

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

FORM 10-K

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

For the fiscal year ended **December 31, 2024**

or

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

Commission file number **000-19297**

**FIRST COMMUNITY BANKSHARES, INC.**

(Exact name of registrant as specified in its charter)

**Virginia**

(State or other jurisdiction  
of incorporation or organization)

**55-0694814**

(I.R.S. Employer Identification No.)

**P.O. Box 989**

**Bluefield, Virginia 24605-0989**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(276) 326-9000**

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

| Title of each class                   | Trading Symbols | Name of each exchange on which registered |
|---------------------------------------|-----------------|---|
| <b>Common Stock, \$1.00 par value</b> | <b>FCBC</b>     | <b>NASDAQ Global Select</b>               |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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

Yes  No

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

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

As of June 30, 2024, the aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates was \$504.07 million.

As of February 25, 2025, there were 18,326,672 shares outstanding of the registrant's Common Stock, \$1.00 par value.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 2025, are incorporated by reference in Part III of this Form 10-K.

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**2024 FORM 10-K**  
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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Forward-looking statements in filings with the Securities and Exchange Commission, including this Annual Report on Form 10-K and the accompanying Exhibits, filings incorporated by reference, reports to shareholders, and other communications that represent the Company's beliefs, plans, objectives, goals, guidelines, expectations, anticipations, estimates, and intentions are made in good faith pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," and other similar expressions identify forward-looking statements. The following factors, among others, could cause financial performance to differ materially from that expressed in such forward-looking statements:

- inflation, interest rate, market and monetary fluctuations;
- the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations;
- the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Federal Reserve System;
- timely development of competitive new products and services and the acceptance of these products and services by new and existing customers;
- the willingness of customers to substitute competitors' products and services for the Company's products and services and vice versa;
- the impact of changes in financial services laws and regulations, including laws about taxes, banking, securities, and insurance;
- the impact of the U.S. Department of the Treasury and federal banking regulators' continued implementation of programs to address capital and liquidity in the banking system;
- technological changes;
- the costs and effects of cyber incidents or other failures, interruptions, or security breaches of our systems or those of third-party providers;
- the effect of continued changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board, and other accounting standard setters;
- the effect of acquisitions, including, without limitation, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions;
- the sustainability of noninterest, or fee income being less than expected;
- unanticipated regulatory or judicial proceedings;
- changes in consumer spending and saving habits; and
- the Company's success at managing the risks mentioned above.

The list of important factors is not exclusive. If one or more of the factors affecting these forward-looking statements proves incorrect, actual results, performance, or achievements could differ materially from those expressed in, or implied by, forward-looking statements contained in this Annual Report on Form 10-K and other reports we file with the Securities and Exchange Commission. Therefore, the Company cautions you not to place undue reliance on forward-looking information and statements. The Company does not intend to update any forward-looking statements, whether written or oral, to reflect changes. These cautionary statements expressly qualify all forward-looking statements that apply to the Company including the risk factors presented in Part I, Item 1A of this report.

## PART I

### Item 1. Business.

#### General

First Community Bankshares, Inc. (the “Company”), a financial holding company, was founded in 1989 and reincorporated under the laws of the Commonwealth of Virginia. The Company’s principal executive office is located in Bluefield, Virginia. The Company provides banking products and services to individual and commercial customers through its wholly owned subsidiary First Community Bank (the “Bank”), a Virginia-chartered banking institution founded in 1874. The Bank offers wealth management and investment advice through its Trust Division and wholly owned subsidiary First Community Wealth Management. Unless the context suggests otherwise, the terms “First Community,” “Company,” “we,” “our,” and “us” in this Annual Report on Form 10-K refer to First Community Bankshares, Inc. and its subsidiaries as a consolidated entity.

We operate 53 branches across the states of Virginia, West Virginia, North Carolina, and Tennessee. We’re committed to the passionate pursuit of excellence in community banking and we’ve set our sights on being the bank of choice, employer of choice, and investment of choice in the communities in which we operate.

Our mission is to:

- understand and anticipate customer and community financial needs and preferences by learning from our customers and engaging with our communities;
- help our customers and communities achieve their financial goals and objectives by providing workable solutions delivered in a professional manner by friendly, knowledgeable people and convenient, reliable systems;
- recruit, retain, and develop talented and resourceful employees by providing competitive compensation and benefits; offering first-rate continuing education; and fostering a team environment that empowers employees, encourages growth, and recognizes and rewards achievement; and
- allocate shareholder resources by pursuing those investments and business opportunities that provide a superior risk-assessed return.

Our operations are guided by a strategic plan that focuses on organic growth supplemented by strategic acquisitions of complementary financial institutions.

#### Employees and Human Capital Resources

As of December 31, 2024, we had 582 full-time employees and 28 part-time employees. The employees are not represented by a collective bargaining unit and we consider our relationship with our employees to be good.

We encourage and support the growth and development of our employees and, wherever possible, seek to fill positions by promotion and transfer from within the organization. Continual learning and career development is advanced through ongoing performance and development conversations with employees, internally developed training programs and customized corporate training engagements.

The safety, health and wellness of our employees is a top priority. All employees are asked not to come to work when they experience signs or symptoms of a possible communicable illness. On an ongoing basis, we further promote the health and wellness of our employees by strongly encouraging work-life balance and keeping increases in the employee portion of health care premiums as small as possible and sponsoring various wellness programs.

Employee retention helps us operate efficiently and achieve one of our business objectives, which is building financial partnerships. We believe our commitment to living out our core values, actively prioritizing concern for our employees’ well-being, supporting our employees’ career goals, offering competitive wages and providing valuable fringe benefits aids in retention of our top-performing employees. In addition, nearly all of our employees are stockholders of the Company through participation in our current 401(k) plan and a former employee stock ownership plan, which aligns employee and stockholder interests by providing stock ownership on a tax-deferred basis at no investment cost to our employees.

#### Market Area

As of December 31, 2024, we operated 53 branch locations in Virginia, West Virginia, North Carolina, and Tennessee through our sole operating segment, Community Banking. Economic indicators in our market areas show relatively stable employment and business conditions. We serve a diverse base of individuals and businesses across a variety of industries such as education; government and health services; retail trade; construction; manufacturing; tourism; coal mining and gas extraction; and transportation.

#### Competition

The financial services industry is highly competitive and constantly evolving. We encounter strong competition in attracting and retaining deposit, loan, and other financial relationships in our market areas. We compete with other commercial banks, thrifts, savings and loan associations, untaxed and lesser regulated credit unions, consumer finance companies, mortgage banking firms, commercial finance and leasing companies, securities firms, brokerage firms, and insurance companies. We have positioned ourselves as a regional community bank that provides an alternative to larger banks, which often place less emphasis on personal relationships, and smaller community banks, which lack the capital and resources to efficiently serve customer needs. Factors that influence our ability to remain competitive include the ability to develop, maintain, and build long-term customer relationships; the quality, variety, and pricing of products and services; the convenience of banking locations and office hours; technological developments; and industry and general economic conditions. We seek to mitigate competitive pressures with our relationship style of banking, competitive pricing, and cost efficiencies.

## Supervision and Regulation

### *Overview*

We are subject to extensive examination, supervision, and regulation under applicable federal and state laws by various regulatory agencies. These regulations are intended to protect consumers, depositors, borrowers, deposit insurance funds, and the stability of the financial system and are not for the protection of stockholders or creditors.

Applicable laws and regulations restrict our permissible activities and investments and impose conditions and requirements on the products and services we offer and the manner in which they are offered and sold. They also restrict our ability to repurchase stock or pay dividends, or to receive dividends from our banking subsidiary, and impose capital adequacy requirements on the Company and the Bank. The consequences of noncompliance with these laws and regulations can include substantial monetary and nonmonetary sanctions.

The following discussion summarizes significant laws and regulations applicable to the Company and the Bank. These summaries are not intended to be complete and are qualified in their entirety by reference to the applicable statute or regulation. Changes in laws and regulations may have a material effect on our business, financial condition, or results of operations.

#### *First Community Bankshares, Inc.*

The Company is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, (“BHC Act”) and a financial holding company under the Gramm-Leach-Bliley Act of 1999 (“GLB Act”). The Company elected financial holding company status in December 2006. The Company and its subsidiaries are subject to supervision, regulation, and examination by the Board of Governors of the Federal Reserve System (“Federal Reserve”). The BHC Act generally provides for umbrella regulation of financial holding companies, such as the Company, by the Federal Reserve, as well as functional regulation of financial holding company subsidiaries by applicable regulatory agencies. The Federal Reserve is granted the authority, in certain circumstances, to require reports of, examine, and adopt rules applicable to any bank holding company subsidiary.

The Company is also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, (“Exchange Act”), as administered by the Securities and Exchange Commission (“SEC”). The Company’s common stock is listed on the NASDAQ Global Select Market under the trading symbol FCBC and is subject to NASDAQ’s rules for listed companies.

#### *First Community Bank*

The Bank is a Virginia chartered bank and a member of the Federal Reserve subject to supervision, regulation, and examination by the Virginia Bureau of Financial Institutions and the Federal Reserve Board. The Bank is a member of the Federal Deposit Insurance Corporation (“FDIC”), and its deposits are insured by the FDIC to the extent provided by law. The regulations of these agencies govern most aspects of the Bank’s business, including requirements concerning the allowance for loan losses, lending and mortgage operations, interest rates received on loans and paid on deposits, the payment of dividends, loans to affiliates, mergers and acquisitions, capital, and the establishment of branches. Various consumer and compliance laws and regulations also affect the Bank’s operations.

As a member bank, the Bank is required to hold stock in the Federal Reserve Bank of Richmond (“FRB”) in an amount equal to 6% of its capital stock and surplus (half paid to acquire the stock with the remainder held as a cash reserve). Member banks do not have any control over the Federal Reserve as a result of owning the stock and the stock cannot be sold or traded.

#### *Permitted Activities under the BHC Act*

The BHC Act limits the activities of bank holding companies, such as the Company, to the business of banking, managing or controlling banks and other activities the Federal Reserve determines to be closely related to banking. A bank holding company that elects treatment as a financial holding company under the GLB Act, such as the Company, may engage in a broader range of activities that are financial in nature or complementary to a financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system. These activities include securities underwriting, dealing, and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and other activities that the Federal Reserve determines to be closely related to banking.

In order to maintain financial holding company status, the Company and the Bank must be well-capitalized and well-managed under applicable Federal Reserve regulations and have received at least a satisfactory rating under the Community Reinvestment Act of 1977 (“CRA”). See “Prompt Corrective Action” and “Community Reinvestment Act” below. If we fail to meet these requirements, the Federal Reserve may impose corrective capital and managerial requirements and place limitations or conditions on our ability to conduct activities permissible for financial holding companies. If the deficiencies persist, the Federal Reserve may require the Company to divest the Bank or divest investments in companies engaged in activities permissible only for financial holding companies.

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The Company is required to give the Federal Reserve prior notice of any redemption or repurchase of its own equity securities, subject to certain exemptions, if the consideration to be paid, together with the consideration paid for any repurchases or redemptions in the preceding 12 months, is equal to 10% or more of the Company's consolidated net worth. The Federal Reserve may oppose the transaction if it believes that the transaction would constitute an unsafe or unsound practice or would violate any law or regulation. Any redemption or repurchase of preferred stock or subordinated debt remains subject to the prior approval of the Federal Reserve Board.

The Inflation Reduction Act of 2022 (the "IRA") imposed a 1% excise tax on the fair market value of stock repurchased after December 31, 2022, by publicly traded U.S. corporations. With certain exceptions, the value of stock repurchased is determined net of stock issued in the year, including shares issued pursuant to compensatory arrangements.

The BHC Act requires that bank holding companies obtain the Federal Reserve's approval before acquiring direct or indirect ownership or control of more than 5% of the voting shares or all, or substantially all, of the assets of a bank. The regulatory authorities are required to consider the financial and managerial resources and future prospects of the bank holding company and the target bank, the convenience and needs of the communities to be served, and various competitive factors when approving acquisitions. The BHC Act also prohibits a bank holding company from acquiring direct or indirect control of more than 5% of the outstanding voting stock of any company engaged in a non-banking business unless the Federal Reserve determines it to be closely related to banking.

### ***Capital Requirements***

We are subject to various regulatory capital requirements administered by the Federal Reserve (the "Basel III Capital Rules").

Since fully phased in on January 1, 2019, Basel III Capital Rules require the Company and the Bank to maintain the following:

- A minimum ratio of Common Equity Tier 1 ("CET1") to risk-weighted assets of at least 4.50%, plus a 2.50% "capital conservation buffer" that is composed entirely of CET1 capital (resulting in a minimum ratio of CET1 to risk-weighted assets of 7.00%);
- A minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.00%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.50%);
- A minimum ratio of total capital (Tier 1 capital plus Tier 2 capital) to risk-weighted assets of at least 8.00%, plus the capital conservation buffer (resulting in a minimum total capital ratio of 10.50%); and
- A minimum leverage ratio of 4.00%, calculated as the ratio of Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

Banking institutions that fail to meet the effective minimum ratios once the capital conservation buffer is taken into account, as detailed above, will be subject to constraints on capital distributions, including dividends and share repurchases, and certain discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the institution's "eligible retained income" (that is, the greater of (i) net income for the preceding four quarters, net of distributions and associated tax effects not reflected in net income and (ii) average net income over the preceding four quarters).

Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 25% of CET1.

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Basel III Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the four Basel I categories (0%, 20%, 50% and 100%) to a larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. In November 2019, the federal banking agencies adopted a rule revising the scope of commercial real estate mortgages subject to a 150% risk weight.

Management believes that the Company and the Bank's current capital levels exceed the required capital amounts to be considered well-capitalized and also meet the fully phased-in minimum capital requirements, including the related capital conservation buffers, as required by the Basel III Capital Rules as of December 31, 2024. For additional information, see Note 20, "Regulatory Requirements and Restrictions," to the Consolidated Financial Statements in Part II, Item 8 of this report.

### ***Prompt Corrective Action***

The federal banking regulators are required to take prompt corrective action with respect to capital-deficient institutions. Agency regulations define, for each capital category, the levels at which institutions are well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, or critically undercapitalized. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if the appropriate federal regulators determine that it is engaging in an unsafe or unsound practice or is in an unsafe or unsound condition. A bank's capital category is determined solely for applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank's financial condition or prospects for other purposes.

The Bank was classified as well-capitalized under prompt corrective action regulations as of December 31, 2024. In order to be considered a well-capitalized institution under Basel III Capital Rules, an organization must not be subject to any written agreement, order, capital directive, or prompt corrective action directive and must maintain the following minimum capital ratios:

- 6.5% CET1 to risk-weighted assets
- 8.0% Tier 1 capital to risk-weighted assets
- 10.0% Total capital to risk-weighted assets
- 5.0% Tier 1 leverage ratio

Undercapitalized institutions are required to submit a capital restoration plan to federal banking regulators. Under the Federal Deposit Insurance Act, as amended ("FDIA"), in order for the capital restoration plan to be accepted by the appropriate federal banking agency, a bank holding company must provide appropriate assurances of performance and guarantee that its subsidiary bank will comply with its capital restoration plan, subject to certain limitations. Agency regulations contain broad restrictions on certain activities of undercapitalized institutions, including asset growth, acquisitions, establishing branches, and engaging in new lines of business. With certain exceptions, a depository institution is prohibited from making capital distributions, including dividends, and is prohibited from paying management fees to its parent holding company if the institution would be undercapitalized after such distribution or payment.

A significantly undercapitalized institution is subject to various requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, and ending deposits from correspondent banks. The FDIC has limited discretion in dealing with a critically undercapitalized institution and is generally required to appoint a receiver or conservator.

### ***Safety and Soundness Standards***

Guidelines adopted by federal bank regulatory agencies establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage risks and exposures. If an institution fails to meet safety and soundness standards, the regulatory agencies may require the institution to submit a written compliance plan describing the steps they would take to correct the situation and the time that such steps would be taken. If an institution fails to submit or implement an acceptable compliance plan, after being notified, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions, such as those applicable to undercapitalized institutions under the prompt corrective action provisions of the FDIA. An institution may be subject to judicial proceedings and civil money penalties if it fails to follow such an order.

### ***Payment of Dividends***

The Company is a legal entity that is separate and distinct from its subsidiaries. The Company's principal source of cash flow is derived from dividends paid by the Bank. There are various restrictions by regulatory agencies related to dividends paid by the Bank to the Company and dividends paid by the Company to its shareholders. The payment of dividends by the Company and the Bank may be limited by certain factors, such as requirements to maintain capital above regulatory guideline minimums.

Prior FRB approval is required for the Bank to declare or pay a dividend to the Company if the total of all dividends declared in any given year exceed the total of the Bank's net profits for that year and its retained profits for the preceding two years, less any required transfers to surplus or to fund the retirement of preferred stock. Dividends paid by the Company to shareholders are subject to oversight by the Federal Reserve. Federal Reserve policy states that bank holding companies generally should pay dividends on common stock only from income available over the past year if prospective earnings retention is consistent with the organization's expected future needs, asset quality, and financial condition.

Regulatory agencies have the authority to limit or prohibit the Company and the Bank from paying dividends if the payments are deemed to constitute an unsafe or unsound practice. The appropriate regulatory authorities have stated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only from current operating earnings. In addition, the Bank may not declare or pay a dividend if, after paying the dividend, the Bank would be classified as undercapitalized. In the current financial and economic environment, the Federal Reserve has discouraged payout ratios that are at maximum allowable levels, unless both asset quality and capital are very strong, and has noted that bank holding companies should carefully review their dividend policy. Bank holding companies should not maintain dividend levels that undermine their ability to be a source of strength to their banking subsidiaries.

### ***Source of Strength***

Federal Reserve policy and federal law require the Company to act as a source of financial and managerial strength to the Bank. Under this requirement, the Company is expected to commit resources to support the Bank even when it may not be in a financial position to provide such resources. Because the Company is a legal entity separate and distinct from its subsidiaries, any capital loans it makes to the Bank are subordinate in right of payment to depositors and to certain other indebtedness of the Bank. In the event of the Company's bankruptcy, any commitment by the Company to a federal bank regulatory agency to maintain the capital of the Bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

### ***Transactions with Affiliates***

The Federal Reserve Act ("FRA") and Federal Reserve Regulation W place restrictions on "covered transactions" between the Bank and its affiliates, including the Company. The term "covered transactions" includes making loans, purchasing assets, issuing guarantees, and other similar transactions. The Dodd-Frank Act expanded the definition of "covered transactions" to include derivative activities, repurchase agreements, and securities lending or borrowing activities. These restrictions limit the amount of transactions with affiliates, require certain levels of collateral for loans to affiliates, and require that all transactions with affiliates be on terms that are consistent with safe and sound banking practices. In addition, these transactions must be on terms that are substantially the same, or at least as favorable to the Bank, as those prevailing at the time for similar transactions with non-affiliates.

The FRA and Federal Reserve Regulation O place restrictions on loans between the Company and the Bank and their directors, executive officers, principal shareholders, affiliates, and interests of those directors, executive officers, and principal shareholders. These restrictions limit the amount of loans to one borrower and require that loans are on terms that are substantially the same as, and follow underwriting procedures that are not less stringent than, those prevailing at the time for similar loans with non-insiders. In addition, the aggregate limit of loans to all insiders, as a group, cannot exceed the Bank's total unimpaired capital and surplus.

## ***Deposit Insurance and Assessments***

Substantially all of the Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to quarterly deposit insurance assessments to maintain the DIF. Deposit insurance premiums are assessed using a risk-based system that places FDIC-insured institutions into one of four risk categories based on capital, supervisory ratings and other factors. The assessment rate determined by considering such information is then applied to the institution's average assets minus average tangible equity to determine the institution's insurance premium. The FDIC may change assessment rates or revise its risk-based assessment system if deemed necessary to maintain an adequate reserve ratio for the DIF. The Dodd-Frank Act required that the minimum reserve ratio for the DIF increase from 1.15% to 1.35% by September 30, 2020. Under the FDIA, the FDIC may terminate deposit insurance if it determines that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC. In October 2022, the FDIC adopted a final rule to increase the initial base deposit insurance assessment rate schedules uniformly by 2 basis points beginning with the first quarterly assessment period of 2023. The increased assessment is expected to improve the likelihood that the DIF reserve ratio would reach the statutory minimum of 1.35% by the statutory deadline prescribed under the FDIC's amended restoration plan.

In November 2023, the FDIC issued a final rule to implement a special assessment to recover losses to the DIF incurred as a result of bank failures earlier that year and the FDIC's use of the systemic risk exception to cover certain deposits that were otherwise uninsured. The special assessment was based on estimated uninsured deposits as of December 31, 2022 (excluding the first \$5.0 billion) and was assessed at a quarterly rate of 3.36 basis points, over eight quarterly assessment periods, that began in the first quarter of 2024. In June 2024, due to the increased estimate of losses, the FDIC announced that it projects that the special assessment will be collected for an additional two quarters beyond the initial eight-quarter collection period, at a lower rate. This updated assessment was made under the FDIC's final rule whereby the estimated loss pursuant to the systemic risk determination can be periodically adjusted. The FDIC has also retained the ability to cease collection early, extend the special assessment collection period and impose a final shortfall special assessment. The special assessments are tax deductible. The extent to which any such additional future assessments will impact our future deposit insurance expense is currently uncertain.

## ***The Volcker Rule***

A provision in the Dodd-Frank Act, known as the Volcker Rule, amended the BHC Act to prohibit depository institutions and their affiliates from engaging in proprietary trading and from investing in, sponsoring, or having certain relationships with hedge funds or private equity funds. The Volcker Rule, which became effective in July 2015 and the implementing regulations of which were amended in 2019 and were subject to further amendment in 2020, does not significantly impact the operations of the Company and its subsidiaries, as we do not have any engagement in the businesses prohibited by the Volcker Rule.

## ***Community Reinvestment Act***

The CRA, as amended, requires depository institutions to help meet the credit needs of their market areas, including low-and moderate-income individuals and communities, consistent with safe and sound banking practices. Federal banking regulators periodically examine depository institutions and assign ratings based on CRA compliance. A rating of less than satisfactory may restrict certain operating activities, delay or deny certain transactions, or result in an institution losing its financial holding company status. The Bank received a rating of satisfactory in its most recent CRA examination.

On October 24, 2023, the FDIC, the Federal Reserve, and the Office of the Comptroller of the Currency ("OCC") issued a final rule to strengthen and modernize the CRA regulations. The final rule is intended, among other things, to adapt to changes in the banking industry, including the expanded role of mobile and online banking, and to tailor performance standards to account for differences in bank size and business models. The final rule introduces new tests under which the performance of banks with over \$2 billion in assets will be assessed. The final rule also includes data collection and reporting requirements, some of which are applicable only to banks with over \$10 billion in assets. The applicability date for the majority of the provisions in the CRA regulations is January 1, 2026, and additional requirements will be applicable on January 1, 2027. An institution's failure to comply with the provisions of the CRA could, at a minimum, result in regulatory restrictions on its activities. The final rule is currently enjoined as to the plaintiff trade associations, while a federal court considers a lawsuit challenging the rule.

