for-sale are reported at fair value with unrealized gains or losses reported as a separate component of other comprehensive income (loss), net of related deferred taxes while securities held-to-maturity are reported at amortized cost. Purchase premiums and discounts are recognized in income using the interest method over the terms of the securities.

During the nine months ended September 30, 2024, we purchased investment securities totaling $106.1 million and sold investment securities with proceeds received of $81.7 million including net realized losses of $1.4 million.

The following tables summarize the amortized cost, gross unrealized gains, gross unrealized losses, and fair value of debt securities at September 30, 2024 and December 31, 2023 (amounts in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2024:				
Securities available-for-sale:				
Residential mortgage-backed	$ 429,298	$ 555	$ (42,893)	$ 386,960
U.S. treasury securities	115,636	-	(6,104)	109,532
U.S. govt. sponsored enterprises	57,222	-	(3,133)	54,089
State, county, and municipal	74,078	65	(7,345)	66,798
Corporate debt obligations	16,724	32	(1,582)	15,174
Total available-for-sale	$ 692,958	$ 652	$ (61,057)	$ 632,553

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2024:				
Securities held-to-maturity:				
Residential mortgage-backed	$ 60,487	$ -	$ (10,185)	$ 50,302
State, county, and municipal	62,801	-	(9,817)	52,984
Total held-to-maturity	$ 123,288	$ -	$ (20,002)	$ 103,286

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023:				
Securities available-for-sale:				
Residential mortgage-backed	$ 413,179	$ 102	$ (55,981)	$ 357,300
U.S. treasury securities	130,713	-	(10,661)	120,052
U.S. govt. sponsored enterprises	68,751	-	(5,185)	63,566
State, county, and municipal	73,514	4	(8,857)	64,661
Corporate debt obligations	17,758	5	(2,251)	15,512
Total available-for-sale	$ 703,915	$ 111	$ (82,935)	$ 621,091

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023:				
Securities held-to-maturity:				
Residential mortgage-backed	$ 63,953	$ -	$ (12,022)	$ 51,931
State, county, and municipal	62,840	-	(11,597)	51,243
Total held-to-maturity	$ 126,793	$ -	$ (23,619)	$ 103,174

Loans

Loans are the largest category of interest earning assets and typically provide higher yields than other types of interest earning assets. Associated with the higher loan yields are the inherent credit and liquidity risks which management attempts to control and counterbalance. Total loans averaged $2.39 billion during the three months ended September 30, 2024, or 72.3% of average interest earning assets, as compared to $2.08 billion, or 69.1% of average interest earning assets, for the three months ended September 30, 2023. At September 30, 2024, total loans, net of deferred loan fees and discounts, were $2.42 billion, compared to $2.24 billion at December 31, 2023, an increase of $183.7 million, or 8.20%.

The organic, or non-acquired, growth in our loan portfolio is attributable both to our ability to attract new customers and to our ability to benefit from the overall growth in our markets. We seek to build relationships with new customers, maintain and even improve our relationships with existing customers, and encourage our bankers to be involved in their communities. We expect our bankers to recognize business development efforts and to maintain healthy relationships with clients, and our philosophy is to be responsive to customer needs by providing decisions in a timely manner. In addition to our business development efforts, many of the markets that we serve have shown signs of economic recovery over the last few years.

The following table provides a summary of the loan portfolio as of September 30, 2024, and December 31, 2023.

	September 30, 2024		December 31, 2023	
	Amount	% of Total	Amount	% of Total
Residential real estate:				
Closed-end 1-4 family - first lien	$ 841,742	35.2%	$ 771,144	34.9%
Closed-end 1-4 family - junior lien	14,254	0.6%	11,814	0.5%
Multi-family	29,661	1.2%	26,739	1.2%
Total residential real estate	885,657	37.0%	809,697	36.6%
Commercial real estate:				
Nonfarm nonresidential	630,947	26.4%	557,202	25.2%
Farmland	71,671	3.0%	58,532	2.6%
Total commercial real estate	702,618	29.4%	615,734	27.8%
Construction and land development:				
Residential	103,974	4.3%	100,974	4.6%
Other	163,011	6.8%	195,724	8.9%
Total construction and land development	266,985	11.1%	296,698	13.5%
Home equity lines of credit	117,722	4.9%	95,544	4.3%
Commercial loans:				
Other commercial loans	288,455	12.2%	273,639	12.4%
Agricultural	79,434	3.3%	66,510	3.0%
State, county, and municipal loans	34,666	1.4%	34,819	1.6%
Total commercial loans	402,555	16.9%	374,968	17.0%
Consumer loans	56,602	2.4%	55,587	2.5%
Total gross loans	2,432,139	101.7%	2,248,228	101.7%
Allowance for credit losses	(31,077)	-1.3%	(28,991)	-1.3%
Net discounts	(16)	0.0%	(129)	0.0%
Net deferred loan fees	(8,440)	-0.4%	(8,093)	-0.4%
Net loans	$ 2,392,606	100.0%	$ 2,211,015	100.0%

In this context, a "real estate loan" is defined as any loan, secured by real estate, regardless of the purpose of the loan. It is common practice for financial institutions in our market areas, and for our Bank, to obtain a security interest or lien in real estate whenever possible, in addition to any other available collateral. This collateral is taken to reinforce the likelihood of the ultimate repayment of the loan and tends to increase the magnitude of the real estate loan portfolio component. In general, we prefer real estate collateral to many other potential collateral sources, such as accounts receivable, inventory and equipment.