## ***Incentive Compensation***

Federal regulatory agencies have issued comprehensive guidance intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance is based on the key principles that a banking organization's incentive compensation arrangements should (1) provide incentives that do not encourage risk taking beyond the organization's ability to effectively identify and manage risks, (2) be compatible with effective internal controls and risk management, and (3) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

Federal banking regulators periodically examine the incentive compensation arrangements of banking organizations and incorporate any deficiencies in the organization's supervisory ratings, which can affect certain operating activities. The FRB may initiate enforcement actions if the organization's incentive compensation arrangements or related risk management, control, or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies. The scope and content of the U.S. banking regulators' policies on incentive compensation are continuing to develop. It cannot be determined at this time if or when a final rule will be adopted or if compliance with such a final rule will adversely affect the ability of the Company and its subsidiaries to hire, retain and motivate their key employees.

In October 2022, the SEC adopted a final rule directing national securities exchanges and associations, including NASDAQ, to implement listing standards that require listed companies to adopt policies mandating the recovery or "clawback" of excess incentive-based compensation earned by a current or former executive officer during the three fiscal years preceding the date the listed company is required to prepare an accounting restatement, including to correct an error that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. The NASDAQ's listing standards pursuant to the SEC's rule became effective on October 2, 2023. The Company adopted a compensation recovery policy pursuant to the

NASDAQ listing standards on October 24, 2023 and was included as Exhibit 97.1 to Form 10-K for the year ended December 31, 2023.

***Anti-Tying Restrictions***

The Bank and its affiliates are prohibited from tying the provision of certain services, such as extensions of credit, to other services offered by the Company.

### ***Consumer Protection and Privacy***

We are subject to certain consumer laws and regulations that are designed to protect consumers in transactions with banks. These laws and regulations include the Mortgage Reform and Anti-Predatory Lending Act, the Truth in Lending Act, the Truth in Savings Act, the Home Mortgage Disclosure Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Debt Collections Practices Act, the Right to Financial Privacy Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Service Members Civil Relief Act, and various state law counterparts. These laws and regulations contain extensive customer privacy protection provisions that limit the ability of financial institutions to disclose non-public information about consumers to non-affiliated third parties and require financial institutions to disclose certain policies to consumers.

### ***Cybersecurity***

Various federal and state laws and regulations contain extensive data privacy and cybersecurity provisions, and the regulatory framework for data privacy and cybersecurity is rapidly evolving. The FRB, FDIC, and other bank regulatory agencies have adopted guidelines for safeguarding confidential, personal customer information. These guidelines require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to create, implement, and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. In addition, various U.S. regulators, including the FRB and the SEC, have increased their focus on cyber security through guidance, examinations, and regulations.

At the federal level, the GLB Act requires financial institutions to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to non-affiliated third parties. In general, the statute requires explanations to consumers on policies and procedures regarding the disclosure of such nonpublic personal information and, except as otherwise required by law, prohibits disclosing such personal information except as provided in the financial institution's policies and procedures.

Banking organizations are required to notify their primary federal regulators within 36 hours after identifying a "computer-security incident" that the banking organization believes in good faith could materially disrupt or degrade its business or operations in a manner that would, among other things, jeopardize the viability of its operations, result in customers being unable to access their deposit and other accounts, result in a material loss of revenue, profit or franchise value, or pose a threat to the financial stability of the U.S.

In 2023, the SEC issued a final rule that requires disclosure of material cybersecurity incidents, as well as cybersecurity risk management, strategy and governance. Under this rule, banking organizations that are SEC registrants must generally disclose information about a material cybersecurity incident within four business days of determining it is material with periodic updates as to the status of the incident in subsequent filings as necessary.

See Item 1A. Risk Factors for a further discussion of risks related to cybersecurity and Item 1C. Cybersecurity for a further discussion of risk management strategies and governance processes related to cybersecurity.

### ***Bank Secrecy Act and Anti-Money Laundering***

The Bank is subject to the requirements of the Bank Secrecy Act of 1970 ("BSA") and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act ("USA PATRIOT Act") of 2001. The USA PATRIOT Act broadened existing anti-money laundering legislation by imposing new compliance and due diligence obligations focused on detecting and reporting money laundering transactions. These laws and regulations require the Bank to implement policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing and to verify the identity of our customers. Violations can result in substantial civil and criminal sanctions. In addition, provisions of the USA PATRIOT Act require the federal financial regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing mergers and acquisitions.

The Anti-Money Laundering Act of 2020 ("AMLA"), which amends BSA, was enacted in January 2021. The AMLA is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards for evaluating technology and internal processes for BSA compliance; expands enforcement- and investigation-related authority, including increasing available sanctions for certain BSA violations and instituting BSA whistleblower incentives and protections.

### ***Office of Foreign Assets Control Regulation***

The U.S. Department of the Treasury's ("Treasury") Office of Foreign Assets Control ("OFAC") administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals, and others. OFAC publishes lists of specially designated targets and countries. We are responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them, and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious legal, financial, and reputational consequences, including causing applicable bank regulatory authorities to not approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

### ***Sarbanes-Oxley Act***

The Sarbanes-Oxley Act ("SOX Act") of 2002 addresses a broad range of corporate governance, auditing and accounting, executive compensation, and disclosure requirements for public companies and their directors and officers. The SOX Act requires our Chief Executive Officer and Chief Financial Officer to certify the accuracy of certain information included in our quarterly and annual reports. The rules require these officers to certify that they are responsible for establishing, maintaining, and regularly evaluating the effectiveness of our financial reporting and disclosure controls and procedures; that they have made

certain disclosures to the auditors and to the Audit Committee of the Board of Directors about our controls and procedures; and that they have included information in their quarterly and annual filings about their evaluation and whether there have been significant changes to the controls and procedures or other factors which would significantly impact these controls subsequent to their evaluation. Section 404 of the SOX Act requires management to undertake an assessment of the adequacy and effectiveness of our internal controls over financial reporting and requires our auditors to attest to and report on the effectiveness of these controls.

## ***Climate-Related and Other ESG Developments***

In recent years, federal, state and international lawmakers and regulators have increased their focus on financial institutions' and other companies' risk oversight, disclosures and practices in connection with climate change and other environmental, social and governance (“ESG”) matters. In addition, several states have enacted or proposed statutes or regulations addressing climate change and other ESG issues, including “anti-ESG” statutes or regulations.

### ***Future Legislation and Regulation***

Congress may enact legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although any change could impact the regulatory structure under which we or our competitors operate and may significantly increase costs, impede the efficiency of internal business processes, require an increase in regulatory capital, require modifications to our business strategy, and limit our ability to pursue business opportunities in an efficient manner. It could also affect our competitors differently than us, including in a manner that would make them more competitive. A change in statutes, regulations or regulatory policies applicable to the Company or the Bank could have a material, adverse effect on our business, financial condition and results of operations.

### **Available Information**

We file annual, quarterly, and current reports; proxy statements; and other information with the SEC. You may read and copy any document we file with the SEC at the SEC’s website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information that issuers file electronically with the SEC. We maintain a website at [www.firstcommunitybank.com](http://www.firstcommunitybank.com) that makes available, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other information, including any amendments to those reports as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. You are encouraged to access these reports and other information about our business from the Investor Relations section of our website. The Investor Relations section contains information about our Board of Directors, executive officers, and corporate governance policies and principles, which include the charters of the standing committees of the Board of Directors, the Insider Trading Policy, and the Standards of Conduct governing our directors, officers, and employees. Information on our website is not incorporated by reference in this report.

### **Item 1A. Risk Factors.**

The risk factors described below discuss potential events, trends, or other circumstances that could adversely affect our business, financial condition, results of operations, cash flows, liquidity, access to capital resources, and, consequently, cause the market value of our common stock to decline. These risks could cause our future results to differ materially from historical results and expectations of future financial performance. If any of the risks occur and the market price of our common stock declines significantly, individuals may lose all, or part, of their investment in our Company. Individuals should carefully consider our risk factors and information included, or incorporated by reference, in this report before making an investment decision. There may be risks and uncertainties that we have not identified or that we have deemed immaterial that could adversely affect our business; therefore, the following risk factors are not intended to be an exhaustive list of all risks we face.

### **Risks Related to the Economic Environment**

#### ***The current economic environment poses significant challenges.***

Our financial performance is generally highly dependent on the business environment in the markets in which we operate in and of the U.S. as a whole, which includes the ability of borrowers to pay interest, repay principal on outstanding loans, the value of collateral securing those loans, and demand for loans and other products and services we offer. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, and investor or business confidence; limitations on the availability, or increases, in the cost of credit and capital; increases in inflation, interest rates, or employee costs; high unemployment; natural disasters; or a combination of these or other factors.

In recent years, economic growth and business activity across a wide range of industries has been slow and uneven. There are continuing concerns related to the level of U.S. government debt, fiscal actions that may be taken to address that debt, energy price volatility, global economic conditions, and significant uncertainty with respect to domestic and international fiscal and monetary policy. Economic and inflationary pressure on consumers and uncertainty about continuing economic improvement may result in changes in consumer and business spending, borrowing, and savings habits. There can be no assurance that these conditions will improve or that these conditions will not worsen. Such conditions could adversely affect the credit quality of the Bank’s loans and the Company’s business, financial condition, and results of operations.

### **Regulatory Risks**

#### ***We operate in a highly regulated industry subject to examination, supervision, enforcement, and other legal actions by various federal and state governmental authorities, laws, and judicial and administrative decisions.***

Congress and federal regulatory agencies continually review banking laws, regulations, and policies. Changes to these statutes, regulations, and regulatory policies, including changes in the interpretation or implementation, may cause substantial and unpredictable effects, require additional costs, limit the types of financial services and products offered and fees charged for such services and products, or allow non-banks to offer competing financial services and products. Failure to follow laws, regulations, and policies may result in sanctions by regulatory agencies and civil money penalties, which could have material adverse effects on our reputation, business, financial condition, and results of operations. We have policies and procedures designed to prevent violations; however,

there is no assurance that violations will not occur. Existing and future laws, regulations, and policies yet to be adopted may make compliance more difficult or expensive; restrict our ability to originate, broker, or sell loans; further limit or restrict commissions, interest, and other charges earned on loans we originate or sell; and adversely affect our business, financial condition, and results of operations.

***The Bank's ability to pay dividends is subject to regulatory limitations that may affect the Company's ability to pay expenses and dividends to shareholders.***

The Company is a legal entity that is separate and distinct from its subsidiaries. The Company depends on the Bank and its other subsidiaries for cash, liquidity, and the payment of dividends to the Company to pay operating expenses and dividends to stockholders. There is no assurance that the Bank will have the capacity to pay dividends to the Company in the future or that the Company will not require dividends from the Bank to satisfy obligations. The Bank's dividend payment is governed by various statutes and regulations. For additional information, see "Payment of Dividends" in Item 1 of this report. The Company may not be able to service obligations as they become due if the Bank is unable to pay dividends sufficient to satisfy the Company's obligations, including our common stock. Consequently, the inability to receive dividends from the Bank could adversely affect the Company's financial condition, results of operations, cash flows, and prospects.

## **Market and Interest Rate Risk**

### ***We are subject to interest rate risk.***

Interest rate risk results principally when interest-earning assets and interest-bearing liabilities reprice at differing times, when underlying rates change at different levels or in varying degrees, when there is an unequal change in the spread between two or more rates for different maturities, and when embedded options, if any, are exercised. Our earnings and cash flows are largely dependent upon net interest income. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly, the Federal Reserve. Changes in monetary policy and interest rates could influence the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings. Further, such changes could also affect our ability to originate loans and obtain deposits and the fair value of our financial assets and liabilities. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income and earnings could be adversely affected. Conversely, if interest rates received on loans and other investments fall more quickly than interest rates paid on deposits and other borrowings, our net interest income and earnings could also be adversely affected.

### ***Changes in the fair value of our investment securities may reduce stockholders' equity and net income.***

A decline in the estimated fair value of the Company's investment portfolio may result in a decline in stockholders' equity, book value per common share, and tangible book value per common share. Unrealized losses are recorded even though the securities are not sold or held for sale. If a debt security is never sold and no credit impairment exists, the decrease is recovered at the security's maturity. Equity securities have no stated maturity; therefore, declines in fair value may or may not be recovered over time. We conduct quarterly reviews of our securities portfolio to determine if unrealized losses are temporary or other than temporary. No assurance can be given that we will not need to recognize a credit loss for the decline in fair value in the future. Additional credit loss provision may materially affect our financial condition and earnings. For additional information, see Note 1, "Basis of Presentation and Significant Accounting Policies," and Note 3, "Debt Securities," to the Consolidated Financial Statements in Part II, Item 8 of this report.

### ***The repeal of the federal prohibitions on payment of interest on demand deposits could increase our interest expense.***

All federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the Dodd-Frank Act. We do not know what interest rates other institutions may offer as market interest rates begin to increase. Our interest expense will increase and net interest margin will decrease if we offer interest on demand deposits to attract additional customers or maintain current customers, which could have a material adverse effect on our business, financial condition, and results of operations.

## **Credit Risk**

### ***Our accounting estimates and risk management processes rely on analytical and forecasting models.***

The processes we use to estimate probable loan losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depend upon analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models we use for interest rate risk and asset/liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models used for determining probable loan losses are inadequate, the allowance for credit losses may not be sufficient to cover actual loan losses and an increase in the loan loss provision could materially and adversely affect our operating results. Federal regulatory agencies regularly review our loans and allowance for credit losses as an integral part of the examination process. There is no assurance that we will not, or that regulators will not require us to, increase our allowance in future periods, which could materially and adversely affect our earnings and profitability. If the models we use to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon the sale or settlement of such financial instruments. Any such failure in our analytical or forecasting models could have a material adverse effect on our business, financial condition, and results of operations. For additional information, "Allowance for Credit Losses" in the "Critical Accounting Policies" section in Part II, Item 7 and Note 1, "Basis of Presentation and Significant Accounting Policies," to the Consolidated Financial Statements in Part II, Item 8 of this report.

***We are subject to credit risk associated with the financial condition of other financial institutions***

Credit risk is the risk of not collecting payments pursuant to the contractual terms of loans, leases and investment securities. Financial institutions are interrelated as a result of trading, clearing, counterparty, and other relationships. We have exposure to different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, investment companies, and other institutional clients. Our ability to engage in routine funding transactions could be adversely affected by the failure, actions, and commercial soundness of other financial institutions. These transactions may expose us to credit risk if our counterparty or client defaults on their contractual obligation. Our credit risk may increase if the collateral we hold cannot be realized or liquidated at prices sufficient to recover the full amount of the loan or derivative exposure due to us. In the event of default, we may be required to provide collateral to secure the obligation to the counterparties. In the event of a bankruptcy or insolvency proceeding involving one of such counterparties, we may experience delays in recovering the assets posted as collateral or may incur a loss to the extent that the counterparty was holding collateral in excess of the obligation to such counterparty. Losses from routine funding transactions could have a material adverse effect on our financial condition and results of operations.

***Our commercial loan portfolio may expose us to increased credit risk.***

Commercial business and real estate loans generally have a higher risk of loss because loan balances are typically larger than residential real estate and consumer loans and repayment is usually dependent on cash flows from the borrower's business or the property securing the loan. Our commercial business loans are primarily made to small business and middle market customers. As of December 31, 2024, commercial business and real estate loans totaled \$1.58 billion, or 65.46%, of our total loan portfolio. As of the same date, our largest outstanding commercial business loan was \$15.74 million and largest outstanding commercial real estate loan was \$12.71 million. Commercial construction loans generally have a higher risk of loss due to the assumptions used to estimate the value of property at completion and the cost of the project, including interest. If the assumptions and estimates are inaccurate, the value of completed property may fall below the related loan amount. As of December 31, 2024, commercial construction loans totaled \$72.32 million, or 2.99% our total loan portfolio. As of the same date, our largest outstanding commercial construction loan was \$20.42 million. Losses from our commercial loan portfolio could have a material adverse effect on our financial condition and results of operations.

**Operational Risks**

***We face strong competition from other financial institutions, financial service companies, and organizations that offer services similar to our offerings.***

Our larger competitors may have substantially greater resources and lending limits, name recognition, and market presence that allow them to offer products and services that we do not offer and to price loans and deposits more aggressively than we do. The expansion of non-bank competitors, which may have fewer regulatory constraints and lower cost structures, has intensified competitive pressures on core deposit generation and retention. For additional information, see "Competition" in Item 1 of this report. Our success depends, in part, on our ability to attract and retain customers by adapting our products and services to evolving customer needs and industry and economic conditions. Failure to perform in any of these areas could weaken our competitive position, reduce deposits and loan originations, and adversely affect our financial condition, results of operations, cash flows, and prospects.

***Liquidity risk could impair our ability to fund operations.***

Liquidity is essential to our business and the inability to raise funds through deposits, borrowings, equity and debt offerings, or other sources could have a materially adverse effect on our liquidity. Company specific factors such as a decline in our credit rating, an increase in the cost of capital from financial capital markets, a decrease in business activity due to adverse regulatory action or other company specific event, or a decrease in depositor or investor confidence may impair our access to funding with acceptable terms adequate to finance our activities. General factors related to the financial services industry such as a severe disruption in financial markets, a decrease in industry expectations, or a decrease in business activity due to political or environmental events may impair our access to liquidity. Additionally, negative news about us or the banking industry in general could negatively impact market and/or customer perceptions of our company, which could lead to a loss of depositor confidence and an increase in deposit withdrawals, particularly among those with uninsured deposits. Furthermore, as we and other regional banking organizations experienced in 2023, the failure of other financial institutions may cause deposit outflows as customers spread deposits among several different banks so as to maximize their amount of FDIC insurance, move deposits to banks deemed "too big to fail" or remove deposits from the banking system entirely. As of December 31, 2024, approximately 19.52% of our deposits were uninsured and we rely on these deposits for liquidity. A failure to maintain adequate liquidity could have a material adverse effect on our business, financial condition and results of operations.

***We may require additional capital in the future that may not be available when needed.***

We may need to raise additional capital to strengthen our capital position, increase our liquidity, satisfy obligations, or pursue growth objectives. Our ability to raise additional capital depends on current conditions in capital markets, which are outside our control, and our financial performance. Certain economic conditions and declining market confidence may increase our cost of funds and limit our access to customary sources of capital, such as borrowings with other financial institutions, repurchase agreements, and availability under the FRB's Discount Window. Events that limit access to capital markets and the inability to obtain capital may have a materially adverse effect on our business, financial condition, results of operations, and market value of common stock. We cannot provide any assurance that additional capital will be available, on acceptable terms or at all, in the future.

***We may experience future goodwill impairment.***

We test goodwill for impairment annually, or more frequently if events or circumstances indicate there may be impairment, using either a quantitative or qualitative assessment. If we determine that the carrying amount of a reporting unit is greater than its fair value, a goodwill impairment charge is recognized for the difference, but limited to the amount of goodwill allocated to that reporting unit. Unfavorable or uncertain economic and market conditions may trigger additional impairment charges that may cause an adverse effect on our earnings and financial position. For additional information, see "Goodwill" in the "Critical Accounting Policies" section in Part II, Item 7 and Note 1, "Basis of Presentation and Significant Accounting Policies," and Note 8, "Goodwill and Other Intangible Assets," to the Consolidated Financial Statements in Part II, Item 8 of this report.



***We may be required to pay higher FDIC insurance premiums or special assessments.***

Our deposits are insured up to applicable limits by the DIF of the FDIC and we are subject to deposit insurance assessments to maintain the DIF. For additional information, see “Deposit Insurance and Assessments” in Item 1 of this report. We are unable to predict future insurance assessment rates; however, deterioration in our risk-based capital ratios or adjustments to base assessment rates may result in higher insurance premiums or special assessments. The deterioration of banking and economic conditions and financial institution failures deplete the FDIC’s DIF and reduce the ratio of reserves to insured deposits. If the DIF is unable to meet funding requirements, increases in deposit insurance premium rates or special assessments may be required. Future assessments, increases, or required prepayments related to FDIC insurance premiums may negatively affect our financial condition and results of operations.

***Our operational capabilities depend on internal and third-party systems which could fail, be breached or otherwise be compromised.***

We rely on electronic communications and information systems, including those provided by third-party service providers, to conduct our business operations. Risks associated with our reliance on internal and third-party technology include cybersecurity incidents, operational failures and service interruptions, misconduct by our employees or those of third parties, and reputational damages. The Bank cannot be certain that we will receive timely notification from our third parties of cyberattacks or other cybersecurity breaches affecting their systems. Like other financial institutions, the Bank experiences malicious cyber activity directed at our vendors and other service providers. There is no guarantee that the measures the Company takes will provide absolute security or recoverability given that the techniques used in cyberattacks are complex and frequently change and are difficult to anticipate. Our employees and third parties may expose the Company and the Bank to risk as a result of human error, misconduct, malfeasance, or a failure or breach of systems and infrastructure. For example, the Company’s ability to conduct business may be adversely affected by any significant disruptions, including to third parties service providers. Our third-party service providers include large entities with significant market presence in their respective fields; therefore, their services could be difficult to replace quickly if there are operational failures or service interruptions.

***We face cybersecurity risks which could result in the disclosure of confidential information, adversely affect the Company’s operations, cause reputational damage, and create significant legal and financial exposure.***

The Company, the Bank and its customers, regulators, and other third parties, including other financial services institutions and companies engaged in data processing, have been subject to and are likely to continue to be the target of cyberattacks, such as denial of service attacks, hacking, malware or ransomware intrusion, data corruption attempts, terrorist activities, or identity theft. Cyberattacks may expose security vulnerabilities in the Company’s systems or the systems of third parties or other security measures that could result in the unauthorized gathering, monitoring, misuse, release, loss, or destruction of confidential, proprietary, or sensitive information. A cyberattack could also damage the Company’s systems by introducing material disruptions to the Company’s or the Company’s customers’ or other third parties’ network access or business operations. As cyber threats continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance the Company’s protective measures or to investigate and remediate any information security vulnerabilities or incidents. Despite efforts to ensure the integrity of the Company’s systems and implement controls, processes, policies and other protective measures, the Company may not be able to anticipate all security breaches, nor may the Company be able to implement sufficient preventive measures against such security breaches, which may result in material losses or other adverse consequences.

Even the most advanced internal control environment may be vulnerable to compromise. Persistent attackers may succeed in penetrating defenses given enough resources, time, and motive. The techniques used by cyber criminals change frequently and may not be recognized until launched or well after a breach has occurred. In addition, the existence of cyberattacks or security breaches at third-party vendors with access to the Company’s data may not be disclosed to the Company in a timely manner.

A successful penetration or circumvention of system security could cause serious negative consequences, including loss of customers and business opportunities; costs associated with maintaining business relationships after an attack or breach; significant disruption to the Company’s operations and business; misappropriation, exposure or destruction of the Company’s confidential information, intellectual property, funds and those of the Company’s customers; damage to the Company’s or the Company’s customers’ or third parties’ computers or systems; or a violation of applicable privacy laws and other laws. This could result in litigation exposure, regulatory fines, penalties, loss of confidence in the Company’s security measures, reputational damage, reimbursement or other compensatory costs, and additional compliance costs, which could adversely impact the Company’s results of operations, liquidity, and financial condition. In addition, the Company may not have adequate insurance coverage to compensate for losses from a cybersecurity event.

***We continue to encounter technological change and must effectively anticipate and implement new technology.***

The financial services industry continues to experience rapid technological change with the introduction of new, and increasingly complex, technology-driven products and services. The effective use of technology increases operational efficiency that enables financial institutions to meet rapidly evolving customer demands. Our future success depends, in large part, on our ability to provide products and services that satisfactorily meet the financial needs of our customers, as well as to realize additional efficiencies in our operations. We may fail to use technology-driven products and services effectively to better serve our customers and increase operational efficiency or sufficiently invest in technology solutions and upgrades to ensure systems are operating properly. Further, many of our competitors have substantially greater resources to invest in technology, which may adversely affect our ability to compete.

***We may be subject to claims and litigation pertaining to intellectual property.***

Banking and other financial services companies, such as the Company, rely on technology companies to provide information technology products and services necessary to support the Company’s day-to-day operations. Technology companies often enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. Competitors of the Company’s vendors, or other individuals or companies, have from time to time claimed to hold intellectual property sold to the Company by its vendors. Such claims may increase in the future as the financial services sector becomes more reliant on information technology vendors. The plaintiffs in these actions often seek injunctions and substantial damages.



Regardless of the scope or validity of such patents or other intellectual property rights, or the merits of any claims by potential or actual litigants, the Company may have to engage in protracted litigation. Such litigation is often expensive, time consuming, disruptive to the Company's operations, and distracting to management. If the Company is found to have infringed on one or more patents or other intellectual property rights, it may be required to pay substantial damages or royalties to a third party. In certain cases, the Company may consider entering into licensing agreements for disputed intellectual property, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur. These licenses may also significantly increase the Company's operating expenses. If legal matters related to intellectual property claims were resolved against the Company or settled, the Company could be required to make payments in amounts that could have a material adverse effect on its business, financial condition, and results of operations.

## **Risks Related to Our Common Stock**

### ***The market price of our common stock may be volatile.***

Stock price volatility may make it more difficult for our stockholders to resell their common stock when desired. Our common stock price may fluctuate significantly due to a variety of factors that include the following:

- actual or expected variations in quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of comparable companies, as deemed by investors;
- news reports relating to trends, concerns, and other issues in the financial services industry;
- perceptions in the marketplace about our Company or competitors;
- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by, or involving, our Company or competitors;
- failure to integrate acquisitions or realize expected benefits from acquisitions;
- changes in government regulations; and
- geopolitical conditions, such as acts or threats of terrorism or military action.

General market fluctuations; industry factors; political conditions; and general economic conditions and events, such as economic slowdowns, recessions, interest rate changes, or credit loss trends, could also cause our common stock price to decrease regardless of operating results.

### ***The trading volume in our common stock is less than that of other larger financial services companies.***

Although our common stock is listed for trading on the NASDAQ, the trading volume in our common stock is less than that of other, larger financial services companies. A public trading market having the desired characteristics of depth, liquidity, and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of our common stock, significant sales of our common stock or the expectation of these sales could cause our stock price to fall.

### ***We may not continue to pay dividends on our common stock in the future.***

Our common stockholders are only entitled to receive dividends when declared by our Board of Directors from funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so, and may reduce or eliminate our common stock dividend in the future. This could adversely affect the market price of our common stock. As a financial holding company, the Company's ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve about capital adequacy and dividends. For additional information, see "Payment of Dividends" in Item 1 of this report.

## **General Risks**

### ***We are subject to environmental liability risk associated with lending activities.***

A significant portion of our loan portfolio is secured by real property. In the ordinary course of business, we foreclose on and take title to properties that secure certain loans. Hazardous or toxic substances could be found on properties we own. If substances are present, we may be liable for remediation costs, personal injury claims, and property damage and our ability to use or sell the property would be limited. We have policies and procedures in place that require environmental reviews before initiating foreclosure actions on real property; however, these reviews may not detect all potential environmental hazards. Environmental laws that require us to incur substantial remediation costs, which could materially reduce the affected property's value, and other liabilities associated with environmental hazards could have a material adverse effect on our financial condition and results of operations.

***Potential acquisitions may disrupt our business and dilute stockholder value.***

We may seek merger or acquisition partners that are culturally similar, have experienced management, and possess either significant market presence or the potential for improved profitability through financial management, economies of scale, or expanded services. Risks inherent in acquiring other banks, businesses, and banking branches may include the following:

- potential exposure to unknown or contingent liabilities of the target company;
- exposure to potential asset quality issues of the target company;
- difficulty, expense, and delays of integrating the operations and personnel of the target company;
- potential disruption to our business;
- potential diversion of management's time and attention;
- loss of key employees and customers of the target company;
- difficulty in estimating the value of the target company;
- potential changes in banking or tax laws or regulations that may affect the target company;
- unexpected costs and delays;
- the target company's performance does not meet our growth and profitability expectations;
- limited experience in new markets or product areas;
- increased time, expenses, and personnel as a result of strain on our infrastructure, staff, internal controls, and management; and
- potential short-term decreases in profitability.

We regularly evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving the payment of cash or the issuance of debt or equity securities may occur at any time. Acquisitions typically involve goodwill, a purchase premium over the acquired company's book and market values; therefore, dilution of our tangible book value and net income per common share may occur. If we are unable to realize revenue increases, cost savings, geographic or product presence growth, or other projected benefits from acquisitions, our financial condition and results of operations may be adversely affected.

***Attractive acquisition opportunities may not be available in the future.***

We expect banking and financial companies, which may have significantly greater resources, to compete for the acquisition of financial service businesses. This competition could increase the price of potential acquisitions that we believe are attractive. If we fail to receive proper regulatory approval, we will not be able to consummate an acquisition. Our regulators consider our capital, liquidity, profitability, regulatory compliance, level of goodwill and intangible assets, and other factors when considering acquisition and expansion proposals. Future acquisitions may be dilutive to our earnings and equity per share of our common stock.

***We may lose members of our management team and have difficulty attracting skilled personnel.***

Our success depends, in large part, on our ability to attract and retain key employees. Competition for the best people can be intense. The unexpected loss of key personnel could have a material adverse impact on our business due to the loss of certain skills, market knowledge, and industry experience and the difficulty of promptly finding qualified replacement personnel. Certain existing and proposed regulatory guidance on compensation may also negatively affect our ability to retain and attract skilled personnel.

***Our internal controls and procedures may fail or be circumvented.***

We review our internal controls over financial reporting quarterly and enhance controls in response to these assessments, internal and external audit, and regulatory recommendations. A control system, no matter how well conceived and operated, includes certain assumptions and can only provide reasonable assurance that the objectives of the control system are met. These controls may be circumvented by individual acts, collusion, or management override. Any failure or circumvention related to our controls and procedures or failure to follow regulations related to controls and procedures could have a material adverse effect on our business, reputation, results of operations, and financial condition.

***We are subject to environmental, social and governance ("ESG") risks that could adversely affect the Company's results of operations, reputation, and the market price of its securities.***

The Company is subject to a variety of risks arising from ESG matters. ESG matters include environmental and climate change activism, diversity activism, and racial and social justice issues. Such matters may involve our personnel, customers, or third parties with whom we do business. Risks arising from ESG matters may adversely affect, among other things, the Company's reputation and the market price of our securities. Further, the Company may be exposed to negative publicity based on the identity and activities of our shareholders, those to whom we lend and with which we otherwise do business, and the public's view of the approach and requirements of our state or federal regulators, customers, and business partners with respect to ESG matters. Any such negative publicity could arise through traditional media or electronic social media platforms. The Company's relationships and reputation with its existing and prospective customers and third parties with which we do business could be damaged if we were to become the subject of any such negative publicity. This, in turn, could have an adverse effect on the Company's ability to attract and retain customers and employees and could have a negative impact on the market price for our securities.

Certain investors have begun to consider the steps taken and resources allocated by financial institutions and other commercial organizations with respect to ESG matters when making investment decisions. Certain investors are beginning to incorporate the business risks of ESG regulation and activism and the adequacy of companies' responses to these into their investment decisions. These shifts in investing priorities may result in adverse effects on the market price of the Company's securities.



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Specifically, environmental activism may adversely impact the economic viability of many of the Company's deposit and loan customers in our West Virginia and southwestern Virginia markets. We have customers who operate in carbon-intensive industries like coal, oil and gas that are exposed to climate activism risks and those risks created by a transition to a less carbon-dependent economy, as well as customers who operate in low-carbon industries that may be subject to risks associated with new technologies. Further, the effects of climate change activism may negatively impact regional and local economic activity, which could impact the economies of the communities the Company serves and in which we operate. The Company's business, reputation and ability to attract and retain employees and customers may also be harmed if our response to ESG activism is perceived to be excessive or insufficient. Ongoing legislative or regulatory uncertainties and changes regarding ESG risk management and practices may result in higher regulatory, compliance, credit and reputational risks and costs and may subject us to potentially conflicting requirements.

### **Item 1B. Unresolved Staff Comments.**

None.

### **Item 1C. Cybersecurity**

#### ***Cybersecurity Risk Management and Strategy***

Cybersecurity risks for financial institutions have significantly increased in recent years in part because of the proliferation of new technologies to facilitate and conduct financial transactions. The Company maintains a comprehensive risk-based cybersecurity program to identify, measure, manage, and disclose material cybersecurity risks. The Company utilizes the Federal Financial Institution Examination Council's ("FFIEC") Cybersecurity Assessment Tool ("CAT") as a diagnostic test to help identify the Company's cyber risk level and determine the maturity of our cybersecurity program. The CAT is supplemented by an annual self-assessment and external audits and reviews, the results of which drive the development and implementation of the Company's cybersecurity strategy to ensure that cyber risk management practices are aligned with the risk profile of the Company.

The Company uses the Center for Internet Security ("CIS") Critical Security Controls framework to balance cybersecurity risk exposure with investment in mitigation strategies. This framework provides a prescriptive, prioritized set of cybersecurity safeguards that fully align with those of the National Institute of Standards and Technology, the International Standards Organization 27000 series, and the requirements and guidance from applicable regulatory authorities, including the Federal Financial Institutions Examination Council.

The Company's cybersecurity strategy is enabled by people, processes, and technology that provide multilayered defenses including advanced capabilities for early and rapid cyber threat identification, detection, protection, response, and recovery. The Company employs a team of dedicated, skilled talent to operationalize the cybersecurity strategy. The internal team is supported by arrangements with a third party to provide continuous endpoint monitoring and incident response.

The Company's entire workforce receives mandatory cybersecurity training that includes quarterly social engineering exercises and informative online courses assigned based on assessed skill gaps. The Company also provides cyber risk awareness guidance to customers and promotes customer cyber hygiene through periodic communications. The Company conducts scenario-driven test exercises simulating impacts and consequences developed through analysis of real-world cybersecurity incidents as well as known and anticipated cyber threats. These exercises are designed to assess the viability of the Company's incident response and management programs and provide the basis for continuous improvement.

The Company actively monitors and evaluates threats, events, and the performance of its business operations and continually adapts its risk mitigation activities accordingly. To that end, the Company maintains a comprehensive vulnerability management program that includes regular internal scans of the entire network to identify and measure the severity of security vulnerabilities, a team of dedicated network engineers who are responsible for fixing identified vulnerabilities within pre-defined timeframes based on severity, and at least annual independent network penetration testing by a qualified third party.

Cyber risk monitoring also includes the Company's arrangements with and exposure to third party service providers. We identify the criticality of our third-party service providers, in part, by determining their use of and access to confidential customer information. We conduct comprehensive cybersecurity reviews on all third parties that have access to confidential information. Our third-party reviews make use of technology that provides significant visibility into third party organizations, in real time, to assess third party compliance with a host of globally recognized IT security standards and frameworks and the likelihood of a cyberattack on a third party.

The Company also maintains a robust firewall system and firewall management program to restrict inbound and outbound network traffic. A dedicated team of network engineers manages firewall rulesets and monitors firewall health and alerting.

The risks from cybersecurity threats have not materially affected the Company's business strategy, results of operations, or financial condition. Although the Company has invested substantial resources to manage and reduce cybersecurity risk, it is not possible to eliminate this risk. The Company obtains insurance that protects against certain losses, expenses, and damages associated with cybersecurity risk. See Item 1A, "Risk Factors," for additional information regarding cybersecurity risk.

#### ***Cybersecurity Governance***

The Company's Board of Directors devotes significant time and attention to its oversight of cybersecurity risk. Select members of the Board serve on the Information Systems Steering Committee ("ISSC"), which is responsible for approving IT strategic plans and all IT-related policies and for oversight of the information security program, among other matters. To fulfill its responsibilities, the ISSC receives periodic reports on the cybersecurity risk management program, including information security risks and incidents, emerging threats, and both internal and independent audit reports on the effectiveness of the



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Executive leadership is responsible for management of the cybersecurity program. The IT Security Director supervises daily operations of the cybersecurity program and reports directly to the Chief Risk Officer ("CRO"). The CRO chairs the Information Security Sub-Committee ("Sub-Committee"), a management committee that meets at least monthly to receive regular updates on the status of the cybersecurity risk management program and strategic cyber initiatives. The Sub-Committee's actions and activities are reviewed by the ISSC at least quarterly. The Company has a management level Change Control Board ("CCB") which is responsible for reviewing and approving actions of the vulnerability management team, changes to hardware/software including the introduction of new hardware/software, and changes to firewall rulesets. The IT Security Director serves as a voting member of the CCB. Additionally, the Company has a Cyber Incident Response Team ("CIRT") which includes key members of management including the CRO and IT Security Director. The CIRT manages significant cyber-specific events with escalation up to executive leadership and the Board.

The CRO, Derek Bonnett, has been employed by the Corporation since 2016, having served as the Director of Internal Audit until being named the Chief Risk Officer in 2021. He has over fourteen (14) years of experience providing risk management advice, insight, and assurance to financial institutions.

Mr. Bonnett is a Certified Public Accountant, Certified Internal Auditor, and Certified Information Systems Auditor. He holds a Bachelor of Science in Business Administration with a concentration in Accounting obtained from Concord University in 2010, from which he graduated valedictorian of his class. He is a recipient of the Executive Leadership Certificate from the University of Pennsylvania's Wharton School of Business and is a graduate, volunteer, and Capstone Advisor to students of the American Bankers Association's Stonier Graduate School of Banking.

The IT Security Director has over 9 years of experience leading the Bank's IT Security program. The Director has a Bachelor of Science in Software Engineering and Computer Science from Radford University and is a member of the Association of Information Technology Professionals. His credentials include experience and competency with several different programming languages and a multitude of software.

**Item 2. Properties.**

We own our corporate headquarters located at One Community Place, Bluefield, Virginia. As of December 31, 2024, the Bank provided financial services through a network of branch locations in West Virginia (17 branches), Virginia (23 branches), North Carolina (11 branches), and Tennessee (2 branches). We own all of the branch locations with the exception of two branch locations which are leased; one location in West Virginia and the other in North Carolina. As of December 31, 2024, there were no mortgages or liens against any properties. We believe that our properties are suitable and adequate to serve as financial services facilities. A list of all branch and ATM locations is available on our website at [www.firstcommunitybank.com](http://www.firstcommunitybank.com). Information contained on our website is not part of this report. For additional information, see Note 7, "Premises, Equipment, and Leases," to the Consolidated Financial Statements in Part II, Item 8 of this report.

**Item 3. Legal Proceedings.**

We are currently a defendant in various legal actions and asserted claims in the normal course of business. Although we are unable to assess the ultimate outcome of each of these matters with certainty, we are of the belief that the resolution of these actions should not have a material adverse effect on our financial position, results of operations, or cash flows.

**Item 4. Mine Safety Disclosures.**

None.

**PART II**

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

**Market Information and Holders**

Our common stock is traded on the NASDAQ Global Select Market under the symbol FCBC. As of February 25, 2025, there were 3,449 record holders and 18,326,672 outstanding shares of our common stock.

**Purchases of Equity Securities**

We repurchased 257,294 shares of our common stock in 2024, 768,079 shares of our common stock in 2023, and 706,117 shares in 2022.

The following table provides information about purchases of our common stock made by us or on our behalf by any affiliated purchaser, as defined in Rule 10b-18(a)(3) under the Exchange Act, during the periods indicated:

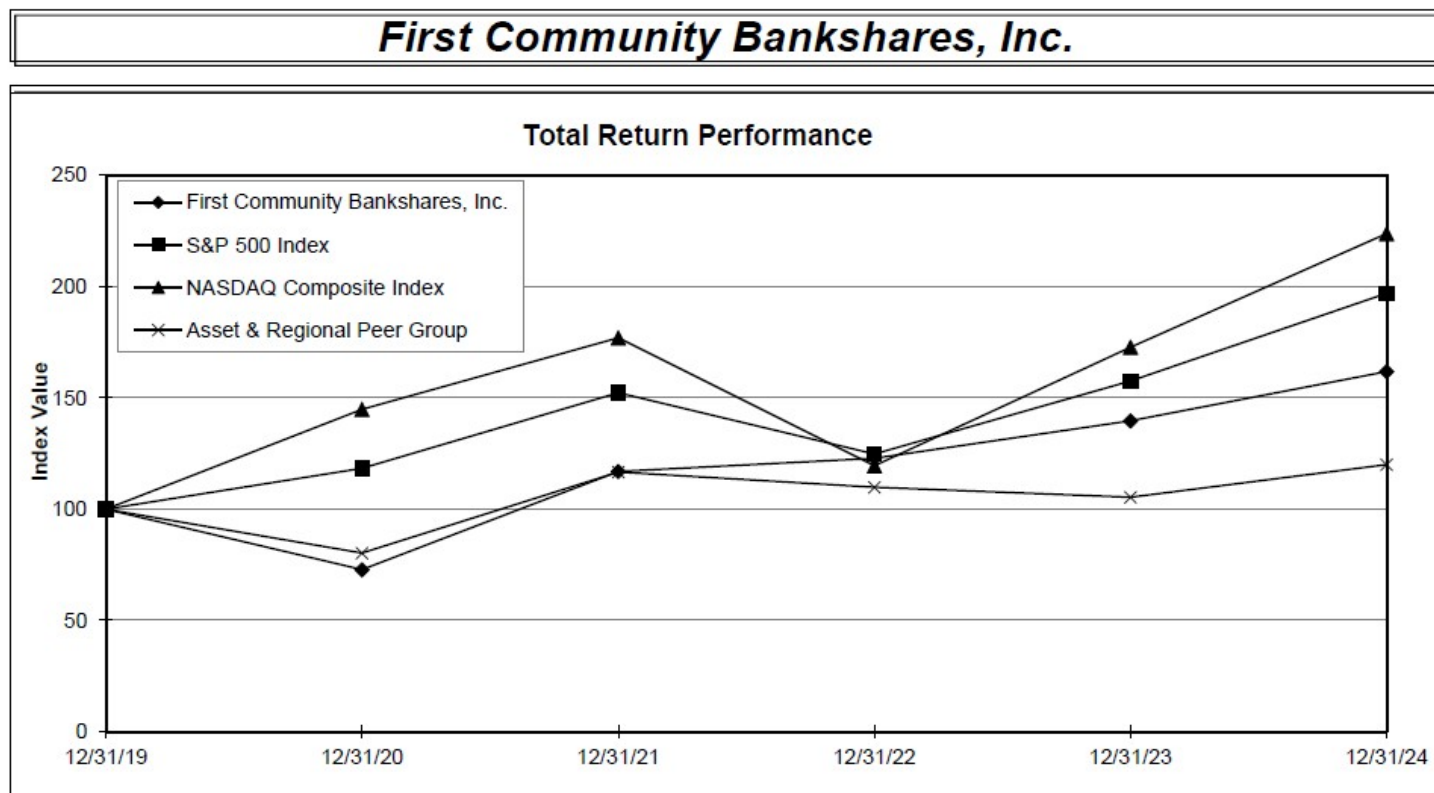
|                     | <u>Total Number<br/>of Shares<br/>Purchased</u> | <u>Average Price<br/>Paid per Share</u> | <u>Total Number<br/>of Shares<br/>Purchased as<br/>Part of a<br/>Publicly<br/>Announced<br/>Plan</u> | <u>Maximum<br/>Number of<br/>Shares that<br/>May Yet be<br/>Purchased<br/>Under the<br/>Plan(1)</u> |
|---------------------|---|---|--|---|
| October 1-31, 2024  | —   | \$ —                                    | -  | 2,245,206   |
| November 1-30, 2024 | —   | -                                       | -  | 2,245,206   |

|                     |   |      |   |           |
|---------------------|---|------|---|-----------|
| December 1-31, 2024 | — | -    | - | 2,245,206 |
| Total               | — | \$ — | - |           |

(1) In September 2023, the Board of Directors approved a repurchase plan to repurchase 2,700,000 shares and terminated the share repurchase plan adopted in January, 2021. The 2021 plan would have expired December 2023. The timing, price, and quantity of purchases under the repurchase plan are at the discretion of management and the repurchase plan may be discontinued, suspended or restarted at any time depending on the facts and circumstances.

**Stock Performance Graph**

The following graph, compiled by S&P Global Market Intelligence (“S&P Global”), compares the cumulative total shareholder return on our common stock for the five years ended December 31, 2024, with the cumulative total return of the S&P 500 Index, the NASDAQ Composite Index, and S&P Global’s Asset Size & Regional Peer Group. The Asset Size & Regional Peer Group consists of 45 bank holding companies with total assets between \$1 billion and \$5 billion that are located in the Southeast Region of the United States and traded on NASDAQ, the OTC Bulletin Board, and pink sheets. The cumulative returns assume that \$100 was originally invested on December 31, 2019, and that all dividends are reinvested.



|   | Year Ended December 31, |        |        |        |        |        |
|---|-------------------------|--------|--------|--------|--------|--------|
|   | 2019                    | 2020   | 2021   | 2022   | 2023   | 2024   |
| First Community Bankshares, Inc.          | 100.00                  | 72.83  | 116.90 | 122.88 | 139.74 | 161.84 |
| S&P 500 Index                             | 100.00                  | 118.40 | 152.39 | 124.79 | 157.59 | 197.02 |
| NASDAQ Composite Index                    | 100.00                  | 144.92 | 177.06 | 119.45 | 172.77 | 223.87 |
| S&P Global Asset & Regional Peer Group(1) | 100.00                  | 80.28  | 116.66 | 109.92 | 105.37 | 120.02 |

(1) Includes the following institutions: Bank of the James Financial Group, Inc.; BankFirst Capital Corporation; BayFirst Financial Corp.; C&F Financial Corporation; Capital City Bank Group, Inc.; Carter Bankshares, Inc.; Chesapeake Financial Shares, Inc.; Citizens Bancorp Investment, Inc.; Citizens Holding Company; Coastal Carolina Bancshares, Inc.; CoastalSouth Bancshares, Inc.; Dogwood State Bank; Eagle Financial Services, Inc.; F&M Bank Corp.; FineMark Holdings, Inc.; First Community Bankshares, Inc.; First Community Corporation; First National Corporation; First US Bancshares, Inc.; Freedom Financial Holdings, Inc.; FVCBankcorp, Inc.; HomeTrust Bancshares, Inc.; John Marshall Bancorp, Inc.; MainStreet Bancshares, Inc.; MetroCity Bankshares, Inc.; Morris State Bancshares, Inc.; Mountain Commerce Bancorp, Inc.; MVB Financial Corp.; National Bankshares, Inc.; NewtekOne, Inc.; Oakworth Capital, Inc.; Old Point Financial Corporation; PB Financial Corporation; Peoples Bancorp of North Carolina, Inc.; Pinnacle Bankshares Corporation; Primis Financial Corp.; Skyline Bankshares, Inc.; South Atlantic Bancshares, Inc.; Southern First Bancshares, Inc.; Southern States Bancshares, Inc.; United Bancorporation of Alabama, Inc.; USCB Financial Holdings, Inc.; Uwharrie Capital Corp.; Virginia National Bankshares Corporation; White River Bancshares, Co.