Real estate loans are the largest component of our loan portfolio and include residential real estate loans, commercial real estate loans, and construction and land development loans. At September 30, 2024, this category totaled \$1.86 billion, or 76.28% of total gross loans, compared to \$1.72 billion, or 76.60%, at December 31, 2023. Real estate loans increased \$133.1 million, or 7.73%, during the period December 31, 2023 to September 30, 2024. Commercial loans increased \$27.6 million, or 7.36% during the same period. Our management team and lending officers have a great deal of experience and expertise in real estate lending and commercial lending.

The federal regulatory agencies issued two "guidance" documents that have a significant impact on real estate related lending and, thus, on the operations of the Bank. One part of the guidance could require lenders to restrict lending secured primarily by certain categories of commercial real estate to a level of 300% of their capital or to raise additional capital. This factor, combined with the current economic environment, could affect the Bank's lending strategy away from, or to limit its expansion of, commercial real estate lending, which has been a material part of River Financial Corporation's lending strategy. This could also have a negative impact on our lending and profitability. Management actively monitors the composition of the Bank's loan portfolio, focusing on concentrations of credit, and the results of that monitoring activity are periodically reported to the Board of Directors.

The other guidance relates to the structuring of certain types of mortgages that allow negative amortization of consumer mortgage loans. Although the Bank does not engage at present in lending using these types of instruments, the guidance could have the effect of making the Bank less competitive in consumer mortgage lending if the local market is driving the demand for such an offering.

The repayment of loans is a source of additional liquidity for us. The following table sets forth our variable rate and fixed rate loans maturing within specific intervals at September 30, 2024.

LOAN MATURITY AND SENSITIVITY TO CHANGES IN INTEREST RATES

Variable Rate Loans:	One year or less	Over one year through five years	Over five years through fifteen years	Over fifteen years	Total
Residential real estate:					
Closed-end 1-4 family - first lien	$ 5,988	$ 3,501	$ 5,998	$ 475,598	$ 491,085
Closed-end 1-4 family - junior lien	964	359	-	258	1,581
Multi-family	-	10,697	-	-	10,697
Total residential real estate	6,952	14,557	5,998	475,856	503,363
Commercial real estate:					
Nonfarm nonresidential	12,293	15,395	2,334	49	30,071
Farmland	2,564	1,692	-	248	4,504
Total commercial real estate	14,857	17,087	2,334	297	34,575
Construction and land development:					
Residential	20,534	3,893	259	35,929	60,615
Other	16,173	17,444	-	10,258	43,875
Total construction and land development	36,707	21,337	259	46,187	104,490
Home equity lines of credit	8,476	4,091	83,683	-	96,250
Commercial loans:					
Other commercial loans	77,140	24,938	10,975	-	113,053
Agricultural	53,604	1,443	-	-	55,047
State, county, and municipal loans	90	-	-	-	90
Total commercial loans	130,834	26,381	10,975	-	168,190
Consumer loans	2,466	1,026	49	-	3,541
Total gross variable rate loans	$ 200,292	$ 84,479	$ 103,298	$ 522,340	$ 910,409

Fixed Rate Loans:	One year or less	Over one year through five years	Over five years through fifteen years	Over fifteen years	Total
Residential real estate:					
Closed-end 1-4 family - first lien	$ 31,068	$ 155,607	$ 60,288	$ 103,694	$ 350,657
Closed-end 1-4 family - junior lien	985	9,836	1,551	301	12,673
Multi-family	239	14,718	3,058	949	18,964
Total residential real estate	32,292	180,161	64,897	104,944	382,294
Commercial real estate:					
Nonfarm nonresidential	45,797	298,999	249,860	6,220	600,876
Farmland	10,866	38,211	18,024	66	67,167
Total commercial real estate	56,663	337,210	267,884	6,286	668,043
Construction and land development:					
Residential	37,029	5,928	402	-	43,359
Other	40,081	62,938	16,042	75	119,136
Total construction and land development	77,110	68,866	16,444	75	162,495
Home equity lines of credit	3,561	2,055	15,856	-	21,472
Commercial loans:					
Other commercial loans	22,226	113,941	39,235	-	175,402
Agricultural	6,822	17,244	321	-	24,387
State, county, and municipal loans	647	9,217	24,712	-	34,576
Total commercial loans	29,695	140,402	64,268	-	234,365
Consumer loans	7,064	29,015	16,851	131	53,061
Total fixed rate gross loans	$ 206,385	$ 757,709	$ 446,200	$ 111,436	$ 1,521,730

Total Loans:	One year or less	Over one year through five years	Over five years through fifteen years	Over fifteen years	Total
Residential real estate:					
Closed-end 1-4 family - first lien	$ 37,056	$ 159,108	$ 66,286	$ 579,292	$ 841,742
Closed-end 1-4 family - junior lien	1,949	10,195	1,551	559	14,254
Multi-family	239	25,415	3,058	949	29,661
Total residential real estate	39,244	194,718	70,895	580,800	885,657
Commercial real estate:					
Nonfarm nonresidential	58,090	314,394	252,194	6,269	630,947
Farmland	13,430	39,903	18,024	314	71,671
Total commercial real estate	71,520	354,297	270,218	6,583	702,618
Construction and land development:					
Residential	57,563	9,821	661	35,929	103,974
Other	56,254	80,382	16,042	10,333	163,011
Total construction and land development	113,817	90,203	16,703	46,262	266,985
Home equity lines of credit	12,037	6,146	99,539	-	117,722
Commercial loans:					
Other commercial loans	99,366	138,879	50,210	-	288,455
Agricultural	60,426	18,687	321	-	79,434
State, county, and municipal loans	737	9,217	24,712	-	34,666
Total commercial loans	160,529	166,783	75,243	-	402,555
Consumer loans	9,530	30,041	16,900	131	56,602
Total gross loans	$ 406,677	$ 842,188	$ 549,498	$ 633,776	$ 2,432,139

The information presented in the table above is based upon the contractual maturities of the individual loans, which may be subject to renewal at their contractual maturity. Renewal of such loans is subject to review and credit approval, as well as modification of terms at their maturity. Consequently, we believe that this treatment presents fairly the maturity structure of the loan portfolio.

Allowance for Credit Losses, Provision for Credit Losses and Asset Quality

Allowance for credit losses and provision for credit losses

The allowance for credit losses represents management's estimate of expected inherent credit losses in the loan portfolio. Management determines the allowance based on an ongoing evaluation of risk as it correlates to potential losses within the portfolio. Increases to the allowance for credit losses are made by charges to the provision for credit losses. Loans deemed to be uncollectible are charged against the allowance. Recoveries of previously charged-off amounts are credited to the allowance for credit losses.

The Bank recognizes that all significant factors that affect the collectability of the loan portfolio must be considered to determine the estimated credit losses as of the evaluation date. Furthermore, the methodology, in and of itself and even when selectively adjusted by comparison to market and peer data, does not provide a sufficient basis to determine the estimated credit losses. The Bank adjusts the modeled historical losses by a qualitative adjustment to incorporate all significant risks to form a sufficient basis to estimate the credit losses. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, and concentrations, trends in underlying collateral, as well as external factors and economic conditions not already captured.

Loans that do not share risk characteristics are evaluated on an individual basis. Generally, this population includes loans on non-accrual status, however, they can also include any loan that does not share risk characteristics with its respective pool. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of the collateral at the reporting date unadjusted for selling costs as appropriate. When the expected source of repayment is from a source other than the underlying collateral, impairment will generally be measured based on the present value of expected proceeds discounted at the contractual interest rate.

Management believes the data it uses in determining the allowance for credit losses is sufficient to estimate potential losses in the loan portfolio; however, actual results could differ from management's estimate.

The following table presents a summary of changes in the allowance for credit losses for the periods indicated (amounts in thousands).

	As of and for the Three Months Ended:		As of and for the Nine Months Ended:	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Allowance for credit losses at beginning of period	$ 30,916	$ 26,809	$ 28,991	$ 24,310
Impact of adopting ASC 326	-	80	$ -	$ 80
Charge-offs:				
Mortgage loans on real estate:				
Residential real estate	35	-	35	-
Commercial real estate	250	-	498	-
Construction and land development	10	-	29	196
Total mortgage loans on real estate	295	-	562	196
Home equity lines of credit	-	-	50	-
Commercial	867	348	1,213	510
Consumer	25	58	126	98
Total	1,187	406	1,951	804
Recoveries:				
Mortgage loans on real estate:				
Residential real estate	2	-	2	-
Commercial real estate	3	3	8	81
Construction and land development	-	-	-	-
Total mortgage loans on real estate	5	3	10	81
Home equity lines of credit	-	-	-	-
Commercial	14	19	53	205
Consumer	3	16	13	27
Total	22	38	76	313
Net charge-offs (recoveries)	1,165	368	1,875	491
Provision for credit losses	1,326	1,311	3,961	3,933
Allowance for credit losses at end of period	$ 31,077	$ 27,832	$ 31,077	$ 27,832
Total loans outstanding, net of deferred loan fees	2,423,683	2,122,443	2,423,683	2,122,443
Average loans outstanding, net of deferred loan fees	2,389,722	2,084,083	2,315,031	1,969,975
Allowance for credit losses to period end loans	1.28%	1.31%	1.28%	1.31%
Net charge-offs to average loans (annualized)	0.20%	0.07%	0.11%	0.03%

Allocation of the Allowance for Credit Losses

While no portion of the allowance for credits losses is in any way restricted to any individual loan or group of loans and the entire allowance is available to absorb losses from any and all loans, the following table represents management's allocation of the allowance for credit losses to specific loan categories as of the dates indicated (amounts in thousands).

	September 30, 2024		December 31, 2023	
	Amount	Percent of Total	Amount	Percent of Total
Mortgage loans on real estate:				
Residential real estate	$ 6,736	21.7%	$ 7,233	25.0%
Commercial real estate	10,635	34.2%	10,530	36.3%
Construction and land development	3,503	11.3%	4,646	16.0%
Total mortgage loans on real estate	20,874	67.2%	22,409	77.3%
Home equity lines of credit	1,716	5.5%	1,078	3.7%
Commercial	7,984	25.7%	4,906	16.9%
Consumer	503	1.6%	598	2.1%
Total	$ 31,077	100.0%	$ 28,991	100.0%

Nonperforming Assets

The following table presents our nonperforming assets as of the dates indicated (amounts in thousands):