**Item 6. Reserved**

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

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help the reader understand our financial condition, changes in financial condition, and results of operations. MD&A contains forward-looking statements and should be read in conjunction with our consolidated financial statements, accompanying notes, and other financial information included in this report.

**Executive Overview**

First Community Bankshares, Inc. is a financial holding company, headquartered in Bluefield, Virginia, that provides banking products and services through its wholly owned subsidiary First Community Bank (the “Bank”), a 150 year-old Virginia-chartered banking institution. Unless the context suggests otherwise, the terms “First Community,” “Company,” “we,” “our,” and “us” refer to First Community Bankshares, Inc. and its subsidiaries as a consolidated entity. As of December 31, 2024, the Bank operated 53 branches in Virginia, West Virginia, North Carolina and Tennessee. Our primary source of earnings is net interest income, the difference between interest earned on assets and interest paid on liabilities, which is supplemented by fees for services, commissions on sales, and various deposit service charges. We fund our lending and investing activities primarily through the retail deposit operations of our branch banking network supplemented by retail and wholesale repurchase agreements and Federal Home Loan Bank (“FHLB”) borrowings. We invest our funds primarily in loans to retail and commercial customers and various investment securities.

The Bank offers trust management, estate administration, and investment advisory services through its Trust Division and wholly owned subsidiary First Community Wealth Management (“FCWM”). The Trust Division manages inter vivos trusts and trusts under will, develops and administers employee benefit and individual retirement plans, and manages and settles estates. Fiduciary fees for these services are charged on a schedule related to the size, nature, and complexity of the account. Revenues consist primarily of commissions on assets under management and investment advisory fees. As of December 31, 2024, the Trust Division and FCWM managed and administered \$1.62 billion in combined assets under various fee-based arrangements as fiduciary or agent.

On April 21, 2023, the Company completed the acquisition of Surrey Bancorp. Total assets of \$466.25 million were acquired in the transaction. In addition the Company issued 2.99 million common shares in the transaction. The purchase transaction created \$14.38 million in goodwill and \$12.7 million in other intangible assets. The Company completed the sale of its Emporia, Virginia branch to Benchmark Community Bank on September 16, 2022, which resulted in a gain of \$1.66 million. For additional information, see Note 2, “Acquisitions and Divestitures,” to the Consolidated Financial Statements in Item 8 of this report.

## **Critical Accounting Policies**

Our consolidated financial statements are prepared in conformity with generally accepted accounting principles (“GAAP”) in the U.S. and prevailing practices in the banking industry. Our accounting policies, as presented in Note 1, “Basis of Presentation and Significant Accounting Policies,” to the Consolidated Financial Statements in Item 8 of this report are fundamental in understanding MD&A and the disclosures presented in Item 8, “Financial Statements and Supplementary Data,” of this report. Management may be required to make significant estimates and assumptions that have a material impact on our financial condition or operating performance. Due to the level of subjectivity and the susceptibility of such matters to change, actual results could differ significantly from management’s assumptions and estimates. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates used, we have identified the allowance for loan losses and goodwill as the accounting areas that require the most subjective or complex judgments or are the most susceptible to change.

### ***Allowance for Credit Losses or "ACL"***

The ACL reflects management’s estimate of losses that will result from the inability of our borrowers to make required loan payments. Management uses a systematic methodology to determine its ACL for loans held for investment and certain off-balance-sheet credit exposures. Management considers the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the loan portfolio. The Company’s estimate of its ACL involves a high degree of judgment; therefore, management’s process for determining expected credit losses may result in a range of expected credit losses. It is possible that others, given the same information, may at any point in time reach a different reasonable conclusion. The Company’s ACL recorded in the balance sheet reflects management’s best estimate of expected credit losses. The Company recognizes in net income the amount needed to adjust the ACL for management’s current estimate of expected credit losses. See Note 1 – “Basis of Presentation - Significant Accounting Policies” in this Annual Report on Form 10-K for further detailed descriptions of our estimation process and methodology related to the ACL. See also Note 6 — “Allowance for Credit Losses” in this Annual Report on Form 10-K, “Allowance for Credit Losses” in this MD&A.

The Company uses a number of economic variables to estimate the allowance for credit losses, with the most significant driver being a forecast of the national unemployment rate. In the December 31, 2024, estimate, the Company assumed an unemployment forecast of 4.3%, compared to the range of 4.0% to 4.3% utilized in the December 31, 2023, estimate. Based on a sensitivity analysis as of December 31, 2024, an increase of 1% in the unemployment forecast would result in an increase in the allowance for credit losses of approximately 9.00%.

### ***Business Combinations***

The Company accounts for business combinations using the acquisition method of accounting as outlined in using Topic 805 of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”). Under this method, all identifiable assets acquired, including purchased loans, and liabilities assumed are recorded at fair value. Any excess of the purchase price over the fair value of net assets acquired is recorded as goodwill. In instances where the price of the acquired business is less than the net assets acquired, a gain on the purchase is recorded. Fair values are assigned based on quoted prices for similar assets, if readily available, or appraisals by qualified independent parties for relevant asset and liability categories. Certain financial assets and liabilities are valued using discount models that apply current discount rates to streams of cash flow. Valuation methods require assumptions, which can result in alternate valuations, varying levels of goodwill or bargain purchase gains, or amortization expense or accretion income. Management must make estimates for the useful or economic lives of certain acquired assets and liabilities that are used to establish the amortization or accretion of some intangible assets and liabilities, such as core deposits. Fair values are subject to refinement for up to one year after the closing date of the acquisition as additional information about the closing date fair values becomes available. Acquisition and divestiture activities are included in the Company’s consolidated results of operations from the closing date of the transaction. Acquisition and divestiture related costs are recognized in noninterest expense as incurred.

**Goodwill**

Goodwill is tested for impairment annually, on October 31<sup>st</sup>, or more frequently if events or circumstances indicate there may be impairment. We have one reporting unit, Community Banking. If we elect to perform a qualitative assessment, we evaluate factors such as macroeconomic conditions, industry and market considerations, overall financial performance, changes in stock price, and progress towards stated objectives in determining if it is more likely than not that the fair value of our reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of our reporting unit is less than its carrying amount, a quantitative test is performed; otherwise, no further testing is required. The quantitative test consists of comparing the fair value of our reporting unit to its carrying amount, including goodwill. If the fair value of our reporting unit is greater than its book value, no goodwill impairment exists. If the carrying amount of our reporting unit is greater than its calculated fair value, a goodwill impairment charge is recognized for the difference. We performed a quantitative assessment for the annual test on October 31, 2024, which resulted in no goodwill impairment. For additional information, see Note 8, “Goodwill and Other Intangible Assets,” to the Consolidated Financial Statements in Item 8 of this report.

**Non-GAAP Financial Measures**

In addition to financial statements prepared in accordance with GAAP, we use certain non-GAAP financial measures that provide useful information for financial and operational decision making, evaluating trends, and comparing financial results to other financial institutions. The non-GAAP financial measures presented in this report include certain financial measures presented on a fully taxable equivalent (“FTE”) basis. While we believe certain non-GAAP financial measures enhance the understanding of our business and performance, they are supplemental and not a substitute for, or more important than, financial measures prepared in accordance with GAAP and may not be comparable to those reported by other financial institutions. The reconciliations of non-GAAP to GAAP measures are presented below.

We believe FTE basis is the preferred industry measurement of net interest income and provides better comparability between taxable and tax exempt amounts. We use this non-GAAP financial measure to monitor net interest income performance and to manage the composition of our balance sheet. FTE basis adjusts for the tax benefits of income from certain tax exempt loans and investments using the federal statutory income tax rate of 21%. The following table reconciles net interest income and margin, as presented in our consolidated statements of income, to net interest income on a FTE basis for the periods indicated:

|                               | <b>Year Ended December 31,</b> |                   |                   |
|-------------------------------|--------------------------------|-------------------|-------------------|
|                               | <b>2024</b>                    | <b>2023</b>       | <b>2022</b>       |
| <i>(Amounts in thousands)</i> |                                |                   |                   |
| Net interest income, GAAP     | \$ 126,468                     | \$ 127,684        | \$ 112,663        |
| FTE adjustment(1)             | 451                            | 454               | 451               |
| Net interest income, FTE      | <u>\$ 126,919</u>              | <u>\$ 128,138</u> | <u>\$ 113,114</u> |
| Net interest margin, GAAP     | 4.42%                          | 4.43%             | 3.90%             |
| FTE adjustment(1)             | 0.02%                          | 0.02%             | 0.02%             |
| Net interest margin, FTE      | <u>4.44%</u>                   | <u>4.45%</u>      | <u>3.92%</u>      |

(1) FTE basis of 21%.

## Performance Overview

Highlights of our results of operations in 2024, and financial condition as of December 31, 2024, include the following:

- Annual net income of \$51.60 million, or \$2.80 per diluted common share, was an increase of \$3.58 million, or 7.46%, compared to 2023.
- Net interest income decreased \$1.22 million compared to 2023, primarily due to increased rates paid on interest-bearing deposit liabilities.
- Net interest margin of 4.44% remained the same when compared to the same period of 2023. The FTE net interest spread decreased 22 basis points. The decrease was primarily driven by an increase in interest expense due to increases in rates paid on interest-bearing deposit liabilities.
- Provision for credit losses decreased \$4.39 million. The decrease in provision is primarily due a much smaller required credit loss provision as the loan portfolio has experienced a decrease of \$156.21 million in 2024. Additionally, \$1.61 million of the provision in the prior year was attributable to day two provision for the Surrey portfolio.
- Non-interest income increased \$1.94 million, or 5.17%. The increase was primarily driven by gains from the sale of two closed branch properties, as well as an increase in interchange income in 2024. Non-interest expense increased \$1.39 million, or 1.46%. 2024 included a non-recurring charge of \$1.80 million to settle a putative class action lawsuit while 2023 included a non-recurring charge of \$3.00 million to accrue for the settlement of the same lawsuit. In addition, 2023 included \$2.39 million in merger expenses related to the Surrey acquisition. The remaining drivers of the increase in 2024 were due to inflationary increases and the addition of Surrey staff and branches.
- Annualized return on average assets ("ROA") was 1.60% for the twelve months of 2024 compared to 1.48% for the same period of 2023. Annualized return on average common equity ("ROE") was 10.03% for the twelve months of 2024 compared to 10.02% for the same period of 2023.
- Non-performing loans to total loans increased to 0.83% of total loans when compared to 0.76% for year-end 2023. Net charge-offs for the year ended December 31, 2024, were \$5.37 million, or 0.22% of annualized average loans, compared to net charge-offs of \$4.81 million, or 0.19% of annualized average loans, for the same period in 2023.
- The allowance for credit losses to total loans was 1.44% at December 31, 2024, compared to 1.41% for the same period of 2023.
- The Company repurchased 257,294 common shares during 2024 for a total cost of \$8.72 million.
- Book value per share at December 31, 2024, was \$28.73, an increase of \$1.53 from year-end 2023.

## Results of Operations

During the last week of September 2024, Hurricane Helene made landfall in Florida's panhandle, resulting in widespread flooding and washing out of towns and roadways. Hurricane Helene had a significant impact on western North Carolina. Millions have lost access to critical services like water and sewer, electricity, and telecommunications. Thousands of miles of roads and bridges were damaged. The hurricane resulted in property damage to our customers, the closing or disruption of many businesses and damage to infrastructure in communities that we serve. Our branch in Banner Elk, North Carolina was temporarily closed due to lack of power and water, but it is now open to the public. We continue to evaluate the impact of Hurricane Helen on our customers and the Bank's loans. Based on our assessment to date, we do not expect the losses related to Hurricane Helene to have a material impact on the Bank's financial condition or results of operations.

### Net Income

The following table presents the changes in net income and related information for the periods indicated:

| <i>(Amounts in thousands, except per share data)</i> | Year Ended December 31, |           |           | 2024 Compared to 2023 |        | 2023 Compared to 2022 |         |
|--|-------------------------|-----------|-----------|-----------------------|--------|-----------------------|---------|
|  | 2024                    | 2023      | 2022      | Increase              | %      | Increase              | %       |
|  |                         |           |           | (Decrease)            | Change | (Decrease)            | Change  |
| Net income   | \$ 51,604               | \$ 48,020 | \$ 46,662 | \$ 3,584              | 7.46%  | \$ 1,358              | 2.91%   |
| Basic earnings per common share                      | 2.81                    | 2.67      | 2.82      | 0.14                  | 5.24%  | (0.15)                | (5.32)% |
| Diluted earnings per common share                    | 2.80                    | 2.72      | 2.82      | 0.08                  | 2.94%  | (0.10)                | (3.55)% |
| Return on average assets                             | 1.60%                   | 1.48%     | 1.45%     | 0.12%                 | 8.11%  | 0.03%                 | 2.07%   |
| Return on average common equity                      | 10.03%                  | 10.02%    | 11.04%    | 0.01%                 | 0.10%  | (1.02)%               | (9.24)% |

**2024 Compared to 2023.** Pre-tax income increased \$3.72 million, or 6.00% compared to 2023. The increase was primarily attributable to a decrease in provision for credit losses of \$4.39 million, or 54.95% offset by a decrease in net interest income of \$1.22 million, or 0.95%. Provision for credit losses totaled \$3.60 million for 2024 compared to \$7.99 million in 2023. The provision for credit losses in 2023 included \$1.61 million recorded for the day two provision for the acquisition of the Surrey loan portfolio. Net interest income totaled \$126.47 million for 2024 compared to \$127.68 million in 2023. The decrease in net interest income is primarily attributable to an increase in deposit interest expense due to increased rates on interest-bearing deposits. Non interest income increased \$1.94 million, or 5.17% offset by an increase in non interest expense of \$1.39 million, or 1.46%.

**2023 Compared to 2022.** Pre-tax income increased \$1.82 million compared to 2022. The increase was primarily attributable to an increase in net interest income of \$15.02 million. Net interest income totaled \$127.68 million compared to \$112.66 million in 2022. The increase in net interest income was offset by an increase in the provision for credit losses of \$1.41 million and an increase in noninterest expense of \$12.06 million. The increase in provision for credit losses was primarily due to \$1.61 million recorded for the day two provision for the acquisition of the Surrey loan portfolio. The increase in noninterest expense included a \$3.00 million accrual for estimated litigation expenses, an increase in salaries and benefits costs of \$2.70 million, and an increase of \$1.80 million in merger expenses. Both the merger expense and the increase in salaries and benefits were primarily due to the acquisition of Surrey Bancorp.



### Net Interest Income

Net interest income, our largest contributor to earnings, is analyzed on a fully taxable equivalent (“FTE”) basis, a non-GAAP financial measure. For additional information, see “Non-GAAP Financial Measures” above. The following table presents the consolidated average balance sheets and net interest analysis on a FTE basis for the dates indicated:

| (Amounts in thousands)                      | Year Ended December 31, |                   |                       |                     |                   |                       |                     |                   |                       |
|---|-------------------------|-------------------|-----------------------|---------------------|-------------------|-----------------------|---------------------|-------------------|-----------------------|
|   | 2024                    |                   |                       | 2023                |                   |                       | 2022                |                   |                       |
|   | Average Balance         | Interest(1)       | Average Yield/Rate(1) | Average Balance     | Interest(1)       | Average Yield/Rate(1) | Average Balance     | Interest(1)       | Average Yield/Rate(1) |
| <b>Assets</b>                               |                         |                   |                       |                     |                   |                       |                     |                   |                       |
| Earning assets                              |                         |                   |                       |                     |                   |                       |                     |                   |                       |
| Loans(2)(3)                                 | \$ 2,481,215            | \$ 130,196        | 5.25%                 | \$ 2,538,361        | \$ 127,019        | 5.00%                 | \$ 2,298,503        | \$ 104,830        | 4.56%                 |
| Securities available for sale               | 171,081                 | 5,547             | 3.24%                 | 298,389             | 8,115             | 2.72%                 | 256,221             | 6,172             | 2.41%                 |
| Interest-bearing deposits                   | 206,629                 | 10,850            | 5.25%                 | 46,601              | 2,485             | 5.33%                 | 330,785             | 3,767             | 1.14%                 |
| Total earning assets                        | 2,858,925               | \$ 146,593        | 5.13%                 | 2,883,351           | \$ 137,619        | 4.77%                 | 2,885,509           | \$ 114,769        | 3.98%                 |
| Other assets                                | 374,398                 |                   |                       | 369,700             |                   |                       | 328,635             |                   |                       |
| Total assets                                | <u>\$ 3,233,323</u>     |                   |                       | <u>\$ 3,253,051</u> |                   |                       | <u>\$ 3,214,144</u> |                   |                       |
| <b>Liabilities and stockholders' equity</b> |                         |                   |                       |                     |                   |                       |                     |                   |                       |
| Interest-bearing deposits                   |                         |                   |                       |                     |                   |                       |                     |                   |                       |
| Demand deposits                             | \$ 662,584              | \$ 796            | 0.12%                 | \$ 686,534          | \$ 405            | 0.06%                 | \$ 683,502          | \$ 112            | 0.02%                 |
| Savings deposits                            | 878,584                 | 14,206            | 1.62%                 | 847,397             | 6,781             | 0.80%                 | 880,171             | 306               | 0.03%                 |
| Time deposits                               | 246,035                 | 4,636             | 1.88%                 | 267,957             | 2,155             | 0.80%                 | 322,158             | 1,235             | 0.38%                 |
| Total interest-bearing deposits             | 1,787,203               | 19,638            | 1.10%                 | 1,801,888           | 9,341             | 0.52%                 | 1,885,831           | 1,653             | 0.09%                 |
| Borrowings                                  |                         |                   |                       |                     |                   |                       |                     |                   |                       |
| Federal funds purchased                     | 628                     | 35                | 5.53%                 | 2,715               | 139               | 5.12%                 | —                   | —                 | —                     |
| Retail repurchase agreements                | 1,045                   | 1                 | 0.05%                 | 1,528               | 1                 | 0.06%                 | 2,239               | 2                 | 0.07%                 |
| Total borrowings                            | 1,673                   | 36                | 2.15%                 | 4,243               | 140               | 3.30%                 | 2,239               | 2                 | 0.07%                 |
| Total interest-bearing liabilities          | 1,788,876               | 19,674            | 1.10%                 | 1,806,131           | 9,481             | 0.52%                 | 1,888,070           | 1,655             | 0.09%                 |
| Noninterest-bearing demand deposits         |                         |                   |                       |                     |                   |                       |                     |                   |                       |
|   | 882,700                 |                   |                       | 926,378             |                   |                       | 864,224             |                   |                       |
| Other liabilities                           | 47,362                  |                   |                       | 41,477              |                   |                       | 39,363              |                   |                       |
| Total liabilities                           | 2,718,938               |                   |                       | 2,773,986           |                   |                       | 2,791,657           |                   |                       |
| Stockholders' equity                        | 514,385                 |                   |                       | 479,065             |                   |                       | 422,487             |                   |                       |
| Total liabilities and equity                | <u>\$ 3,233,323</u>     |                   |                       | <u>\$ 3,253,051</u> |                   |                       | <u>\$ 3,214,144</u> |                   |                       |
| Net interest income, FTE(1)                 |                         | <u>\$ 126,919</u> |                       |                     | <u>\$ 128,138</u> |                       |                     | <u>\$ 113,114</u> |                       |
| Net interest rate spread, FTE(1)            |                         |                   | <u>4.03%</u>          |                     |                   | <u>4.25%</u>          |                     |                   | <u>3.89%</u>          |
| Net interest margin, FTE(1)                 |                         |                   | <u>4.44%</u>          |                     |                   | <u>4.44%</u>          |                     |                   | <u>3.92%</u>          |

(1) FTE basis based on the federal statutory rate of 21%.

(2) Nonaccrual loans are included in average balances; however, no related interest income is recognized during the period of nonaccrual.

(3) Interest on loans include non-cash purchase accounting accretion of \$2.90 million in 2024, \$2.74 million in 2023, and \$2.62 million in 2022.

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The following table presents the impact to net interest income on a FTE basis due to changes in volume (average volume times the prior year's average rate), rate (average rate times the prior year's average volume), and rate/volume (average volume times the change in average rate), for the periods indicated:

| (Amounts in thousands)                     | Year Ended<br>December 31, 2024 Compared to 2023<br>Dollar Increase (Decrease) due to |            |                 |            | Year Ended<br>December 31, 2023 Compared to 2022<br>Dollar Increase (Decrease) due to |           |                 |           |
|--|---|------------|-----------------|------------|---|-----------|-----------------|-----------|
|  | Volume  | Rate       | Rate/<br>Volume | Total      | Volume  | Rate      | Rate/<br>Volume | Total     |
|  | Interest earned on(1):  |            |                 |            |   |           |                 |           |
| Loans                                      | \$ (2,860)  | \$ 6,176   | \$ (139)        | \$ 3,177   | \$ 10,939   | \$ 10,187 | \$ 1,063        | \$ 22,189 |
| Securities available for sale              | (3,462)   | 1,560      | (666)           | (2,568)    | 1,016   | 796       | 131             | 1,943     |
| Interest-bearing deposits with other banks | 8,533   | (38)       | (130)           | 8,365      | (3,236)   | 13,872    | (11,918)        | (1,282)   |
| Total interest-earning assets              | 2,211   | 7,698      | (935)           | 8,974      | 8,719   | 24,855    | (10,724)        | 22,850    |
| Interest paid on(1):                       |   |            |                 |            |   |           |                 |           |
| Demand deposits                            | (14)  | 420        | (15)            | 391        | —   | 291       | 2               | 293       |
| Savings deposits                           | 250   | 6,921      | 254             | 7,425      | (11)  | 6,737     | (251)           | 6,475     |
| Time deposits                              | (176)   | 2,894      | (237)           | 2,481      | (208)   | 1,356     | (228)           | 920       |
| Federal funds purchased                    | —   | —          | (104)           | (104)      | —   | —         | 139             | 139       |
| Retail repurchase agreements               | —   | —          | —               | —          | —   | (1)       | —               | (1)       |
| Total interest-bearing liabilities         | 60  | 10,235     | (102)           | 10,193     | (219)   | 8,383     | (338)           | 7,826     |
| Change in net interest income(1)           | \$ 2,151  | \$ (2,537) | \$ (833)        | \$ (1,219) | \$ 8,938  | \$ 16,472 | \$ (10,386)     | \$ 15,024 |

(1) FTE basis based on the federal statutory rate of 21%.