	September 30, 2024	September 30, 2023	December 31, 2023
Nonaccrual loans	$ 11,438	$ 4,770	$ 5,579
Accruing loans past due 90 days or more	24	-	288
Total nonperforming loans	11,462	4,770	5,867
Foreclosed assets	44	516	92
Total nonperforming assets	$ 11,506	$ 5,286	$ 5,959
Allowance for credit losses to period end loans	1.28%	1.31%	1.29%
Allowance for credit losses to period end nonperforming loans	271.13%	583.48%	494.14%
Net charge-offs (recoveries) to average loans (annualized)	0.11%	0.03%	0.03%
Nonperforming assets to period end loans and foreclosed property	0.47%	0.25%	0.27%
Nonperforming loans to period end loans	0.47%	0.22%	0.26%
Nonperforming assets to total assets	0.33%	0.17%	0.18%
Period end loans	2,423,683	2,122,443	2,240,006
Period end total assets	3,496,474	3,179,036	3,235,250
Allowance for credit losses	31,077	27,832	28,991
Average loans for the period	2,315,031	1,969,975	2,043,466
Net charge-offs (recoveries) for the period	1,875	491	643
Period end loans plus foreclosed property	2,423,727	2,122,959	2,240,098

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that the collection of interest is doubtful. In addition to consideration of these factors, loans that are past due 90 days or more are generally placed on nonaccrual status. When a loan is placed on nonaccrual status, all accrued interest on the loan is reversed and deducted from earnings as a reduction of reported interest income. No additional interest is accrued on the loan balance until collection of both principal and interest becomes reasonably certain. Payments received while a loan is on nonaccrual status will generally be applied to the outstanding principal balance. When a problem loan is finally resolved, there may ultimately be an actual write-down or charge-off of the principal balance of the loan that would necessitate additional charges to the allowance for credit losses. The nonperforming loans classification is made up of all loans 90 days or most past due and loans on nonaccrual status.

Deposits

Deposits, which include noninterest bearing demand deposits, interest bearing demand deposits, money market accounts, savings accounts, and time deposits, are the principal source of funds for the Bank. We offer a variety of products designed to attract and retain customers, with primary focus on building and expanding client relationships. Management continues to focus on establishing a comprehensive relationship with consumer and business borrowers, seeking deposits as well as lending relationships.

The following table details the composition of our deposit portfolio as of September 30, 2024, and December 31, 2023.

	September 30, 2024		December 31, 2023	
	Amount	Percent of Total	Amount	Percent of Total
Demand deposits, non-interest bearing	$ 638,122	21.0%	$ 628,415	23.0%
Demand deposits, interest bearing	714,146	23.5%	693,421	25.4%
Money market accounts	877,491	28.9%	761,164	27.9%
Savings deposits	112,766	3.7%	112,563	4.1%
Time certificates of $250 thousand or more	383,352	12.6%	272,008	10.0%
Other time certificates	312,945	10.3%	263,084	9.6%
Totals	$ 3,038,822	100.0%	$ 2,730,655	100.0%

Total deposits were $3.04 billion at September 30, 2024, an increase of $308.2 million from December 31, 2023 with the increase resulting mainly in the balances of interest bearing demand deposits, money market accounts, and time deposit accounts. Some of our demand deposit accounts are seasonal and have expected balance fluctuations. The seasonality of these demand deposits is related to property tax collections and to agricultural production.

The following table presents the Bank's time certificates of deposits by various maturities as of September 30, 2024 (amounts in thousands).

	All Time Deposits	Time Deposits $250 or more	Time Deposits less than $250
Three months or less	$ 218,492	$ 89,242	$ 129,250
Greater than three months through six months	268,082	178,947	89,135
Greater than six months through one year	169,411	96,702	72,709
Greater than one year through three years	35,425	17,007	18,418
Greater than three years	4,887	1,454	3,433
Total	$ 696,297	$ 383,352	$ 312,945

Other Funding Sources

We supplement our deposit funding with wholesale funding when needed for balance sheet planning and management or when the terms are attractive and will not disrupt our offering rates in our markets. A source we have used for wholesale funding is the Federal Home Loan Bank of Atlanta (FHLB). The line of credit with the FHLB is secured by pledges of various loans in our loan portfolio. At September 30, 2024, the FHLB line of credit available was $253.9 million and at December 31, 2023 it was $210.3 million. As of September 30, 2024 and December 31, 2023, we had $150 million and $230 million Federal Home Loan Bank advances outstanding, respectively. We also have lines of credit for federal funds borrowings with other banks that totaled $100.0 million and $88.5 million at September 30, 2024 and December 31, 2023, respectively. Furthermore, we have pledged certain loans to the Federal Reserve Bank (FRB) to secure a line of credit. At September 30, 2024, the FRB line of credit available was $409.4 million and at December 31, 2023, the FRB line of credit available was $157.6 million. Another source that we have used for wholesale funding is the Federal Reserve Bank discount window. At both September 30, 2024 and December 31, 2023, we had no borrowings outstanding with the Federal Reserve Bank discount window.

On August 9, 2021, the Company entered into a line of credit agreement with ServisFirst Bank for $10 million. The line of credit agreement was amended on March 17, 2023 to increase the line to $20 million. The line of credit is to be used for general capital needs and investments. The line, when drawn, will require quarterly payments of interest only. The line of credit was amended on March 15, 2024 and extended the maturity date 24 months to March 15, 2026. Additionally, the amendment dated March 15, 2024 increased the interest rate float at Wall Street Journal Prime with a floor of 4.50% up from 3.25%. The line of credit is secured by 51% of the Bank's stock.

On March 9, 2021, River Financial Corporation ("the Company") entered into a Subordinated Note Purchase Agreement (the "Purchase Agreement") with the purchasers signatory thereto providing for a private placement of $40 million in aggregate principal amount of 4.00% fixed-to-floating rate Subordinated Notes due March 15, 2031 (the "Notes"). The Notes were issued by the Company to the purchasers at a price equal to 100% of their face amount. Interest on the Notes will accrue from March 9, 2021, and the Company will pay interest semi-annually on March 15th and September 15th of each year, beginning on September 15, 2021, until the Notes mature. The Notes will bear interest at a fixed rate of 4.00% per year, from and including March 9, 2021 to, but excluding, March 15, 2026. From and including March 15, 2026, but excluding the maturity date or early redemption date, the interest rate will reset quarterly at a variable rate equal to the then current three-month term SOFR plus 342 basis points. The Notes may not be prepaid by the Company prior to March 15, 2026. From and after March 15, 2026, the Company may prepay all or, from time to time, any part of the Notes at 100% of the principal amount (plus accrued interest) without penalty, subject to any requirement under Federal Reserve Board regulations to obtain prior approval from the Board of Governors of the Federal Reserve System before making any prepayment. The Notes may also be prepaid by the Company at any time after the occurrence of an event that would preclude the Notes from being included in the Tier 2 Capital of the Company. The Purchase Agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including the requirement that, subject to certain limitations, the Company restructure any portion of the Notes that ceases to be deemed Tier 2 Capital. The Company used approximately $19.7 million of the net proceeds from the issuance of the Notes to pay off its note with CenterState Bank dated October 31, 2018, including interest accrued on such notes, and the remaining proceeds for general corporate purposes, including providing capital to support the organic growth of its bank subsidiary, River Bank.

On December 15, 2023, the Bank entered into an irrevocable standby letter of credit agreement with the FHLB for $75 million issued in favor of the Alabama State Treasurer, SAFE Program. The letter of credit agreement was amended on June 24, 2024 to increase the amount to $200 million. The letter of credit agreement was amended on September 13, 2024 to decrease the amount to $175 million. The Bank is charged 0.09% on the amount of the irrevocable standby letter of credit. The letter of credit shall remain in effect until terminated by either the Bank or the Institution upon written notice to the other party.

Liquidity

Market and public confidence in our financial strength and financial institutions in general will largely determine our access to appropriate levels of liquidity. This confidence is significantly dependent on our ability to maintain sound asset quality and appropriate levels of capital reserves.

Liquidity is defined as the ability to meet anticipated customer demands for funds under credit commitments and deposit withdrawals at a reasonable cost and on a timely basis. We measure our liquidity position by giving consideration to both on- and off-balance sheet sources of and demands for funds on a daily, weekly and monthly basis.

Liquidity risk involves the risk of being unable to fund assets with the appropriate duration and rate-based liabilities, as well as the risk of not being able to meet unexpected cash needs. Liquidity planning and management are necessary to ensure the ability to fund operations cost-effectively and to meet current and future potential obligations such as loan commitments and unexpected deposit outflows. In this process, we focus on assets and liabilities and on the manner in which they combine to provide adequate liquidity to meet our needs.

Funds are available from a number of basic banking activity sources, including the core deposit base, the repayment and maturity of loans, and investment cash flows. Other funding sources include federal funds borrowings, brokered certificates of deposit and borrowings from the FHLB and FRB.

Cash and cash equivalents at September 30, 2024 and December 31, 2023, were $147.1 million and $72.6 million, respectively. Based on recorded cash and cash equivalents, management believes River Financial Corporation's liquidity resources were sufficient at September 30, 2024 to fund loans and meet other cash needs as necessary.

Off-Balance Sheet Arrangements

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized by the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The 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 Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. In most cases, the Company requires collateral or other security to support financial instruments with credit risk.

Financial instruments whose contract amount represents credit risk at September 30, 2024 and December 31, 2023 were as follows (amounts in thousands):

	September 30, 2024	December 31, 2023
Commitments to extend credit	$ 449,635	$ 477,476
Stand-by and performance letters of credit	9,136	8,025
Total	$ 458,771	$ 485,501

Contractual Obligations

While our liquidity monitoring and management considers both present and future demands for and sources of liquidity, the following table of contractual commitments focuses only on future obligations as of September 30, 2024 (amounts in thousands).

	Due in 1 year or less	Due after 1 through 3 years	Due after 3 through 5 years	Due after 5 years	Total
Deposits without a stated maturity	$ 2,342,525	$ -	$ -	$ -	$ 2,342,525
Certificates of deposit of less than $250	291,094	18,418	3,403	30	312,945
Certificates of deposit of $250 or more	364,891	17,007	1,454	-	383,352
Securities sold under agreements to repurchase	13,935	-	-	-	13,935
Federal Home Loan Bank advances	-	50,000	40,000	60,000	150,000
Subordinated debt, net of loan costs	-	-	-	39,545	39,545
Operating leases	703	952	637	1,590	3,882
Total contractual obligations	$ 3,013,148	$ 86,377	$ 45,494	$ 101,165	$ 3,246,184

Capital Position and Dividends

At September 30, 2024 and December 31, 2023, total stockholders' equity was $233.3 million and $198.3 million, respectively. The increase of approximately $35.0 million resulted mainly from the net change in retained earnings and accumulated other comprehensive loss for the nine months ended September 30, 2024. Retained earnings for the first nine months of 2024 increased $18.3 million while accumulated other comprehensive loss also decreased $17.0 million. The ratio of stockholders' equity to total assets was 6.67% and 6.13% at September 30, 2024 and December 31, 2023, respectively.

River Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Certain items such as goodwill and other intangible assets are deducted from total capital in arriving at the various regulatory capital measures such as Common Equity Tier 1 capital, Tier 1 capital, and total risk-based capital. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on River Financial Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, River Bank must meet specific capital guidelines that involve quantitative measures of the bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory regulations and guidelines. River Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

River Bank is eligible to utilize the community bank leverage ratio (CBLR) framework. The Bank has evaluated this option and has elected not to utilize the CBLR framework at this time, but may do so in the future.

Quantitative measures, established by regulation to ensure capital adequacy, require River Financial Corporation and River Bank to maintain minimum amounts and ratios (set forth in the table below) of total risk based capital, Common Equity Tier 1 capital, and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined in the regulations), and of Tier 1 capital (as defined in the regulations) to average assets (as defined in the regulations).

Management believes, as of September 30, 2024, that the Company and Bank meet all capital adequacy requirements to which they are subject. The following table presents the Company's and Bank's capital amounts and ratios as of September 30, 2024 with the required minimum levels for capital adequacy purposes including the capital conservation buffer under Basel III and minimum levels to be well capitalized (as defined) under the regulatory prompt corrective action regulations.

As of September 30, 2024:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
River Financial Corporation:						
Total Capital (To Risk-Weighted Assets)	$ 327,994	13.263%	$ 259,665	>= 10.500%	N/A	N/A
Common Equity Tier 1 Capital (To Risk-Weighted Assets)	257,081	10.396%	173,102	>= 7.000%	N/A	N/A
Tier 1 Capital (To Risk-Weighted Assets)	257,081	10.396%	210,195	>= 8.500%	N/A	N/A
Tier 1 Capital (To Average Assets)	257,081	7.451%	138,016	>= 4.000%	N/A	N/A
River Bank:						
Total Capital (To Risk-Weighted Assets)	$ 325,466	13.161%	$ 259,655	>= 10.500%	$ 247,290	>= 10.00%
Common Equity Tier 1 Capital (To Risk-Weighted Assets)	294,553	11.911%	173,104	>= 7.000%	160,739	>= 6.50%
Tier 1 Capital (To Risk-Weighted Assets)	294,553	11.911%	210,197	>= 8.500%	197,833	>= 8.00%
Tier 1 Capital (To Average Assets)	294,553	8.537%	138,016	>= 4.000%	172,520	>= 5.00%

(1) the prompt corrective action provisions are applicable at the Bank level only.

Management believes, as of December 31, 2023, that the Bank met all capital adequacy requirements to which it was subject at the time. The following table presents the Company's and Bank's capital amounts and ratios as of December 31, 2023 with the required minimum levels for capital adequacy purposes and minimum levels to be well capitalized (as defined) under the prompt corrective action regulations.

As of December 31, 2023:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
River Financial Corporation:						
Total Capital (To Risk-Weighted Assets)	$ 306,917	12.948%	$ 248,890	>= 10.500%	N/A	N/A
Common Equity Tier 1 Capital (To Risk-Weighted Assets)	237,927	10.037%	165,935	>= 7.000%	N/A	N/A
Tier 1 Capital (To Risk-Weighted Assets)	237,927	10.037%	201,492	>= 8.500%	N/A	N/A
Tier 1 Capital (To Average Assets)	237,927	7.505%	126,810	>= 4.000%	N/A	N/A
River Bank:						
Total Capital (To Risk-Weighted Assets)	$ 303,279	12.794%	$ 248,892	>= 10.500%	$ 237,040	>= 10.00%
Common Equity Tier 1 Capital (To Risk-Weighted Assets)	274,289	11.571%	165,928	>= 7.000%	154,076	>= 6.50%
Tier 1 Capital (To Risk-Weighted Assets)	274,289	11.571%	201,484	>= 8.500%	189,632	>= 8.00%
Tier 1 Capital (To Average Assets)	274,289	8.652%	126,807	>= 4.000%	158,508	>= 5.00%

(1) the prompt corrective action provisions are applicable at the Bank level only.

River Financial Corporation's principal source of funds for dividend payments and debt service is dividends received from River Bank. There are statutory limitations on the payment of dividends by River Bank to River Financial Corporation. As of September 30, 2024, the maximum amount the Bank could dividend to River Financial Corporation without prior regulatory authority approval was approximately $61.9 million. In addition to dividend restrictions, federal statutes prohibit unsecured loans from banks to bank holding companies.

During the nine months ending September 30, 2024 there were 9,000 incentive stock options issued with a weighted average exercise price of $32.33 per share. During the same period, there were 9,293 incentive stock options exercised at a weighted average exercise price of $23.35 per share. During the same period, there were 1,200 incentive stock options forfeited at a weighted average exercise price of $31.99. A total of 336,244 incentive stock options were outstanding as of September 30, 2024 with a weighted average exercise price of $25.50 per share and a weighted average remaining life of 4.47 years.

During the nine months ending September 30, 2024 there were no restricted stock grants issued. During the same time period, there were 14,450 stock grants that vested with a weighted average exercise price of $31.83. During the same time period, there were 1,050 stock grants forfeited with a weighted average exercise price of $31.20. A total of 50,233 restricted stock grants remained nonvested as of September 30, 2024 with a weighted average exercise price of $32.02 per share and a weighted average remaining life of 2.26 years.