**2024 Compared to 2023.** Net interest income comprised 76.25% of total net interest and noninterest income in 2024 compared to 77.32% in 2023. Net interest income decreased \$1.22 million, or 0.95%. On a FTE basis net interest income decreased \$1.22 million, or 0.95%. There was no change in the FTE net interest margin; the FTE net interest spread decreased 22 basis points. The decrease was primarily driven by an increase in interest expense due to increases in rates paid on interest-bearing deposits.

Average earning assets decreased \$24.43 million, or 0.85%, due to decreases in both the average balance of securities available for sale of \$127.31 million, or 42.67%, and the average balance of loans of \$57.15 million, or 2.25%. These decreases were offset by an increase in interest-bearing deposits with banks of \$160.03 million, or 343.40%. The yield on earning assets increased 36 basis points, or 7.55% and is attributable to an increase in interest income of \$8.97 million, or 6.52%. Interest income for interest-bearing deposits with banks increased \$8.37 million, or 336.62%. This increase was primarily driven by an increase in the average balance as noted above offset by a decrease in the yield of 8 basis points. Interest income on loans also increased \$3.18 million, or 2.50%. The increase was primarily due to an increase in yield of 25 basis points offset by a decrease in the average balance of \$57.15 million. Interest income on securities available for sale decreased \$2.57 million, or 31.65%. The yield increased 52 basis points, however, the average balance decreased \$127.31 million, or 42.67%. The average loan to deposit ratio decreased to 92.93% from 93.04% in 2023. Non-cash accretion increased \$155 thousand, or 5.65% to \$2.90 million. The impact of non-cash purchase accounting accretion income on the FTE net interest margin was 10 basis points for 2024 compared to 9 basis points in 2023.

Average interest-bearing liabilities, which consist of interest-bearing deposits and borrowings, decreased \$17.26 million, or 0.96%, primarily due to a decrease in interest-bearing deposits of \$14.69 million, or 0.81%. Interest-bearing demand deposits decreased \$23.95 million, or 3.49%, and time deposits decreased \$21.92 million, or 8.18%. Savings deposits increased \$31.19 million or 3.68%. The yield on interest-bearing liabilities increased 58 basis points and is primarily due to increased rates paid on interest-bearing deposit liabilities.

**2023 Compared to 2022.** Net interest income comprised 77.32% of total net interest and noninterest income in 2023 compared to 75.19% in 2022. Net interest income increased \$15.02 million, or 13.33%, and increased \$15.02 million, or 13.28%, on a FTE basis. The FTE net interest margin increased 52 basis points and the FTE net interest spread increased 36 basis points. The increase was primarily driven by increases in both average balances and rates for loans and securities available for sale. The average balance for loans increased \$239.86 million, while the yield increased 44 basis points resulting in a tax effected increase in interest on loans of \$22.19 million compared to 2022. The average balance for securities available for sale increased \$42.17 million and the yield increased 31 basis points resulting in a tax effected increase to interest on securities available for sale of \$1.94 million compared to 2022.

Average earning assets decreased \$2.16 million, or 0.07%, primarily due to a decrease in interest-bearing deposits with banks of \$284.18 million, or 85.91%. This decrease was offset by an increase in average loans and average securities available for sale as noted above. The yield on earning assets increased 79 basis points, or 19.85%, primarily due to significant increase in benchmark rates as compared to the same period of 2022. The average loan to deposit ratio increased to 93.04% from 83.58% in 2022. Non-cash accretion increased \$125 thousand, or 4.77% to \$2.74 million. The impact of non-cash purchase accounting accretion income on the FTE net interest margin was 9 basis points for both 2023 and 2022.

Average interest-bearing liabilities, which consist of interest-bearing deposits and borrowings, decreased \$81.94 million, or 4.34%, primarily due to a decrease in deposits. Time deposits decreased \$54.20 million, or 16.82%, and savings deposits decreased \$32.77 million, or 3.72%. Interest-bearing demand deposits increased \$3.03 million or 0.44%. The yield on interest-bearing liabilities increased 43 basis points and is primarily due to increases in benchmark rates throughout 2022 and 2023.



### Provision for Credit Losses

*2024 Compared to 2023.* The provision charged to operations decreased \$4.39 million compared to the prior year. The provision expense of \$3.60 million was comprised of \$4.00 million related to provision expense for loans and a recovery of provision of \$405 thousand for unfunded loan commitments. Provision for credit losses for loans of \$4.00 million was recorded compared to the provision of \$8.44 million recorded in 2023. The decrease in provision is primarily due a much smaller required credit loss provision as the loan portfolio has experienced a decrease of \$156.21 million. Additionally, \$1.61 million of the provision in the prior year was attributable to day two provision for the Surrey portfolio. As noted above, a recovery of provision for loan commitments was recorded in 2024 of \$405 thousand compared to a recovery of provision of \$450 thousand in 2023.

*2023 Compared to 2022.* The provision charged to operations increased \$1.41 million compared to the prior year. The provision expense of \$7.99 million was comprised of \$8.44 million related to provision expense for loans and a recovery of provision of \$450 thousand for unfunded loan commitments. Provision for credit losses for loans of \$8.44 million was recorded compared to the provision of \$6.57 million recorded in 2022. The increase in provision is commensurate with changes in economic forecasts and growth in the loan portfolio associated with the acquisition of Surrey Bancorp on April 21, 2023. \$1.61 million of the provision is attributable to day two provision for the Surrey portfolio. As noted above, a recovery of provision for loan commitments was recorded in 2023 of \$450 thousand and was recorded in provision for credit losses. A provision expense of \$518 thousand was recorded for unfunded loan commitments in 2022 and was recorded in other operating expense.

### Noninterest Income

The following table presents the components of, and changes in, noninterest income for the periods indicated:

|                                 | Year Ended December 31, |                  |                  | 2024 Compared to 2023  |              | 2023 Compared to 2022  |              |
|---------------------------------|-------------------------|------------------|------------------|------------------------|--------------|------------------------|--------------|
|                                 | 2024                    | 2023             | 2022             | Increase<br>(Decrease) | %<br>Change  | Increase<br>(Decrease) | %<br>Change  |
|                                 |                         |                  |                  |                        |              |                        |              |
| <i>(Amounts in thousands)</i>   |                         |                  |                  |                        |              |                        |              |
| Wealth management               | \$ 4,485                | \$ 4,179         | \$ 3,855         | \$ 306                 | 7.32%        | \$ 324                 | 8.40%        |
| Service charges on deposits     | 14,012                  | 13,996           | 14,213           | 16                     | 0.11%        | (217)                  | -1.53%       |
| Other service charges and fees  | 14,392                  | 13,647           | 12,308           | 745                    | 5.46%        | 1,339                  | 10.88%       |
| Net gain on sale of securities  | -                       | (21)             | -                | 21                     | —            | (21)                   | -            |
| Gain on divestiture             | -                       | -                | 1,658            | —                      | —            | (1,658)                | —            |
| Other operating income          | 6,501                   | 5,651            | 5,148            | 850                    | 15.04%       | 503                    | 9.77%        |
| <b>Total noninterest income</b> | <b>\$ 39,390</b>        | <b>\$ 37,452</b> | <b>\$ 37,182</b> | <b>\$ 1,938</b>        | <b>5.17%</b> | <b>\$ 270</b>          | <b>0.73%</b> |

*2024 Compared to 2023.* Noninterest income comprised 23.75% of total net interest and noninterest income in 2024 compared to 22.68% in 2023. Noninterest income increased \$1.94 million, or 5.17%. Other operating income increased \$850 thousand, or 15.04%. Other operating income for 2024 included a gain of \$825 thousand from the sale of two closed branch properties, while other operating income for the same period of 2023 included a gain of \$204 thousand for the sale of one closed branch property. In addition, other operating income for 2024, included a holdback payment of \$184 thousand related to a prior divestiture of an insurance agency. Other service charges and fees increased \$745 thousand, or 5.46%. The increase is primarily attributable to an increase in net interchange income of \$709 thousand.

*2023 Compared to 2022.* Noninterest income comprised 22.68% of total net interest and noninterest income in 2023 compared to 24.81% in 2022. Noninterest income increased \$270 thousand, or 0.73%. The increase was primarily the result of an increase in other service charges and fees of \$1.34 million, or 10.88%. The increase in other services charges was primarily driven by an increase in interchange income. Wealth management income increased \$324 thousand, or 8.40%. These increases to noninterest income were offset by the 2022 gain recorded for the divestiture of the Emporia, Virginia branch of \$1.66 million.

### Noninterest Expense

The following table presents the components of, and changes in, noninterest expense for the periods indicated:

|                                  | Year Ended December 31, |                  |                  | 2024 Compared to 2023  |              | 2023 Compared to 2022  |               |
|----------------------------------|-------------------------|------------------|------------------|------------------------|--------------|------------------------|---------------|
|                                  | 2024                    | 2023             | 2022             | Increase<br>(Decrease) | %<br>Change  | Increase<br>(Decrease) | %<br>Change   |
|                                  |                         |                  |                  |                        |              |                        |               |
| <i>(Amounts in thousands)</i>    |                         |                  |                  |                        |              |                        |               |
| Salaries and employee benefits   | \$ 51,702               | \$ 49,887        | 47,183           | \$ 1,815               | 3.64%        | \$ 2,704               | 5.73%         |
| Occupancy expense                | 5,286                   | 4,967            | 4,818            | 319                    | 6.42%        | 149                    | 3.09%         |
| Furniture and equipment expense  | 6,368                   | 5,878            | 6,001            | 490                    | 8.34%        | (123)                  | -2.05%        |
| Service fees                     | 9,642                   | 8,908            | 7,606            | 734                    | 8.24%        | 1,302                  | 17.12%        |
| Advertising and public relations | 3,861                   | 3,300            | 2,409            | 561                    | 17.00%       | 891                    | 36.99%        |
| Professional fees                | 1,218                   | 1,567            | 1,303            | (349)                  | -22.27%      | 264                    | 20.26%        |
| Amortization of intangibles      | 2,131                   | 1,731            | 1,446            | 400                    | 23.11%       | 285                    | 19.71%        |
| FDIC premiums and assessments    | 1,463                   | 1,511            | 1,126            | (48)                   | -3.18%       | 385                    | 34.19%        |
| Merger expense                   | —                       | 2,393            | 596              | (2,393)                | -100.00%     | 1,797                  | 301.51%       |
| Divestiture expense              | —                       | —                | 153              | —                      | —            | (153)                  | -100.00%      |
| Litigation expense               | 1,800                   | 3,000            | —                | (1,200)                | —            | 3,000                  | —             |
| Other operating expense          | 13,096                  | 12,035           | 10,475           | 1,061                  | 8.82%        | 1,560                  | 14.89%        |
| <b>Total noninterest expense</b> | <b>\$ 96,567</b>        | <b>\$ 95,177</b> | <b>\$ 83,116</b> | <b>\$ 1,390</b>        | <b>1.46%</b> | <b>\$ 12,061</b>       | <b>14.51%</b> |

*2024 Compared to 2023.* Non interest expense increased \$1.39 million, or 1.46%. Salaries and employee benefits increased \$1.82 million, other operating expense increased \$1.06 million, and service fees increased \$734 thousand. The increases in non-interest expense is primarily due to the addition of the Surrey branches as well as inflationary increases. Non interest expense for 2023 included non-recurring expense of \$2.39 million in merger charges related to the Surrey acquisition. 2024 included a non-recurring charge of \$1.80 million to settle a putative class action lawsuit while 2023 included a non-recurring charge of \$3.00 million to accrue for the settlement of the same lawsuit.

*2023 Compared to 2022.* Non interest expense increased \$12.06 million, or 14.51%, compared to 2022. The Company recorded \$3.00 million in estimated litigation expenses in the fourth quarter of 2023. Other increases occurred in salaries and employee benefits of \$2.70 million, or 5.73%, other operating expense of \$1.56 million, or 14.89%, service fees of \$1.30 million or 17.12%, and advertising and public relations of \$891 thousand, or 36.99%. In addition, the Company recorded merger expenses of \$2.39 million in 2023 related to the Surrey Bancorp acquisition. The related cost for the addition of Surrey branches and staff was a primary driver in the increase to noninterest expense.

### Income Tax Expense

The Company's effective tax rate, income tax as a percent of pre-tax income, may vary significantly from the statutory rate due to permanent differences and available tax credits. Permanent differences are income and expense items excluded by law in the calculation of taxable income. The Company's most significant permanent differences generally include interest income on municipal securities and increases in the cash surrender value of life insurance policies.

*2024 Compared to 2023.* Income tax expense increased \$136 thousand, or 0.97% and was primarily due to the increase in pre-tax income. The effective tax rate decreased to 21.45% in 2024 compared to 22.52% in 2023.

*2023 Compared to 2022.* Income tax expense increased \$459 thousand, or 3.40% and was primarily due to the increase in pre-tax income. The effective tax rate increased slightly to 22.51% in 2023 compared to 22.43% in 2022.

**Financial Condition**

Total assets as of December 31, 2024, decreased \$7.33 million, or 0.22%, to \$3.26 billion from \$3.27 billion as of December 31, 2023. Loans decreased \$156.21 million, or 6.07% while securities available for sale decreased \$111.11 million, or 39.55%. Total liabilities decreased \$30.43 million, or 1.10%, and is primarily attributable to a decrease in deposits of \$31.08 million. Stockholders' equity increased \$23.10 million, or 4.59%. The increase is primarily due to earnings offset by dividends paid.

**Investment Securities**

Our investment securities are used to generate interest income through the deployment of excess funds, to fund loan demand or deposit liquidation, to pledge as collateral where required, and to make selective investments for Community Reinvestment Act purposes. The composition of our investment portfolio changes from time to time as we consider our liquidity needs, interest rate expectations, asset/liability management strategies, and capital requirements. Available-for-sale debt securities as of December 31, 2024, decreased \$111.11 million, or 39.55%, compared to December 31, 2023. The decrease was primarily due to \$221.34 million in maturities, prepayments, and calls in securities available for sale. The decrease was offset by purchases of \$109.98 million. The market value of debt securities available for sale as a percentage of amortized cost was 91.97% as of December 31, 2024, compared to 95.23% as of December 31, 2023. There were no held-to-maturity debt securities as of December 31, 2024, or 2023.

The following table provides information about our investment portfolio as of the dates indicated:

|                           | December 31, |      |
|---------------------------|--------------|------|
|                           | 2024         | 2023 |
| <i>(Amounts in years)</i> |              |      |
| Average life              | 5.69         | 4.33 |
| Average duration          | 3.52         | 2.36 |

There were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of our total consolidated shareholders' equity as of December 31, 2024 or 2023.

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Management evaluates securities for impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Credit losses are calculated individually, rather than collectively, using a discounted cash flow method, whereby Management compares the present value of expected cash flows with the amortized cost basis of the security. The credit loss component would be recognized through the provision for credit losses and the creation of an allowance for credit losses. Consideration is given to (1) the financial condition and near-term prospects of the issuer including looking at default and delinquency rates, (2) the outlook for receiving the contractual cash flows of the investments, (3) the length of time and the extent to which the fair value has been less than cost, (4) our intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or for a debt security whether it is more-likely-than-not that we will be required to sell the debt security prior to recovering its fair value, (5) the anticipated outlook for changes in the general level of interest rates, (6) credit ratings, (7) third party guarantees, and (8) collateral values. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, the results of reviews of the issuer's financial condition, and the issuer's anticipated ability to pay the contractual cash flows of the investments. All of the U.S. Treasury and Agency-Backed Securities have the full faith and credit backing of the United States Government or one of its agencies. Municipal securities and all other securities that do not have a zero expected credit loss are evaluated quarterly to determine whether there is a credit loss associated with a decline in fair value. Based on the application of the new standard, and that all debt securities available for sale in an unrealized loss position as of December 31, 2024, continue to perform as scheduled, we do not believe that a provision for credit losses is necessary in 2024. We recognized no impairment charges in earnings associated with debt securities in 2024. For additional information, see Note 1, "Basis of Presentation and Significant Accounting Policies," and Note 3, "Debt Securities," to the Consolidated Financial Statements in Item 8, of this report.

### *Loans Held for Investment*

Loans held for investment, our largest component of interest income, are grouped into commercial, consumer real estate, and consumer and other loan segments. Each segment is divided into various loan classes based on collateral or purpose. The general characteristics of each loan segment are as follows:

- Commercial loans – This segment consists of loans to small and mid-size industrial, commercial, and service companies. Commercial real estate projects represent a variety of sectors of the commercial real estate market, including single family and apartment lessors, commercial real estate lessors, and hotel/motel operators. Commercial loan underwriting guidelines require that comprehensive reviews and independent evaluations be performed on credits exceeding predefined size limits. Updates to these loan reviews are done periodically or annually depending on the size of the loan relationship.
- Consumer real estate loans – This segment consists of largely of loans to individuals within our market footprint for home equity loans and lines of credit and for the purpose of financing residential properties. Residential real estate loan underwriting guidelines require that borrowers meet certain credit, income, and collateral standards at origination.
- Consumer and other loans – This segment consists of loans to individuals within our market footprint that include, but are not limited to, automobile, credit cards, personal lines of credit, boats, mobile homes, and other consumer goods. Consumer loan underwriting guidelines require that borrowers meet certain credit, income, and collateral standards at origination.

Total loans held for investment, net of unearned income, as of December 31, 2024, decreased \$156.21 million, or 6.07%, compared to December 31, 2023. We had no foreign loans or loan concentrations to any single borrower or industry, which are not otherwise disclosed as a category of loans that represented 10% or more of outstanding loans, as of December 31, 2024 or 2023. For additional information, see Note 4, "Loans," to the Consolidated Financial Statements in Item 8 of this report.

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The following table presents the maturities and rate sensitivities of the loan portfolio as of December 31, 2024:

| <i>(Amounts in thousands)</i>                | <b>Due in One<br/>Year or Less</b> | <b>Due After One<br/>Year Through<br/>Five Years</b> | <b>Due After Five<br/>Through<br/>Fifteen Years</b> | <b>Due After<br/>Fifteen Years</b> | <b>Total</b>        |
|--|------------------------------------|--|---|------------------------------------|---------------------|
| <b>Commercial loans</b>                      |                                    |  |   |                                    |                     |
| Construction, development, and other land(1) | \$ 8,549                           | \$ 6,947   | \$ 39,623   | \$ 17,200                          | \$ 72,319           |
| Commercial and industrial                    | 29,729                             | 121,208  | 60,868  | 21,049                             | 232,854             |
| Multi-family residential                     | 12,198                             | 43,375   | 96,781  | 47,167                             | 199,521             |
| Single family non-owner occupied             | 3,676                              | 10,075   | 73,978  | 107,859                            | 195,588             |
| Non-farm, non-residential                    | 24,792                             | 151,542  | 325,652   | 350,237                            | 852,223             |
| Agricultural                                 | 1,842                              | 7,609  | 6,314   | 911                                | 16,676              |
| Farmland                                     | 845                                | 1,764  | 7,600   | 2,102                              | 12,311              |
| <b>Total commercial loans</b>                | <b>81,631</b>                      | <b>342,520</b>                                       | <b>610,816</b>                                      | <b>546,525</b>                     | <b>1,581,492</b>    |
| <b>Consumer real estate loans</b>            |                                    |  |   |                                    |                     |
| Home equity lines                            | 5,517                              | 13,806   | 64,841  | 6,063                              | 90,227              |
| Single family owner occupied                 | 2,238                              | 13,736   | 155,460   | 478,872                            | 650,306             |
| Owner occupied construction                  | —                                  | 38   | 620   | 3,833                              | 4,491               |
| <b>Total consumer real estate loans</b>      | <b>7,755</b>                       | <b>27,580</b>  | <b>220,921</b>                                      | <b>488,768</b>                     | <b>745,024</b>      |
| <b>Consumer and other loans</b>              |                                    |  |   |                                    |                     |
| Consumer loans                               | 5,109                              | 65,209   | 15,598  | 1,842                              | 87,758              |
| Other  | 1,815                              | —  | —   | —                                  | 1,815               |
| <b>Total consumer and other loans</b>        | <b>6,924</b>                       | <b>65,209</b>  | <b>15,598</b>                                       | <b>1,842</b>                       | <b>89,573</b>       |
| <b>Total loans</b>                           | <b>\$ 96,310</b>                   | <b>\$ 435,309</b>                                    | <b>\$ 847,335</b>                                   | <b>\$ 1,037,135</b>                | <b>\$ 2,416,089</b> |
| <b>Rate sensitivities</b>                    |                                    |  |   |                                    |                     |
| Predetermined interest rate                  | \$ 52,012                          | \$ 372,630   | \$ 546,597  | \$ 618,573                         | \$ 1,589,812        |
| Floating or adjustable interest rate         | 44,298                             | 62,679   | 300,738   | 418,562                            | 826,277             |
| <b>Total loans</b>                           | <b>\$ 96,310</b>                   | <b>\$ 435,309</b>                                    | <b>\$ 847,335</b>                                   | <b>\$ 1,037,135</b>                | <b>\$ 2,416,089</b> |

(1) Construction loans include construction to permanent loans that have not yet converted to principal and interest payments.

### Risk Elements

We seek to mitigate credit risk by following specific underwriting practices and by ongoing monitoring of our loan portfolio. Our underwriting practices include the analysis of borrowers' prior credit histories, financial statements, tax returns, and cash flow projections; valuation of collateral based on independent appraisers' reports; and verification of liquid assets. We believe our underwriting criteria are appropriate for the various loan types we offer; however, losses may occur that exceed the reserves established in our allowance for loan losses. The Company has a loan review function independent of credit administration that performs a risk-based review of a sample of loans and loan relationships in the Company's commercial portfolio, and conducts analytical review of credit quality on the Company's non-commercial portfolios.

Nonperforming assets consist of nonaccrual loans, accrual loans contractually past due 90 days or more, modified loans past due 90 days or more, and other real estate owned ("OREO"). Prior to the adoption of ASU 2022-02, unseasoned troubled debt restructurings ("TDRs") were included in nonperforming assets. Ongoing activity in the classification and categories of nonperforming loans include collections on delinquencies, foreclosures, loan restructurings, and movements into or out of the nonperforming classification due to changing economic conditions, borrower financial capacity, or resolution efforts. For additional information, see Note 5, "Credit Quality," to the Consolidated Financial Statements in Item 8 of this report.