Interest Sensitivity and Market Risk

Management monitors and manages the pricing and maturity of our assets and liabilities in order to diminish the potential adverse impact that changes in interest rates could have on net interest income. The principal monitoring technique employed by the Bank is simulation analysis.

In simulation analysis, we review each asset and liability category and its projected behavior in various different interest rate environments. These projected behaviors are based on management's past experience and on current competitive environments, including the various environments in the different markets in which we compete. Using projected behavior and differing rate scenarios as inputs, the simulation analysis generates projections of net interest income. We also periodically verify the validity of this approach by comparing actual results with those that were projected in previous models.

Another technique used in interest rate management, but to a lesser degree than simulation analysis, is the measurement of the interest sensitivity "gap", which is the positive or negative dollar difference between assets and liabilities that are subject to interest rate repricing within a given period of time. Interest rate sensitivity can be managed by repricing assets and liabilities, selling securities available for sale, replacing an asset or liability at maturity or by adjusting the interest rate during the life of an asset or liability.

We evaluate interest rate sensitivity risk and then formulate guidelines regarding asset generation and repricing, and sources and prices of off-balance sheet commitments in order to maintain interest sensitivity risk at levels deemed prudent by management. We use computer simulations to measure the net income effect of various rate scenarios. The modeling reflects interest rate changes and the related impact on net income over specified periods of time.

The following table illustrates our interest rate sensitivity at September 30, 2024, assuming the relevant assets and liabilities are collected and paid, respectively, based upon historical experience rather than their stated maturities (amounts in thousands).

	0-1 Mos	1-3 Mos	3-12 Mos	1-2 Yrs	2-3 Yrs	>3 Yrs	Total
Interest earning assets							
Loans	$ 469,914	$ 104,924	$ 405,991	$ 360,523	$ 271,683	$ 810,648	$ 2,423,683
Securities	22,105	13,320	45,988	123,205	96,705	454,518	755,841
Certificates of deposit in banks	-	-	-	1,250	2,500	468	4,218
Cash balances in banks	91,942	-	-	-	-	-	91,942
Federal funds sold	14,000	-	-	-	-	-	14,000
Total interest earning assets	$ 597,961	$ 118,244	$ 451,979	$ 484,978	$ 370,888	$ 1,265,634	$ 3,289,684
Interest bearing liabilities							
Interest bearing transaction accounts	$ 85,978	$ 14,866	$ 66,894	$ 89,191	$ 89,191	$ 368,026	$ 714,146
Savings and money market accounts	178,901	16,428	73,923	98,564	98,564	523,877	990,257
Time deposits	82,258	134,790	438,080	31,778	4,503	4,888	696,297
Securities sold under agreements to repurchase	13,935	-	-	-	-	-	13,935
Federal Home Loan Bank advances	-	-	-	25,000	25,000	100,000	150,000
Subordinated debentures, net of loan costs	-	-	-	-	-	39,545	39,545
Total interest bearing liabilities	$ 361,072	$ 166,084	$ 578,897	$ 244,533	$ 217,258	$ 1,036,336	$ 2,604,180
Interest sensitive gap							
Period gap	$ 236,889	$ (47,840)	$ (126,918)	$ 240,445	$ 153,630	$ 229,298	$ 685,504
Cumulative gap	$ 236,889	$ 189,049	$ 62,131	$ 302,576	$ 456,206	$ 685,504	
Cumulative gap - Rate Sensitive Assets/ Rate Sensitive Liabilities	7.2%	5.7%	1.9%	9.2%	13.9%	20.8%	

The Bank generally benefits from increasing market interest rates when it has an asset-sensitive gap (a positive number) and generally benefits from decreasing market interest rates when it is liability sensitive (a negative number). As shown in the table above, the Bank is asset sensitive on a cumulative basis throughout the one to two year time frame. The interest sensitivity analysis presents only a static view of the timing and repricing opportunities, without taking into consideration that changes in interest rates do not affect all assets and liabilities equally. For example, rates paid on a substantial portion of core deposits may change contractually within a relatively short time frame, but those are viewed by management as significantly less interest sensitive than market-based rates such as those paid on non-core deposits. For this and other reasons, management relies more upon the simulations analysis (as noted above) in managing interest rate risk. Net interest income may be impacted by other significant factors in a given interest rate environment, including changes in volume and mix of interest earning assets and interest bearing liabilities.

The Bank's earnings are dependent, to a large degree, on its net interest income, which is the difference between interest income earned on all interest earning assets, primarily loans and securities, and interest paid on all interest bearing liabilities, primarily deposits. Market risk is the risk of loss from adverse changes in market prices and interest rates. Our market risk arises primarily from inherent interest rate risk in our lending, investing and deposit gathering activities. We seek to reduce our exposure to market risk through actively monitoring and managing interest rate risk. Management relies on simulations analysis to evaluate the impact of varying levels of prevailing interest rates and the sensitivity of specific earning assets and interest bearing liabilities to changes in those prevailing rates. Simulation analysis consists of evaluating the impact on net interest income given changes from 400 basis points below the current prevailing rates to 400 basis points above current prevailing interest rates. Management makes certain assumptions as to the effect varying levels of interest rates have on certain interest earning assets and interest bearing liabilities, which assumptions consider both historical experience and consensus estimates of outside sources.