The following table presents the components of nonperforming assets and related information as of the periods indicated:

| (Amounts in thousands)   | December 31,     |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
|  | 2024             | 2023             | 2022             | 2021             | 2020             |
| <b>Nonperforming</b>   |                  |                  |                  |                  |                  |
| Nonaccrual loans (1)   | \$ 19,869        | \$ 19,356        | \$ 15,208        | \$ 20,768        | \$ 22,003        |
| Accruing loans past due 90 days or more  | 149              | 104              | 142              | 87               | 295              |
| Modified loans past due 90 days or more (2)  | —                | —                | —                | —                | —                |
| TDRs(3)(4)   | —                | —                | 1,346            | 1,367            | 187              |
| Total non-covered nonperforming loans  | 20,018           | 19,460           | 16,696           | 22,222           | 22,485           |
| OREO   | 521              | 192              | 703              | 1,015            | 2,083            |
| Total nonperforming assets   | <u>\$ 20,539</u> | <u>\$ 19,652</u> | <u>\$ 17,399</u> | <u>\$ 23,237</u> | <u>\$ 24,568</u> |
| <b>Additional Information</b>  |                  |                  |                  |                  |                  |
| Total modified loans (1)   | \$ 2,260         | \$ 2,046         | \$ —             | \$ —             | \$ —             |
| Total Accruing TDRs (3)  | —                | —                | 7,112            | 8,652            | 10,248           |
| Gross interest income that would have been recorded under the original terms of restructured and nonperforming loans | 1,195            | 969              | 883              | 1,129            | 1,586            |
| Actual interest income recorded on restructured and nonperforming loans  | 5                | 6                | 388              | 422              | 473              |
| <b>Total ratios</b>  |                  |                  |                  |                  |                  |
| Nonperforming loans to total loans   | 0.83%            | 0.76%            | 0.70%            | 1.03%            | 1.03%            |
| Nonperforming assets to total assets   | 0.63%            | 0.60%            | 0.55%            | 0.73%            | 0.82%            |
| Allowance for credit losses to nonperforming loans   | 173.97%          | 185.97%          | 183.01%          | 125.36%          | 116.44%          |
| Allowance for credit losses to total loans   | 1.44%            | 1.41%            | 1.27%            | 1.29%            | 1.20%            |

(1) Nonaccrual loans include one modified loan past due 90 days or more of \$135 thousand.

(2) ASU 2022-02, Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures. ASU adopted effective January 1, 2023.

(3) TDRs restructured within the past six months and nonperforming TDRs exclude nonaccrual TDRs of \$1.22 million, \$1.80 million, and \$1.18 million for the three years ended December 31, 2022. They were included in nonaccrual loans as reported prior to the adoption of ASU 2022-02.

(4) Total accruing TDRs exclude nonaccrual TDRs of \$1.32 million, \$2.52 million, \$2.34 million, and for the three years ended December 31, 2022. They were included in nonaccrual loans as reported prior to the adoption of ASU 2022-02.

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Nonperforming assets as of December 31, 2024, increased \$1.02 million, or 5.20%, from December 31, 2023, with the largest increases attributable to an increase in nonaccrual loans of \$513 thousand, or 2.65% and OREO of \$329 thousand, or 171.35%. As of December 31, 2024, nonaccrual loans were largely attributed to single family owner occupied (46.25%), non-farm, non-residential real estate (14.17%), and commercial and industrial loans (12.54%). Certain loans included in the nonaccrual category have been written down to estimated realizable value or assigned specific reserves in the allowance for credit losses based on management's estimate of loss at ultimate resolution.

Delinquent loans, comprised of loans 30 days or more past due and nonaccrual loans, totaled \$37.55 million as of December 31, 2024, a increase of \$3.62 million, or 10.67%, compared to \$33.93 million as of December 31, 2023. Delinquent loans as a percent of total loans totaled 1.49% as of December 31, 2024, which includes past due loans 0.73% and nonaccrual loans 0.82%, compared to 1.32% as of December 31, 2023.

When restructuring loans for borrowers experiencing financial difficulty, we generally make concessions in interest rates, loan terms, or amortization terms. As noted above, ASU 2022-02, eliminated and replaced the accounting guidance for borrowers experiencing financial difficulties previously applied under ASC 310-40, Receivables - Troubled Debt Restructurings by Creditors. ASU 2022-02, Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures, discloses loans for borrowers experiencing financial difficulty as modified loans. Total loans modified as of December 31, 2024, were \$2.26 million as compared to \$2.05 million reported as of December 31, 2023.

OREO, which is carried at the lesser of estimated net realizable value or cost, consisted of 7 properties with an average holding period of 4 months as of December 31, 2024. The net loss on the sale of OREO was \$28 thousand in 2024, \$84 thousand in 2023, and \$453 thousand in 2022. The following table presents the changes in OREO during the periods indicated:

|                               | Year Ended December 31, |               |
|-------------------------------|-------------------------|---------------|
|                               | 2024                    | 2023          |
| <i>(Amounts in thousands)</i> |                         |               |
| Beginning balance             | \$ 192                  | \$ 703        |
| Additions                     | 798                     | 391           |
| Disposals                     | (420)                   | (798)         |
| Valuation adjustments         | (49)                    | (104)         |
| Ending balance                | <u>\$ 521</u>           | <u>\$ 192</u> |

#### *Allowance for Credit Losses (ACL)*

The ACL reflects management's estimate of losses that will result from the inability of our borrowers to make required loan payments. Management uses a systematic methodology to determine its ACL for loans held for investment and certain off-balance-sheet credit exposures. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loan portfolio. Management considers the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the loan portfolio. The Company's estimate of its ACL involves a high degree of judgment; therefore, management's process for determining expected credit losses may result in a range of expected credit losses. It is possible that others, given the same information, may at any point in time reach a different reasonable conclusion. The Company's ACL recorded in the balance sheet reflects management's best estimate of expected credit losses. The Company recognizes in net income the amount needed to adjust the ACL for management's current estimate of expected credit losses. The Company's measurement of credit losses policy adheres to GAAP as well as interagency guidance. The Company's ACL is calculated using collectively evaluated and individually evaluated loans.

For collectively evaluated loans, the Company in general uses two modeling approaches to estimate expected credit losses. The Company projects the contractual run-off of its portfolio at the segment level and incorporates a prepayment assumption in order to estimate exposure at default. Financial assets that have been individually evaluated can be returned to a pool for purposes of estimating the expected credit loss insofar as their credit profile improves and that the repayment terms were not considered to be unique to the asset.

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In addition to its own loss experience, management also includes peer bank historical loss experience in its assessment of expected credit losses to determine the ACL. The Company utilized call report data to measure historical credit loss experience with similar risk characteristics within the segments. For the majority of segment models for collectively evaluated loans, the Company incorporated at least one macroeconomic driver either using a statistical regression modeling methodology or simple loss rate modeling methodology.

Included in its systematic methodology to determine its ACL for loans held for investment and certain off-balance-sheet credit exposures, management considers the need to qualitatively adjust expected credit losses for information not already captured in the loss estimation process. These qualitative adjustments either increase or decrease the quantitative model estimation (i.e. formulaic model results). Each period, the Company considers qualitative factors that are relevant within the qualitative framework. For further discussion of our Allowance for Credit Losses - See Note 1 - "Basis of Presentation - Significant Accounting Policies".

With the adoption of ASU 2016-13 effective January 1, 2021, the Company changed its method for calculating its allowance for loan losses from an incurred loss method to a life of loan method. See Note 1 – "Basis of Presentation and Significant Accounting Policies" for further details. As of December 31, 2024, the balance of the ACL for loans was \$34.83 million, or 1.44% of total loans. The ACL at December 31, 2024, decreased \$1.36 million from the balance of \$36.19 million recorded December 31, 2023. This decrease included a provision of \$4.00 million and net charge-offs for the twelve months of \$5.37 million.

At December 31, 2024, the Company also had an allowance for unfunded commitments of \$341 thousand compared to \$746 thousand in 2023. The allowance for unfunded commitments is recorded in Other Liabilities on the balance sheet. During 2024, there was a recovery of provision for credit losses on unfunded commitments of \$405 thousand. The provision for credit losses on unfunded commitments is recorded in provision expense on the Statement of Income.

Management considered the allowance adequate as of December 31, 2024; however, no assurance can be made that additions to the allowance will not be required in future periods. For additional information, see "Allowance for Credit Losses or ("ACL")" in the "Critical Accounting Policies" section above and Note 6, "Allowance for Credit Losses," to the Consolidated Financial Statements in Item 8 of this report.

The following table presents net charge-offs by loan class, and the ratio to average loans during the periods indicated:

|   | December 31,                 |               |  |                              |               |  |                              |               |  |
|---|------------------------------|---------------|--|------------------------------|---------------|--|------------------------------|---------------|--|
|   | 2024                         |               |  | 2023                         |               |  | 2022                         |               |  |
|   | Net (charge-offs) recoveries | Average Loans | Ratio of Net (charge-offs) recoveries to average loans | Net (charge-offs) recoveries | Average Loans | Ratio of Net (charge-offs) recoveries to average loans | Net (charge-offs) recoveries | Average Loans | Ratio of Net (charge-offs) recoveries to average loans |
| <i>(Amounts in thousands)</i>             |                              |               |  |                              |               |  |                              |               |  |
| Commercial loans                          |                              |               |  |                              |               |  |                              |               |  |
| Construction, development, and other land | \$ 50                        | \$ 78,994     | 0.06%  | \$ 511                       | \$ 108,437    | 0.47%  | \$ 56                        | \$ 88,204     | 0.06%  |
| Commercial and industrial                 | (293)                        | 232,656       | -0.13%   | (8)                          | 216,618       | 0.00%  | 844                          | 169,101       | 0.50%  |
| Multi-family residential                  | 8                            | 195,335       | 0.00%  | 9                            | 163,797       | 0.01%  | 105                          | 124,229       | 0.08%  |
| Single family non-owner occupied          | 186                          | 201,599       | 0.09%  | 13                           | 220,316       | 0.01%  | 186                          | 193,455       | 0.10%  |
| Non-farm, non-residential                 | —                            | 872,566       | 0.00%  | 443                          | 863,078       | 0.05%  | 848                          | 754,518       | 0.11%  |
| Agricultural                              | (183)                        | 18,940        | -0.97%   | (30)                         | 18,982        | -0.16%   | (70)                         | 10,407        | -0.67%   |
| Farmland                                  | 27                           | 12,707        | 0.21%  | 30                           | 13,856        | 0.21%  | 38                           | 12,290        | 0.31%  |
| Total commercial loans                    | (205)                        | 1,612,797     | -0.01%   | 968                          | 1,605,084     | 0.06%  | 2,007                        | 1,352,204     | 0.15%  |
| Consumer real estate loans                |                              |               |  |                              |               |  |                              |               |  |
| Home equity lines                         | 145                          | 80,467        | 0.18%  | 123                          | 77,348        | 0.16%  | 67                           | 72,511        | 0.09%  |
| Single family owner occupied              | (106)                        | 670,292       | -0.02%   | (15)                         | 704,217       | 0.00%  | 13                           | 702,384       | 0.00%  |
| Owner occupied construction               | —                            | 11,893        | 0.00%  | —                            | 16,778        | 0.00%  | —                            | 23,898        | 0.00%  |
| Total consumer real estate loans          | 39                           | 762,652       | 0.01%  | 108                          | 798,343       | 0.01%  | 80                           | 798,793       | 0.01%  |
| Consumer and other loans                  |                              |               |  |                              |               |  |                              |               |  |
| Consumer loans                            | (5,200)                      | 105,766       | -4.92%   | (5,889)                      | 134,934       | -4.36%   | (5,960)                      | 147,506       | -4.04%   |
| Total                                     | \$ (5,366)                   | \$ 2,481,215  | -0.22%   | \$ (4,813)                   | \$ 2,538,361  | -0.19%   | \$ (3,873)                   | \$ 2,298,503  | -0.17%   |

The following table presents the allowance for loan losses by loan class, as of the dates indicated:

|   | December 31,     |                                     |                  |                                     |
|---|------------------|-------------------------------------|------------------|-------------------------------------|
|   | 2024             |                                     | 2023             |                                     |
|   | Balance          | Percentage of<br>Total<br>Allowance | Balance          | Percentage of<br>Total<br>Allowance |
| <i>(Amounts in thousands)</i>             |                  |                                     |                  |                                     |
| <b>Commercial loans</b>                   |                  |                                     |                  |                                     |
| Construction, development, and other land | \$ 2,251         | 2.99%                               | \$ 3,549         | 4.12%                               |
| Commercial and industrial                 | 4,862            | 9.64%                               | 3,997            | 8.24%                               |
| Multi-family residential                  | 1,179            | 8.26%                               | 1,191            | 7.32%                               |
| Single family non-owner occupied          | 2,483            | 8.10%                               | 2,581            | 8.74%                               |
| Non-farm, non-residential                 | 8,893            | 35.27%                              | 9,837            | 34.78%                              |
| Agricultural                              | 600              | 0.69%                               | 570              | 0.84%                               |
| Farmland                                  | 149              | 0.51%                               | 125              | 0.55%                               |
| <b>Consumer real estate loans</b>         |                  |                                     |                  |                                     |
| Home equity lines                         | 1,583            | 3.73%                               | 1,588            | 3.41%                               |
| Single family owner occupied              | 8,255            | 26.92%                              | 7,989            | 27.06%                              |
| Owner occupied construction               | 69               | 0.19%                               | 116              | 0.33%                               |
| <b>Consumer and other loans</b>           |                  |                                     |                  |                                     |
| Consumer loans                            | 4,501            | 3.71%                               | 4,646            | 4.61%                               |
| <b>Total allowance</b>                    | <b>\$ 34,825</b> | <b>100.00%</b>                      | <b>\$ 36,189</b> | <b>100.00%</b>                      |

#### Deposits

Total deposits as of December 31, 2024, decreased \$31.08 million, or 1.14%, compared to December 31, 2023. The largest decrease occurred in noninterest-bearing demand with a decrease of \$48.42 million, or 5.20%. Other decreases occurred in interest-bearing demand of \$18.46 million, or 2.66% and time deposits of \$12.83 million, or 5.06%. These decreases were offset by an increase in savings deposits of \$48.63 million, or 5.77%. We had no deposit concentrations to any single customer or industry that represented 10% or more of outstanding deposits as of December 31, 2024 or 2023.

The following schedule presents the contractual maturities of time deposits of \$250 thousand or more as of December 31, 2024:

|                                |                  |
|--------------------------------|------------------|
| <i>(Amounts in thousands)</i>  |                  |
| Three months or less           | \$ 1,903         |
| Over three through six months  | 8,477            |
| Over six through twelve months | 8,712            |
| Over twelve months             | 3,300            |
|                                | <u>\$ 22,392</u> |

#### Borrowings

Total borrowings as of December 31, 2024, decreased \$213 thousand, or 19.03%, compared to December 31, 2023. Total borrowings for 2024 were comprised entirely of short-term borrowings, which consist of retail repurchase agreements. The weighted average rate of 0.05% as of December 31, 2024, decreased one basis point from the weighted average rate of 0.06% as of December 31, 2023.

## Liquidity and Capital Resources

### *Liquidity*

Liquidity is a measure of our ability to meet current and future cash flow needs as they become due. The liquidity of a financial institution reflects its ability to meet loan requests, to accommodate possible outflows in deposits and to take advantage of interest rate market opportunities. The ability of a financial institution to meet its current financial obligations is a function of its balance sheet structure that draws together all sources and uses of liquidity. The objective of our liquidity management is to manage cash flow and liquidity reserves so that they are adequate to fund our operations and to meet obligations and other commitments on a timely basis and at a reasonable cost. We seek to achieve this objective and ensure that funding needs are met by maintaining an appropriate level of liquid funds through asset/liability management, which includes managing the mix and time to maturity of financial assets and financial liabilities on our balance sheet.

Poor or inadequate liquidity risk management may result in a funding deficit that could have a material impact on our operations. We maintain a liquidity risk management policy and contingency funding policy (“Liquidity Plan”) to detect potential liquidity issues and protect our depositors, creditors, and shareholders. The Liquidity Plan includes various internal and external indicators that are reviewed on a recurring basis by our Asset/Liability Management Committee (“ALCO”) of the Board of Directors. ALCO reviews liquidity risk exposure and policies related to liquidity management; ensures that systems and internal controls are consistent with liquidity policies; and provides accurate reports about liquidity needs, sources, and compliance. The Liquidity Plan involves ongoing monitoring and estimation of potentially credit sensitive liabilities and the sources and amounts of balance sheet and external liquidity available to replace outflows during a funding crisis. The liquidity model incorporates various funding crisis scenarios and a specific action plan is formulated, and activated, when a financial shock that affects our normal funding activities is identified. Generally, the plan will reflect a strategy of replacing liability outflows with alternative liabilities, rather than balance sheet asset liquidity, to the extent that significant premiums can be avoided. If alternative liabilities are not available, outflows will be met through liquidation of balance sheet assets, including unpledged securities. As of December 31, 2024, management is not aware of any events that are reasonably likely to have a material adverse effect on our liquidity, capital resources or operations. In addition, management is not aware of any regulatory recommendations regarding liquidity that would have a material adverse effect on the Company.

In the ordinary course of business we have entered into contractual obligations and have made other commitments to make future payments. Refer to the accompanying notes to the Consolidated Financial Statements in Item 8 of this report for the expected timing of such payments as of December 31, 2024. These include payments related to (i) operating leases (Note - 7 Premises, Equipment, and Leases ), (ii) time deposits with stated maturity dates (Note 9 - Deposits), and (iii) commitments to extend credit and standby letters of credit (Note - 19 Litigation, Commitments, and Contingencies).

As a financial holding company, the Company’s primary source of liquidity is dividends received from the Bank, which are subject to certain regulatory limitations. Other sources of liquidity include cash, investment securities, and borrowings. As of December 31, 2024, the Company’s cash reserves and short-term investment securities totaled \$3.95 million and \$55.77 million, respectively. The Company’s cash reserves and investments provide adequate working capital to meet obligations and projected dividends to shareholders for the next twelve months.

In addition to cash on hand and deposits with other financial institutions, we rely on customer deposits, cash flows from loans and investment securities, and lines of credit from the FHLB and the FRB Discount Window to meet potential liquidity demands. These sources of liquidity are immediately available to satisfy deposit withdrawals, customer credit needs, and our operations. Secondary sources of liquidity include approved lines of credit with correspondent banks and unpledged available-for-sale securities. As of December 31, 2024, our unencumbered cash totaled \$377.45 million, unused borrowing capacity from the FHLB totaled \$352.32 million, available credit from the FRB Discount Window totaled \$5.80 million, available lines from correspondent banks totaled \$100.00 million, and unpledged available-for-sale securities totaled \$145.21 million.

**Capital Resources**

We are committed to effectively managing our capital to protect our depositors, creditors, and shareholders. Failure to meet certain capital requirements may result in actions by regulatory agencies that could have a material impact on our operations. Total stockholders' equity as of December 31, 2024, increased \$23.10 million, or 4.59%, to \$526.39 million from \$503.29 million as of December 31, 2023. The increase is primarily due to earnings of \$51.60 million offset by dividends paid on our common stock totaling \$22.02 million. In addition, the Company repurchased 257,294 shares of our common stock totaling \$8.72 million. Our book value per common share increased \$1.53 to \$28.73 as of December 31, 2024, from \$27.20 as of December 31, 2023.

**Capital Adequacy Requirements**

Risk-based capital guidelines, issued by state and federal banking agencies, include balance sheet assets and off-balance sheet arrangements weighted by the risks inherent in the specific asset type. Our current risk-based capital requirements are based on the international capital standards known as Basel III. Our current minimum required capital ratios are as follows:

- 4.5% Common Equity Tier 1 capital to risk-weighted assets (effectively 7.00% including the capital conservation buffer)
- 6.0% Tier 1 capital to risk-weighted assets (effectively 8.50% including the capital conservation buffer)
- 8.0% Total capital to risk-weighted assets (effectively 10.50% including the capital conservation buffer)
- 4.0% Tier 1 capital to average consolidated assets ("Tier 1 leverage ratio")

The following table presents our capital ratios as of the dates indicated:

|                                 | December 31, |        |        |
|---------------------------------|--------------|--------|--------|
|                                 | 2024         | 2023   | 2022   |
| <b>The Company</b>              |              |        |        |
| Common equity Tier 1 ratio      | 16.75%       | 14.69% | 13.37% |
| Tier 1 risk-based capital ratio | 16.75%       | 14.69% | 13.37% |
| Total risk-based capital ratio  | 18.00%       | 15.94% | 14.62% |
| Tier 1 leverage ratio           | 12.25%       | 11.52% | 10.17% |
| <b>The Bank</b>                 |              |        |        |
| Common equity Tier 1 ratio      | 13.89%       | 12.97% | 11.69% |
| Tier 1 risk-based capital ratio | 13.89%       | 12.97% | 11.69% |
| Total risk-based capital ratio  | 15.15%       | 14.22% | 12.94% |
| Tier 1 leverage ratio           | 10.32%       | 10.07% | 8.79%  |

As of December 31, 2024, we continued to meet all capital adequacy requirements and were classified as well-capitalized under the regulatory framework for prompt corrective action. Management believes there have been no conditions or events since those notifications that would change the Bank's classification. Additionally, our capital ratios were in excess of the minimum standards under the Basel III capital rules on a fully phased-in basis, as of December 31, 2024. For additional information, see "Capital Requirements" in Part I, Item 1 and Note 20, "Regulatory Requirements and Restrictions," to the Consolidated Financial Statements in Item 8 of this report.

**Market Risk and Interest Rate Sensitivity**

Market risk represents the risk of loss due to adverse changes in current and future cash flows, fair values, earnings, or capital due to movements in interest rates and other factors. Our profitability is largely dependent upon net interest income, which is subject to variation due to changes in the interest rate environment and unbalanced repricing opportunities. We are subject to interest rate risk when interest-earning assets and interest-bearing liabilities reprice at differing times, when underlying rates change at different levels or in varying degrees, when there is an unequal change in the spread between two or more rates for different maturities, and when embedded options, if any, are exercised. ALCO reviews our mix of assets and liabilities with the goal of limiting exposure to interest rate risk, ensuring adequate liquidity, and coordinating sources and uses of funds while maintaining an acceptable level of net interest income given the current interest rate environment. ALCO is also responsible for overseeing the formulation and implementation of policies and strategies to improve balance sheet positioning and mitigate the effect of interest rate changes.

In order to manage our exposure to interest rate risk, we periodically review internal and third-party simulation models that project net interest income at risk, which measures the impact of different interest rate scenarios on net interest income, and the economic value of equity at risk, which measures potential long-term risk in the balance sheet by valuing our assets and liabilities at fair value under different interest rate scenarios. Simulation results show the existence and severity of interest rate risk in each scenario based on our current balance sheet position, assumptions about changes in the volume and mix of interest-earning assets and interest-bearing liabilities, and estimated yields earned on assets and rates paid on liabilities. The simulation model provides the best tool available to us and the industry for managing interest rate risk; however, the model cannot precisely predict the impact of fluctuations in interest rates on net interest income due to the use of significant estimates and assumptions. Actual results will differ from simulated results due to the timing, magnitude, and frequency of interest rate changes; changes in market conditions and customer behavior; and changes in our strategies that management might undertake in response to a sudden and sustained rate shock.

At December 31, 2024, the Federal Open Market Committee set the benchmark federal funds rate at a range of 4.25% - 4.50% basis points. The following table presents the sensitivity of net interest income from immediate and sustained rate shocks in various interest rate scenarios over a twelve-month period for the periods indicated. In the downward rate shock presented, benchmark interest rates were assumed at levels with floors near 0%. The following table presents the sensitivity of net interest income from immediate and sustained rate shocks in various interest rate scenarios over a twelve-month period for the periods indicated.

| Increase (Decrease) in Basis Points | December 31,                  |                |                               |                |
|-------------------------------------|-------------------------------|----------------|-------------------------------|----------------|
|                                     | 2024                          |                | 2023                          |                |
|                                     | Change in Net Interest Income | Percent Change | Change in Net Interest Income | Percent Change |
| <i>(Dollars in thousands)</i>       |                               |                |                               |                |
| 400                                 | \$ 5,992                      | 4.7%           | \$ 3,285                      | 2.6%           |
| 300                                 | 4,492                         | 3.5%           | 2,446                         | 1.9%           |
| 200                                 | 2,997                         | 2.4%           | 1,606                         | 1.3%           |
| 100                                 | 1,505                         | 1.2%           | 757                           | 0.6%           |
| (100)                               | (2,883)                       | -2.3%          | (3,858)                       | -3.0%          |
| (200)                               | (6,325)                       | -5.0%          | (9,527)                       | -7.5%          |

We have established policy limits for tolerance of interest rate risk in various interest rate scenarios and exposure limits to changes in the economic value of equity. As of December 31, 2024, we feel our exposure to interest rate risk was adequately mitigated for the scenarios presented.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk.**

The information required in this item is incorporated by reference to “Market Risk and Interest Rate Sensitivity” in Item 7 of this report.

**Item 8. Financial Statements and Supplementary Data.**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
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**FIRST COMMUNITY BANKSHARES, INC.**  
**CONSOLIDATED BALANCE SHEETS**

|   | December 31,        |                     |
|---|---------------------|---------------------|
|   | 2024                | 2023                |
| <i>(Amounts in thousands, except share and per share data)</i>  |                     |                     |
| <b>Assets</b>   |                     |                     |
| Cash and due from banks   | \$ 78,540           | \$ 77,563           |
| Federal funds sold  | 296,997             | 37,312              |
| Interest-bearing deposits in banks  | 1,917               | 1,545               |
| Total cash and cash equivalents   | 377,454             | 116,420             |
| Debt securities available for sale, at fair value   | 169,849             | 280,961             |
| Loans held for investment, net of unearned income   | 2,416,089           | 2,572,298           |
| Allowance for credit losses   | (34,825)            | (36,189)            |
| Loans held for investment, net  | 2,381,264           | 2,536,109           |
| Premises and equipment, net   | 48,735              | 50,680              |
| Other real estate owned   | 521                 | 192                 |
| Interest receivable   | 9,207               | 10,881              |
| Goodwill  | 143,946             | 143,946             |
| Other intangible assets   | 13,014              | 15,145              |
| Other assets  | 117,226             | 114,211             |
| Total assets  | <u>\$ 3,261,216</u> | <u>\$ 3,268,545</u> |
| <b>Liabilities</b>  |                     |                     |
| Noninterest-bearing deposits  | \$ 883,499          | \$ 931,920          |
| Interest-bearing deposits   | 1,807,748           | 1,790,405           |
| Total deposits  | 2,691,247           | 2,722,325           |
| Securities sold under agreements to repurchase  | 906                 | 1,119               |
| Interest, taxes, and other liabilities  | 42,671              | 41,807              |
| Total liabilities   | 2,734,824           | 2,765,251           |
| <b>Stockholders' equity</b>   |                     |                     |
| Preferred stock, undesignated par value; 1,000,000 shares authorized; Series A Noncumulative Convertible  |                     |                     |
| Preferred Stock, \$0.01 par value; 25,000 shares authorized; none outstanding   | —                   | —                   |
| Common stock, \$1 par value; 50,000,000 shares authorized; 27,599,240 issued and 18,321,795 outstanding at December 31, 2024; 27,522,547 shares issued and 18,502,396 shares outstanding at December 31, 2023 | 18,322              | 18,502              |
| Additional paid-in capital  | 169,752             | 175,841             |
| Retained earnings   | 349,489             | 319,902             |
| Accumulated other comprehensive loss  | (11,171)            | (10,951)            |
| Total stockholders' equity  | 526,392             | 503,294             |
| Total liabilities and stockholders' equity  | <u>\$ 3,261,216</u> | <u>\$ 3,268,545</u> |

*See Notes to Consolidated Financial Statements.*

**FIRST COMMUNITY BANKSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

|  | Year Ended December 31, |                  |                  |
|--|-------------------------|------------------|------------------|
|  | 2024                    | 2023             | 2022             |
| <i>(Amounts in thousands, except share and per share data)</i> |                         |                  |                  |
| <b>Interest income</b>   |                         |                  |                  |
| Interest and fees on loans                                     | \$ 129,871              | \$ 126,727       | \$ 104,570       |
| Interest on securities -- taxable                              | 4,958                   | 7,345            | 5,271            |
| Interest on securities -- tax-exempt                           | 468                     | 611              | 715              |
| Interest on deposits in banks                                  | 10,845                  | 2,482            | 3,763            |
| Total interest income  | 146,142                 | 137,165          | 114,319          |
| <b>Interest expense</b>  |                         |                  |                  |
| Interest on deposits   | 19,639                  | 9,341            | 1,654            |
| Interest on short-term borrowings                              | 35                      | 140              | 2                |
| Total interest expense   | 19,674                  | 9,481            | 1,656            |
| <b>Net interest income</b>                                     | 126,468                 | 127,684          | 112,663          |
| Provision for credit losses                                    | 3,597                   | 7,985            | 6,572            |
| <b>Net interest income after provision for loan losses</b>     | 122,871                 | 119,699          | 106,091          |
| <b>Noninterest income</b>                                      |                         |                  |                  |
| Wealth management  | 4,485                   | 4,179            | 3,855            |
| Service charges on deposits                                    | 14,012                  | 13,996           | 14,213           |
| Other service charges and fees                                 | 14,392                  | 13,647           | 12,308           |
| Net loss on sale of securities                                 | —                       | (21)             | —                |
| Gain on divestitures   | —                       | —                | 1,658            |
| Other operating income   | 6,501                   | 5,651            | 5,148            |
| Total noninterest income                                       | 39,390                  | 37,452           | 37,182           |
| <b>Noninterest expense</b>                                     |                         |                  |                  |
| Salaries and employee benefits                                 | 51,702                  | 49,887           | 47,183           |
| Occupancy expense  | 5,286                   | 4,967            | 4,818            |
| Furniture and equipment expense                                | 6,368                   | 5,878            | 6,001            |
| Service fees   | 9,642                   | 8,908            | 7,606            |
| Advertising and public relations                               | 3,861                   | 3,300            | 2,409            |
| Professional fees  | 1,218                   | 1,567            | 1,303            |
| Amortization of intangibles                                    | 2,131                   | 1,731            | 1,446            |
| FDIC premiums and assessments                                  | 1,463                   | 1,511            | 1,126            |
| Merger expense   | —                       | 2,393            | 596              |
| Divestiture expense  | —                       | —                | 153              |
| Litigation expense   | 1,800                   | 3,000            | —                |
| Other operating expense  | 13,096                  | 12,035           | 10,475           |
| Total noninterest expense                                      | 96,567                  | 95,177           | 83,116           |
| Income before income taxes                                     | 65,694                  | 61,974           | 60,157           |
| Income tax expense   | 14,090                  | 13,954           | 13,495           |
| <b>Net income</b>  | <u>\$ 51,604</u>        | <u>\$ 48,020</u> | <u>\$ 46,662</u> |
| <b>Earnings per common share</b>                               |                         |                  |                  |
| Basic  | \$ 2.81                 | \$ 2.67          | \$ 2.82          |
| Diluted  | 2.80                    | 2.72             | 2.82             |
| Cash dividends per common share                                | 1.20                    | 1.16             | 1.12             |
| <b>Weighted average shares outstanding</b>                     |                         |                  |                  |
| Basic  | 18,349,498              | 17,996,373       | 16,519,848       |
| Diluted  | 18,430,206              | 18,027,151       | 16,562,257       |

See Notes to Consolidated Financial Statements.

**FIRST COMMUNITY BANKSHARES, INC**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|  | Year Ended December 31, |                  |                  |
|--|-------------------------|------------------|------------------|
|  | 2024                    | 2023             | 2022             |
| <i>(Amounts in thousands)</i>  |                         |                  |                  |
| <b>Net income</b>  | \$ 51,604               | \$ 48,020        | \$ 46,662        |
| <b>Other comprehensive income, before tax</b>  |                         |                  |                  |
| Available-for-sale debt securities:  |                         |                  |                  |
| Net unrealized (losses) gains on securities  | (754)                   | 5,669            | (19,793)         |
| Reclassification adjustment for net loss recognized in net income  | —                       | 21               | —                |
| Net unrealized (losses) gains on available-for-sale debt securities  | (754)                   | 5,690            | (19,793)         |
| Employee benefit plans:  |                         |                  |                  |
| Net actuarial gain   | 440                     | 306              | 1,718            |
| Reclassification adjustment for amortization of prior service cost and net actuarial loss recognized in net income | 37                      | 38               | 135              |
| Net unrealized gains on employee benefit plans   | 477                     | 344              | 1,853            |
| <b>Other comprehensive (loss) income, before tax</b>   | (277)                   | 6,034            | (17,940)         |
| Income tax benefit (expense)   | 57                      | (1,266)          | 3,767            |
| <b>Other comprehensive (loss) income, net of tax</b>   | (220)                   | 4,768            | (14,173)         |
| <b>Total comprehensive income</b>  | <u>\$ 51,384</u>        | <u>\$ 52,788</u> | <u>\$ 32,489</u> |

*See Notes to Consolidated Financial Statements.*

**FIRST COMMUNITY BANKSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

| <i>(Amounts in thousands, except share and per share data)</i> | <b>Preferred<br/>Stock<br/>Outstanding</b> | <b>Preferred<br/>Stock</b> | <b>Common<br/>Stock<br/>Outstanding</b> | <b>Common<br/>Stock</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Retained<br/>Earnings</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</b> | <b>Total</b>      |
|--|--|----------------------------|---|-------------------------|---|------------------------------|--|-------------------|
| Balance January 1, 2022  | —  | \$ —                       | 16,878,220                              | \$ 16,878               | \$ 147,619                                | \$ 264,824                   | \$ (1,546)   | \$ 427,775        |
| Net income   | —  | —                          | —                                       | —                       | —   | 46,662                       | —  | 46,662            |
| Other comprehensive loss                                       | —  | —                          | —                                       | —                       | —   | —                            | (14,173)   | (14,173)          |
| Common dividends declared -- \$1.12 per share                  | —  | —                          | —                                       | —                       | —   | (18,515)                     | —  | (18,515)          |
| Equity-based compensation expense                              | —  | —                          | 25,137                                  | 25                      | 693                                       | —                            | —  | 718               |
| Common stock options exercised                                 | —  | —                          | 7,575                                   | 8                       | 164                                       | —                            | —  | 172               |
| Issuance of stock to 401(k) plan                               | —  | —                          | 20,584                                  | 20                      | 637                                       | —                            | —  | 657               |
| Repurchase of common shares -- at \$30.18 per share            | —  | —                          | (706,117)                               | (706)                   | (20,605)                                  | —                            | —  | (21,311)          |
| Balance December 31, 2022                                      | <u>—</u>                                   | <u>\$ —</u>                | <u>16,225,399</u>                       | <u>\$ 16,225</u>        | <u>\$ 128,508</u>                         | <u>\$ 292,971</u>            | <u>\$ (15,719)</u>   | <u>\$ 421,985</u> |
| Balance January 1, 2023  | —  | \$ —                       | 16,225,399                              | \$ 16,225               | \$ 128,508                                | \$ 292,971                   | \$ (15,719)  | \$ 421,985        |
| Issuance of common stock pursuant to acquisition               | —  | —                          | 2,996,786                               | 2,997                   | 68,357                                    | —                            | —  | 71,354            |
| Net income   | —  | —                          | —                                       | —                       | —   | 48,020                       | —  | 48,020            |
| Other comprehensive income                                     | —  | —                          | —                                       | —                       | —   | —                            | 4,768  | 4,768             |
| Common dividends declared -- \$1.16 per share                  | —  | —                          | —                                       | —                       | —   | (21,089)                     | —  | (21,089)          |
| Equity-based compensation expense                              | —  | —                          | 24,312                                  | 25                      | 572                                       | —                            | —  | 597               |
| Common stock options exercised                                 | —  | —                          | 4,288                                   | 4                       | 87  | —                            | —  | 91                |
| Issuance of stock to 401(k) plan                               | —  | —                          | 19,690                                  | 20                      | 586                                       | —                            | —  | 606               |
| Repurchase of common shares -- at \$29.99 per share            | —  | —                          | (768,079)                               | (769)                   | (22,269)                                  | —                            | —  | (23,038)          |
| Balance December 31, 2023                                      | <u>—</u>                                   | <u>\$ —</u>                | <u>18,502,396</u>                       | <u>\$ 18,502</u>        | <u>\$ 175,841</u>                         | <u>\$ 319,902</u>            | <u>\$ (10,951)</u>   | <u>\$ 503,294</u> |
| Balance January 1, 2024  | —  | \$ —                       | 18,502,396                              | \$ 18,502               | \$ 175,841                                | \$ 319,902                   | \$ (10,951)  | \$ 503,294        |
| Net income   | —  | —                          | —                                       | —                       | —   | 51,604                       | —  | 51,604            |
| Other comprehensive loss                                       | —  | —                          | —                                       | —                       | —   | —                            | (220)  | (220)             |
| Common dividends declared -- \$1.20 per share                  | —  | —                          | —                                       | —                       | —   | (22,017)                     | —  | (22,017)          |
| Equity-based compensation expense                              | —  | —                          | 9,204                                   | 9                       | 394                                       | —                            | —  | 403               |
| Common stock options exercised                                 | —  | —                          | 51,088                                  | 52                      | 1,358                                     | —                            | —  | 1,410             |
| Issuance of stock to 401(k) plan                               | —  | —                          | 16,401                                  | 16                      | 619                                       | —                            | —  | 635               |
| Repurchase of common shares -- at \$33.88 per share            | —  | —                          | (257,294)                               | (257)                   | (8,460)                                   | —                            | —  | (8,717)           |
| Balance December 31, 2024                                      | <u>—</u>                                   | <u>\$ —</u>                | <u>18,321,795</u>                       | <u>\$ 18,322</u>        | <u>\$ 169,752</u>                         | <u>\$ 349,489</u>            | <u>\$ (11,171)</u>   | <u>\$ 526,392</u> |

*See Notes to Consolidated Financial Statements.*

**FIRST COMMUNITY BANKSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (Amounts in thousands)  | Year Ended December 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2024                    | 2023       | 2022       |
| <b>Operating activities</b>   |                         |            |            |
| Net income  | \$ 51,604               | \$ 48,020  | \$ 46,662  |
| Adjustments to reconcile net income to net cash provided by operating activities  |                         |            |            |
| Provision for credit losses   | 3,597                   | 7,985      | 6,572      |
| Depreciation and amortization of premises and equipment                           | 4,349                   | 3,954      | 4,154      |
| (Accretion)/amortization of discounts/premiums on investments, net                | (998)                   | (2,471)    | (261)      |
| Amortization of intangible assets   | 2,131                   | 1,731      | 1,446      |
| Accretion on acquired loans   | (2,897)                 | (2,743)    | (2,618)    |
| Gain on divestiture   | —                       | —          | (1,658)    |
| Equity-based compensation expense   | 403                     | 597        | 718        |
| Issuance of common stock to 401(k) plan   | 635                     | 606        | 657        |
| (Gain) loss on sale of premises and equipment, net                                | (815)                   | (189)      | (772)      |
| Provision expense and loss on sale of other real estate owned                     | 29                      | 84         | 453        |
| Loss on sale of securities  | —                       | 21         | —          |
| (Decrease) increase in other operating activities                                 | (299)                   | 4,233      | 3,671      |
| Net cash provided by operating activities   | 57,739                  | 61,828     | 59,024     |
| <b>Investing activities</b>   |                         |            |            |
| Proceeds from sale of available for sale securities                               | —                       | 38,979     | —          |
| Proceeds from maturities, prepayments, and calls of securities available for sale | 221,335                 | 83,586     | 25,748     |
| Payments to acquire securities available for sale                                 | (109,979)               | (74,103)   | (269,337)  |
| Proceeds from repayments (originations of) loans, net                             | 152,942                 | 64,538     | (236,620)  |
| Proceeds from bank owned life insurance   | 585                     | —          | 1,763      |
| Redemption of (Payments for) FHLB stock, net                                      | 265                     | (877)      | (240)      |
| Net cash provided by (used in) acquisitions and divestitures                      | —                       | 176,684    | (59,039)   |
| Proceeds from sale of premises and equipment                                      | 1,129                   | 1,827      | 1,542      |
| Payments to acquire premises and equipment  | (2,807)                 | (2,770)    | (1,160)    |
| Proceeds from sale of other real estate owned                                     | 440                     | 798        | 564        |
| Net cash provided by (used in) investing activities                               | 263,910                 | 288,662    | (536,779)  |
| <b>Financing activities</b>   |                         |            |            |
| (Decrease) increase in noninterest-bearing deposits, net                          | (48,421)                | (98,637)   | 47,769     |
| Increase (decrease) in interest-bearing deposits, net                             | 17,343                  | (261,488)  | (37,291)   |
| Payments for securities sold under agreements to repurchase, net                  | (213)                   | (755)      | —          |
| Repayments of FHLB and other borrowings, net                                      | —                       | —          | 338        |
| Proceeds from stock options exercised   | 1,410                   | 91         | 172        |
| Payments for repurchase of common stock   | (8,717)                 | (23,038)   | (21,311)   |
| Payments of common stock dividends  | (22,017)                | (21,089)   | (18,515)   |
| Net cash used in financing activities   | (60,615)                | (404,916)  | (28,838)   |
| Net increase (decrease) in cash and cash equivalents                              | 261,034                 | (54,426)   | (506,593)  |
| Cash and cash equivalents at beginning of period                                  | 116,420                 | 170,846    | 677,439    |
| Cash and cash equivalents at end of period  | \$ 377,454              | \$ 116,420 | \$ 170,846 |
| <b>Supplemental disclosure -- cash flow information</b>                           |                         |            |            |
| Cash paid for interest  | \$ 19,350               | \$ 9,084   | \$ 2,114   |
| Cash paid for income taxes  | 13,385                  | 11,783     | 7,590      |
| <b>Supplemental transactions -- non-cash items</b>                                |                         |            |            |
| Transfer of loans to other real estate  | 798                     | 391        | 705        |
| Loans originated to finance other real estate                                     | —                       | 20         | —          |
| Change in accumulated other comprehensive income/(loss)                           | (220)                   | 4,768      | (14,173)   |
| Acquisitions:   |                         |            |            |
| Fair value of assets acquired   | —                       | 466,247    | —          |
| Fair value of liabilities assumed   | —                       | 409,258    | —          |
| Net assets acquired   | —                       | 71,370     | —          |
| Common stock issued in acquisition  | —                       | 71,354     | —          |

See Notes to Consolidated Financial Statements.

**FIRST COMMUNITY BANKSHARES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Basis of Presentation and Significant Accounting Policies**

***Basis of Presentation***

First Community Bankshares, Inc. (the “Company”) is a financial holding company incorporated under the laws of the Commonwealth of Virginia. The Company’s principal executive office is located in Bluefield, Virginia. The Company provides banking products and services to individual and commercial customers through its wholly owned subsidiary First Community Bank (the “Bank”), a Virginia-chartered banking institution founded in 1874. The Bank offers wealth management and investment advice through its Trust Division and wholly owned subsidiary First Community Wealth Management (“FCWM”). Unless the context suggests otherwise, the terms “First Community,” “Company,” “we,” “our,” and “us” refer to First Community Bankshares, Inc. and its subsidiaries as a consolidated entity.

***Principles of Consolidation***

The Company’s accounting and reporting policies conform with U.S. generally accepted accounting principles (“GAAP”) and prevailing practices in the banking industry. The consolidated financial statements include all accounts of the Company and its wholly owned subsidiaries and eliminate all intercompany balances and transactions. The Company operates in one business segment, Community Banking, which consists of all operations, including commercial and consumer banking, lending activities, and wealth management.

The Company maintains investments in variable interest entities (“VIEs”). VIEs are legal entities in which equity investors do not have sufficient equity at risk for the entity to independently finance its activities, or as a group, the holders of the equity investment at risk lack the power through voting or similar rights to direct the activities of the entity that most significantly impact its economic performance, or do not have the obligation to absorb the expected losses of the entity or the right to receive expected residual returns of the entity. Consolidation of a VIE is required if a reporting entity is the primary beneficiary of the VIE. The Company periodically reviews its VIEs and has determined that it is not the primary beneficiary of any VIE; therefore, the assets and liabilities of these entities are not consolidated into the financial statements.

***Reclassification***

Certain amounts reported in prior years have been reclassified to conform to the current year’s presentation. These reclassifications had no effect on the Company’s results of operations, financial position, or net cash flow.

***Use of Estimates***

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

***Summary of Significant Accounting Policies***

***Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants. Market participants are buyers and sellers in the principal market that are independent, knowledgeable, able to transact, and willing to transact.

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The fair value hierarchy ranks the inputs used in measuring fair value as follows:

- Level 1 – Observable, unadjusted quoted prices in active markets
- Level 2 – Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability
- Level 3 – Unobservable inputs with little or no market activity that require the Company to use reasonable inputs and assumptions

The Company uses fair value measurements to record adjustments to certain financial assets and liabilities on a recurring basis. The Company may be required to record certain assets at fair value on a nonrecurring basis in specific circumstances, such as evidence of impairment. Methodologies used to determine fair value might be highly subjective and judgmental in nature; therefore, valuations may not be precise. If the Company determines that a valuation technique change is necessary, the change is assumed to have occurred at the end of the respective reporting period.

*Cash and Cash Equivalents*

Cash and cash equivalents include cash and due from banks, federal funds sold, and interest-bearing balances on deposit with the Federal Home Loan Bank ("FHLB"), the Federal Reserve Bank of Richmond ("FRB"), and correspondent banks that are available for immediate withdrawal.

*Investment Securities*

Management classifies debt securities as held-to-maturity or available-for-sale based on the intent and ability to hold the securities to maturity. Debt securities that the Company has the intent and ability to hold to maturity are classified as held-to-maturity securities and carried at amortized cost. Debt securities not classified as held to maturity are classified as available-for-sale securities and carried at estimated fair value. Available-for-sale securities consist of securities the Company intends to hold for indefinite periods of time including securities to be used as part of the Company's asset/liability management strategy and securities that may be sold for a variety of reasons. Unrealized gains and losses on available-for-sale securities are included in accumulated other comprehensive income ("AOCI"), net of income taxes, in stockholders' equity. Gains or losses on calls, maturities, or sales of investment securities are recorded based on the specific identification method and included in noninterest income. Premiums are amortized to first call date and discounts are accreted over the life of a security into interest income.