The following table illustrates the results of our simulation analysis to determine the extent to which market risk would affect net interest income for the next twelve months if prevailing interest rates increased or decreased by the specified amounts from current rates. As noted above, this model uses estimates and assumptions in asset and liability account rate reactions to changes in prevailing interest rates. However, to isolate the market risk inherent in the balance sheet, the model assumes that no growth in the balance sheet occurs during the projection period. This model also assumes an immediate and parallel shift in interest rates, which would result in no change in the shape or slope of the interest rate yield curve. Because of the inherent use of the estimates and assumptions in the simulation model to derive this market risk information, the actual results of the future impact of market risk on our net interest income may differ from that found in the table. Given the current level of prevailing interest rates, management believes prevailing market rates falling 300 basis points and 400 basis points are not reasonable assumptions. All other simulated prevailing interest rates changes modeled indicate a level of sensitivity of the Bank's net interest income to those changes that is acceptable to management and within established Bank policy limits as of both dates shown.

	Impact on net interest income	
	As of September 30, 2024	As of December 31, 2023
Change in prevailing rates:		
+ 400 basis points	(14.37)%	(13.84)%
+ 300 basis points	(9.43)%	(10.27)%
+ 200 basis points	(4.48)%	(6.87)%
+ 100 basis points	0.32%	(3.35)%
+ 0 basis points	-	-
- 100 basis points	(2.13)%	3.02%
- 200 basis points	(2.37)%	5.59%
- 300 basis points	(2.54)%	8.11%
- 400 basis points	(1.19)%	12.40%

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This item is not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company has carried out an evaluation under the supervision and with participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even the effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2024, the Company's disclosure controls and procedures are effective in ensuring that material information relating to the Company required to be disclosed in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the nine months ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time the Company is a party to legal proceedings. At the present time the Company is not part of any proceeding which the Company deems to be material except as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 at Item 1., "Supervision and Regulation - USA Patriot Act."

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors,” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 that could materially affect the Company’s business, financial condition or future results. The risks described in the Company’s Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company’s business, financial condition and/or operating results in the future.

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

In July 2024, the company sold 35,098 shares of its common stock for a cash total of approximately $1.1 million to its employee stock ownership plan. The Company relied upon exemptions from registration under SEC Rule 701 and Rule 147A.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Certificate of Incorporation of River Financial Corporation included as Exhibit 3.1 in the River Financial Corporation Form 8-K filed May 18, 2023 and incorporated herein by reference.
3.2	Bylaws of River Financial Corporation included as Exhibit 3.2 in the River Financial Corporation 8-K filed May 18, 2023 and incorporated herein by reference.
4.1	Article IV and Article V of the Certificates of Incorporation filed at Exhibit 3.1 to the Registrants' Form 8-K filed May 18, 2023, and Article II and Article VI of the Bylaws included as Exhibit 3.2 of the Registrants' Form 8-K filed May 18, 2023, and incorporated herein by reference.
10.2	River Financial Change in Control Agreement for Jimmy Stubbs filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.4	River Financial Change in Control Agreement for Joel K. Winslett filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.5	River Financial Change in Control Agreement for Ray Smith filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.6	River Financial Change in Control Agreement for Boles Pegues filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.7	River Financial Employment Term Sheet for Ray Smith filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.8	River Financial Employment Term Sheet for Boles Pegues filed as Exhibit 10.8 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.10	River Financial 2015 Incentive Stock Compensation Plan filed as Annex E to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.12	Form of Subordinated Note Purchase Agreement, dated March 9, 2021, between River Financial Corporation and certain accredited investors, included as Exhibit 10.1 in the River Financial Corporation Form 8-K, filed on March 10, 2021 and incorporated herein by reference.
10.13	Loan and Security Agreement, dated August 9, 2021, between River Financial Corporation and ServisFirst Bank, included as Exhibit 10.13 in the River Financial Corporation Form 10-K, filed on March 15, 2022 and incorporated herein by reference.
31.1**	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2**	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32 **	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Schedules omitted. Registrant agrees to furnish a copy of any omitted schedule to the SEC upon request.

** Filed herewith.

SIGNATURES

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

RIVER FINANCIAL CORPORATION

Date: November 12, 2024

By: /s/ James M. Stubbs
James M. Stubbs
Chief Executive Officer
(principal executive officer)

Date: November 12, 2024

By: /s/ Jason B. Davis
Jason B. Davis
Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, James M. Stubbs, certify that:

1. I have reviewed this report on Form 10-Q of River Financial Corporation;

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

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

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

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

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

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

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

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

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

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

RIVER FINANCIAL CORPORATION

November 12, 2024

/s/ James M. Stubbs
James M. Stubbs
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Jason B. Davis, certify that:

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

RIVER FINANCIAL CORPORATION

November 12, 2024

/s/ Jason B. Davis
Jason B. Davis
Chief Financial Officer

Exhibit 32

CERTIFICATIONS OF CEO AND CFO PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

CERTIFICATES PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of River Financial Corporation, an Alabama corporation (the "Company"), on Form 10-Q for the period ending September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), each of James M. Stubbs, Chief Executive Officer of the Company, and Jason B. Davis, Chief Financial Officer of the Company, do hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

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

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

RIVER FINANCIAL CORPORATION

/s/ James M. Stubbs
James M. Stubbs
Chief Executive Officer
(principal executive officer)
Date: November 12, 2024

RIVER FINANCIAL CORPORATION

/s/ Jason B. Davis
Jason B. Davis
Chief Financial Officer
(principal financial officer and accounting officer)
Date: November 12, 2024

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