Management evaluates securities for impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Credit losses are calculated individually, rather than collectively, using a discounted cash flow method, whereby Management compares the present value of expected cash flows with the amortized cost basis of the security. The credit loss component would be recognized through the provision for credit losses and the creation of an allowance for credit losses. Consideration is given to (1) the financial condition and near-term prospects of the issuer including looking at default and delinquency rates, (2) the outlook for receiving the contractual cash flows of the investments, (3) the length of time and the extent to which the fair value has been less than cost, (4) our intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or for a debt security whether it is more-likely-than-not that we will be required to sell the debt security prior to recovering its fair value, (5) the anticipated outlook for changes in the general level of interest rates, (6) credit ratings, (7) third party guarantees, and (8) collateral values. The Company evaluates impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value. The nature of the collateral is considered along with potential future changes in collateral values, default rates, delinquency rates, third-party guarantees, credit ratings, interest rate changes since purchase, volatility of the security's fair value and historical loss information for financial assets secured with similar collateral among other factors. Credit losses are calculated individually, rather than collectively, using a discounted cash flow method, whereby management compares the present value of expected cash flows with the amortized cost basis of the security. The credit loss component would be recognized through the provision for credit losses in the Statement of Income and establish an allowance for credit losses on the Balance Sheet.

The Company excludes the accrued interest receivable, from the amortized cost basis in measuring expected credit losses on the investment securities. Nor does the Company record an allowance for credit losses on accrued interest receivable. As of December 31, 2024, the accrued interest receivable for investment securities available for sale was \$ 694 thousand compared to \$1.25 million as of December 31, 2023.

*Other Investments*

As a condition of membership in the FHLB and the Federal Reserve, the Company is required to hold a minimum level of stock in the FHLB of Atlanta and the FRB of Richmond. These securities are carried at cost and periodically reviewed for impairment. The total investment in FHLB and FRB stock, which is included in other assets, was \$12.78 million as of December 31, 2024, and \$13.04 million as of December 31, 2023.

The Company owns certain long-term equity investments without readily determinable fair values, including certain tax credit limited partnerships and various limited liability companies that manage real estate investments, facilitate tax credits, and provide title insurance and other related financial services. These investments are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. The total carrying value in these investments, which is included other assets, totaled \$3.62 million as of December 31, 2024, and \$3.70 million as of December 31, 2023.

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*Business Combinations*

The Company accounts for business combinations using the acquisition method of accounting as outlined in using Topic 805 of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"). Under this method, all identifiable assets acquired, including purchased loans, and liabilities assumed are recorded at fair value. Any excess of the purchase price over the fair value of net assets acquired is recorded as goodwill. In instances where the price of the acquired business is less than the net assets acquired, a gain on the purchase is recorded. Fair values are assigned based on quoted prices for similar assets, if readily available, or appraisals by qualified independent parties for relevant asset and liability categories. Certain financial assets and liabilities are valued using discount models that apply current discount rates to streams of cash flow. Valuation methods require assumptions, which can result in alternate valuations, varying levels of goodwill or bargain purchase gains, or amortization expense or accretion income. Management must make estimates for the useful or economic lives of certain acquired assets and liabilities that are used to establish the amortization or accretion of some intangible assets and liabilities, such as core deposits. Fair values are subject to refinement for up to one year after the closing date of the acquisition as additional information about the closing date fair values becomes available. Acquisition and divestiture activities are included in the Company's consolidated results of operations from the closing date of the transaction. Acquisition and divestiture related costs are recognized in noninterest expense as incurred. For additional information, see "Purchased Credit Deteriorated Loans" and "Intangible Assets" below.

*Loans Held for Investment*

Loans classified as held for investment are originated with the intent to hold indefinitely, until maturity, or until pay-off. Loans held for investment are carried at the principal amount outstanding, net of unearned income and any necessary write-downs to reduce individual loans to net realizable value. Interest income on performing loans is recognized as interest income at the contractual rate of interest. Loan origination fees, including loan commitment and underwriting fees, are reduced by direct costs associated with loan processing, including salaries, legal review, and appraisal fees. Net deferred loan fees are deferred and amortized over the life of the related loan or commitment period.

*Purchased Performing Loans.* Purchased loans that are deemed to be performing at the acquisition date are accounted for using the contractual cash flow method of accounting, which results in the loans being recorded at fair value with a credit discount. The fair value discount or premium is accreted or amortized, as the case may be, as an adjustment to yield over the estimated contractual lives of the loans.

*Purchased Credit Deteriorated ("PCD") Loans.* Purchased credit-deteriorated, otherwise referred to herein as PCD, assets are defined as acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the Company's assessment. The Company records acquired PCD loans by adding the expected credit losses (i.e. allowance for credit losses) to the purchase price of the financial assets rather than recording through the provision for credit losses in the income statement. The expected credit loss, as of the acquisition date, of a PCD loan is added to the allowance for credit losses. The non-credit discount or premium is the difference between the fair value and the amortized cost basis as of the acquisition date. Subsequent to the acquisition date, the change in the ACL on PCD loans is recognized through the provision for credit losses. The non-credit discount or premium is accreted or amortized, respectively, into interest income over the remaining life of the PCD loan on a level-yield basis. In accordance with the transition requirements within the standard, the Company's acquired purchased credit impaired loans were treated as PCD loans.

*Individually Evaluated Loans and Nonperforming Assets.* The Company maintains an active and robust problem credit identification system through its ongoing credit review function. When a loan no longer shares similar risk characteristics with its segment, the asset is assessed to determine whether it should be included in another pool or should be individually evaluated. The Company currently maintains a net book balance threshold of \$500,000 for individually-evaluated loans. Generally, individually-evaluated loans are on nonaccrual status. Based on the threshold above, consumer loans will generally remain in pools unless they meet the dollar threshold and foreclosure is probable. The expected credit losses on individually-evaluated loans will be estimated based on discounted cash flow analysis unless the loan meets the criteria for use of the fair value of collateral, either by virtue of an expected foreclosure or through meeting the definition of collateral-dependent. Financial assets that have been individually evaluated can be returned to a pool for purposes of estimating the expected credit loss insofar as their credit profile improves and that the repayment terms were not considered to be unique to the asset. The Company follows its nonaccrual policy by reversing contractual interest income in the income statement when the Company places a loan on nonaccrual status. Therefore, Management excludes the accrued interest receivable balance from the amortized cost basis in measuring expected credit losses on the portfolio and does not record an allowance for credit losses on "AIR". The accrual of interest, which is based on the daily amount of principal outstanding, on individually evaluated loans is generally continued unless the loan becomes delinquent 90 days or more.

Loans are considered past due when either principal or interest payments become contractually delinquent by 30 days or more. The Company's policy is to discontinue the accrual of interest, if warranted, on loans based on the payment status, evaluation of the related collateral, and the financial strength of the borrower. Loans that are 90 days or more past due are placed on nonaccrual status. Management may elect to continue the accrual of interest when the loan is well secured and in process of collection. When interest accruals are discontinued, interest accrued and not collected in the current year is reversed from income, and interest accrued and not collected from prior years is charged to the allowance for credit losses. Nonaccrual loans may be returned to accrual status when all principal and interest amounts contractually due, including past due payments, are brought current; the ability of the borrower to repay the obligation is reasonably assured; and there is generally a period of at least six months of repayment performance by the borrower in accordance with the contractual terms.

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Seriously delinquent loans are evaluated for loss mitigation options. Closed-end retail loans are generally charged off against the allowance for credit losses when the loans become 120 days past due. Open-end retail loans and residential real estate secured loans are generally charged off when the loans become 180 days past due. Unsecured loans are generally charged off when the loans become 90 days past due. All other loans are charged off against the allowance for credit losses after collection attempts have been exhausted, which generally is within 120 days. Recoveries of loans previously charged off are credited to the allowance for credit losses in the period received.

Effective January 1, 2023, the Company adopted Financial Accounting Standards Board issued ASU 2022-02, Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures. The allowance for credit losses incorporates an estimate of lifetime credit losses and is recorded on each asset upon origination. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made at the the time of the modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness that is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses. Additionally, the Company may allow a loan to go interest only for a specified period of time.

Other real estate owned (“OREO”) acquired through foreclosure, or other settlement, is carried at the lower of cost or fair value less estimated selling costs. The fair value is generally based on current third-party appraisals. When a property is transferred into OREO, any excess of the loan balance over the net realizable fair value is charged against the allowance for credit losses. Operating expenses, gains, and losses on the sale of OREO are included in other noninterest expense in the Company’s consolidated statements of income after any fair value write-downs are recorded as valuation adjustments.

*Allowance for Credit Losses (ACL)*

The Company reviews our allowance for credit losses quarterly to determine if it is sufficient to absorb expected credit losses in the portfolio. This determination requires management to make significant estimates and assumptions. While the Company uses its best judgment and available information, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond our control, including the performance of our loan portfolio, the economy, changes in interest rates, and the view of regulatory authorities towards loan classifications. These uncertainties may result in material changes to the allowance for credit losses in the near term; however, the amount of the change cannot reasonably be estimated.

The ACL is an estimate of losses that will result from the inability of borrowers to make required loan payments. The Company established the incremental increase in the ACL at the adoption through retained earnings and subsequent adjustments will be made through a provision for credit losses charged to earnings. Loans charged off are recorded against the ACL and subsequent recoveries increase the ACL when they are recognized.

A systematic methodology is used to determine ACL for loans held for investment and certain off-balance sheet credit exposures. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loan portfolio. The Company considers the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the loan portfolio. The Company’s estimate of its ACL involves a high degree of judgement and reflects management’s best estimate within the range of expected credit losses. The Company recognizes in net income the amount needed to adjust the ACL for management’s current estimate of expected credit losses. The Company’s ACL is calculated using collectively evaluated and individually evaluated loans.

The Company collectively evaluates loans that share similar risk characteristics. In general, loans are segmented by loan purpose. The Company collectively evaluates loans within the following consumer and commercial segments: Loans secured by 1-4 Family Properties, Home Equity Lines of Credit (“HELOC”), Owner Occupied Construction Loans, Consumer Loans, Commercial and Industrial, Multi-family, Non-farm/Non-residential Property, Commercial Construction/A&D/other Land Loans, Agricultural Loans, Credit Card Loans, Loans Secured by Farmland, and Other Consumer Loans (Overdrafts).

Risk characteristics of residential real estate loans which include loans secured by Single family properties, HELOC, and Owner occupied construction loans are dependent upon individual borrowers who are affected by changes in general economic conditions, real estate valuations, and the demand for housing. Commercial and Industrial, Multi-family residential, Non-farm/non-residential, Agricultural, and Loans secured by Farmland are similar in that they are generally dependent upon the borrower's internal cash flow from operations to service the debt and changes in general economic conditions. Commercial construction, Development, and other land loans, Consumer, and Other consumer loans (open pool) are similar in that they are dependent on changes in general economic conditions.

For collectively evaluated loans, the Company uses a combination of discounted cash flow and open pool to estimate expected credit losses. During 2022, the Company changed third party model providers which necessitated a change from remaining life to open pool for the portfolios noted above. The change in method was not quantitatively significant. In addition to its own loss experience, management also includes peer bank historical loss experience in its assessment of expected credit losses to determine the ACL. The Company utilized call report data to measure its and its peers' historical credit losses experience with similar risk characteristics within the segments over an economic cycle. The Company reviewed the historical loss information to appropriately adjust for differences in current asset specific risk characteristics. Also considered were further adjustments to historical loss information for current conditions and reasonable and supportable forecasts that differ from the conditions that existed for the period over which historical information was evaluated. For the majority of the segments of collectively evaluated loans, the Company incorporated at least one macroeconomic driver using a statistical regression modeling methodology.

The Company considers forward-looking information in estimated expected credit losses. The Company subscribes to a third-party service which provides

summary detail of dozens of economic forecasts. Using that information and other publicly available economic forecasts, management determines the economic variables to use for the one-year reasonable and supportable forecast period. Management has determined that the forecast period is consistent with how the Company has historically forecasted for its profitability planning and capital management. Management has evaluated the appropriateness of the reasonable and supportable forecast for the current period along with the inputs used in the estimation of expected credit losses. For the contractual term that extends beyond the reasonable and supportable forecast period, the Company reverts to historical loss information over eight quarters using a straight-line approach. Management may apply different reversion techniques depending on the economic environment for the financial asset portfolio and as of the current period has utilized a linear reversion technique.

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Included in its systematic methodology to determine its ACL for loans held for investment and certain off-balance sheet credit exposures, The Company considers the need to qualitatively adjust expected credit losses for information not already captured in the loss estimation process. These qualitative adjustments either increase or decrease the quantitative model estimation. Each period the Company considers qualitative factors that are relevant within the qualitative framework that includes the following: 1) changes in lending policies and procedures, 2) changes in economic conditions, 3) changes in portfolio nature and volume, 4) changes in management, 5) changes in past due loans, 6) changes in the quality of the Company's credit review system, 7) changes in the value of underlying collateral, 8) the effect of concentrations of credit, and 9) the effect of other external factors.

When a loan no longer shares similar risk characteristics with its segment, the asset is assessed to determine whether it should be included in another pool or should be individually evaluated. The Company currently maintains a net book balance threshold of \$500,000 for individually-evaluated loans. Generally, individually-evaluated loans are on nonaccrual status. Based on the threshold above, consumer loans will generally remain in pools unless they meet the dollar threshold and foreclosure is probable. The expected credit losses on individually-evaluated loans will be estimated based on discounted cash flow analysis unless the loan meets the criteria for use of the fair value of collateral, either by virtue of an expected foreclosure or through meeting the definition of collateral-dependent. Financial assets that have been individually evaluated can be returned to a pool for purposes of estimating the expected credit loss insofar as their credit profile improves and that the repayment terms were not considered to be unique to the asset.

When loans are acquired they are identified as either purchased credit deteriorated ("PCD") or non-PCD. PCD loans represent assets that are acquired with evidence of more than insignificant credit quality deterioration since the origination of the loans as of the acquisition date. The ACL for PCD assets is recognized within the business combination accounting with no initial impact to net income. Changes in estimates of expected credit losses on PCD loans after acquisition are recognized as provision expense (or reversal of provision expense) in subsequent periods as they arise.

Non-PCD loans acquired are generally estimated at fair value using a discounted cash flow approach with assumptions of discount rate, remaining life, prepayments, probability of default, and loss given default. The actual cash flows on these loans could differ materially from the fair value estimates. The amount we record as the fair values for the loans is generally less than the contractual unpaid principal balance due from the borrowers, with the difference being referred to as the "discount" on the acquired loans. Discounts on acquired non-PCD loans are accreted to interest income over their estimated remaining lives, which may include prepayment estimates in certain circumstances. The ACL for non-PCD assets is recognized as provision expense in the same reporting period as the business combination. Estimated credit losses for acquired loans are determined using methodologies and applying estimates and assumptions similar to originated performing loans.

As previously noted, effective January 1, 2023, the Company adopted Financial Accounting Standards Board issued ASU 2022-02, Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures. The allowance for credit losses incorporates an estimate of lifetime credit losses and is recorded on each asset upon origination. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made at the time of the modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness that is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses. Additionally, the Company may allow a loan to go interest only for a specified period of time.

The Company has a variety of assets that have a component that qualifies as an off-balance sheet exposure. These primarily include undrawn portions of revolving lines of credit and standby letters of credit. The expected losses associated with these exposures within the unfunded portion of the loans will be recorded as a liability on the balance sheet with an offsetting income statement expense. The Company has determined that a majority of the Company's off-balance-sheet credit exposures are not unconditionally cancellable. As of December 31, 2024, the liability recorded for expected credit losses on unfunded commitments in Other Liabilities was \$341 thousand compared to \$746 thousand as of December 31, 2023. The estimates are determined based on the likelihood of funding during the contractual term and an estimate of credit losses subsequent to funding. Estimated credit losses on subsequently funded balances are based on the same assumptions as used to estimate credit losses on existing funded loans. The current adjustment to the ACL for unfunded commitments is recognized through provision for credit losses in the Statement of Income. Prior to 2023, the current adjustment to the ACL for unfunded commitments was recognized through other operating expense in the Statement of Income. For additional information, see Note 6, "Allowance for Credit Losses," to the Consolidated Financial Statements in Item 8 of this report.

#### *Premises and Equipment*

Premises, equipment, and leases are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets. Useful lives range from 5 to 10 years for furniture, fixtures, and equipment; 3 to 5 years for computer software, hardware, and data handling equipment; and 7 to 40 years for buildings and building improvements. Land improvements are amortized over a period of 20 years and leasehold improvements are amortized over the lesser of the term of the respective leases plus the first optional renewal period, when renewal is reasonably assured, or the estimated useful lives of the improvements. The Company leases various properties within its branch network. Leases generally have initial terms of up to 10 years and most contain options to renew with increases in rent. All leases are accounted for as operating leases. Maintenance and repairs are charged to current operations while improvements that extend the economic useful life of the underlying asset are capitalized. Disposition gains and losses are reflected in current operations.

#### *Intangible Assets*

Intangible assets consist of goodwill, core deposit intangible assets, and other identifiable intangible assets that result from business combinations. Goodwill represents the excess of the purchase price over the fair value of net assets acquired that is allocated to the appropriate reporting unit when acquired. Core deposit intangible assets represent the future earnings potential of acquired deposit relationships that are amortized over their estimated remaining useful lives. Other identifiable intangible assets primarily represent the rights arising from contractual arrangements that are amortized using the straight-line method.

An interim analysis of Goodwill is performed quarterly, and goodwill is tested for impairment annually, on October 31st, or more frequently if events or circumstances indicate there may be impairment. We have one reporting unit, Community Banking. If we elect to perform a qualitative assessment, we evaluate factors such as macroeconomic conditions, industry and market considerations, overall financial performance, changes in stock price, and progress towards stated objectives in determining if it is more likely than not that the fair value of our reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of our reporting unit is less than its carrying amount, a quantitative test is performed; otherwise, no further testing is required. The quantitative test consists of comparing the fair value of our reporting unit to its carrying amount, including goodwill. If the fair value of our reporting unit is greater than its book value, no goodwill impairment exists. If the carrying amount of our reporting unit is greater than its calculated fair value, a goodwill impairment charge is recognized for the difference.

Management has concluded that there was no goodwill impairment for 2024 and 2023.

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*Bank Owned Life Insurance*

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

*Other Comprehensive Income*

Other comprehensive income includes unrealized gains and losses on securities available-for-sale and changes in the funded status of the nonqualified domestic, noncontributory defined benefit plans which are recognized as separate components of equity.

*Loss Contingencies*

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. For additional information, see Note 19, "Litigation, Commitments, and Contingencies," to the Consolidated Financial Statements in Item 8 of this report.

*Securities Sold Under Agreements to Repurchase*

Securities sold under agreements to repurchase are generally accounted for as collateralized financing transactions and recognized as short-term borrowings in the Company's consolidated balance sheets. Securities, generally U.S. government and federal agency securities, pledged as collateral under these arrangements can be sold or repledged only if replaced by the secured party. The fair value of the collateral provided to a third party is continually monitored and additional collateral is provided as appropriate.

*Derivative Instruments*

The Company primarily uses derivative instruments to protect against the risk of adverse price or interest rate movements on the value of certain assets and liabilities and on future cash flows. Derivative instruments represent contracts between parties that usually require little or no initial net investment and result in one party delivering cash or another asset to the other party based on a notional amount and an underlying asset as specified in the contract such as interest rates, equity security prices, currencies, commodity prices, or credit spreads. These derivative instruments may consist of interest rate swaps, floors, caps, collars, futures, forward contracts, and written and purchased options. Derivative contracts often involve future commitments to exchange interest payment streams or currencies based on a notional or contractual amount, such as interest rate swaps or currency forwards, or to purchase or sell other financial instruments at specified terms on a specified date, such as options to buy or sell securities or currencies. Derivative instruments are subject to counterparty credit risk due to the possibility that the Company will incur a loss because a counterparty, which may be a bank, a broker-dealer or a customer, fails to meet its contractual obligations. This risk is measured as the expected positive replacement value of contracts. Derivative contracts may be executed only with exchanges or counterparties approved by the Company's Asset/Liability Management Committee.

If certain conditions are met, a derivative may be designated as a hedge related to fair value, cash flow, or foreign exposure risk. The recognition of changes in the fair value of a derivative instrument varies depending on the intended use of the derivative and the resulting designation. The Company accounts for hedges of customer loans as fair value hedges. The change in fair value of the hedging derivative and the change in fair value of the hedged exposure are recorded in earnings. Any hedge ineffectiveness is also reflected in current earnings. Changes in the fair value of derivatives not designated as hedging instruments are recognized as a gain or loss in earnings. The Company formally documents any relationships between hedging instruments and hedged items and the risk management objective and strategy for undertaking each hedged transaction. All derivative instruments are reported at fair value in the consolidated balance sheets.

*Equity-Based Compensation*

The cost of employee services received in exchange for equity instruments, including stock options and restricted stock awards, is generally measured at fair value on the grant date. The Black-Scholes-Merton valuation model is used to estimate the fair value of stock options at the grant date while the fair value of restricted stock awards is based on the market price of the Company's common stock on the grant date. The Black-Scholes-Merton model incorporates the following assumptions: the expected volatility is based on the weekly historical volatility of the Company's common stock price over the expected term of the option; the expected term is generally calculated using the shortcut method; the risk-free interest rate is based on the U.S. Department of the Treasury's ("Treasury") yield curve on the grant date with a term comparable to the grant; and the dividend yield is based on the Company's dividend yield using the most recent dividend rate paid per share and trading price of the Company's common stock. Compensation cost is recognized over the required service period, generally defined as the vesting period for stock option awards and as the restriction period for restricted stock awards. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

*Revenue Recognition*

*Wealth management.* Wealth management income represents monthly fees due from wealth management customers in consideration for managing and administering the customers' assets. Wealth management and trust services include custody of assets, investment management, escrow services, fees for trust services and similar fiduciary activities. Revenue is recognized when the performance obligation is completed each month, which is generally the time that payment is received. Income also includes fees received from a third party broker-dealer as part of a revenue-sharing agreement for fees earned from customers that are referred to the third party. These fees are paid to the Company by the third party on a quarterly basis and recognized ratably throughout the quarter as

the performance obligation is satisfied.

*Service charges on deposits and other service charges and fees.*

Service charges on deposits and other service charges and fees represent general service fees for account maintenance and activity and transaction-based fees that consist of transaction-based revenue, time-based revenue (service period), item-based revenue, or some other individual attribute-based revenue. Revenue is recognized when the performance obligation is completed, which is generally monthly for account maintenance services or when a transaction has been completed. Payment for such performance obligations is generally received at the time the performance obligations are satisfied. Other service charges and fees include interchange income from debit and credit card transaction fees.

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*Advertising Expenses*

Advertising costs are generally expensed as incurred. The Company may establish accruals for incurred advertising expenses in the course of a fiscal year.

*Income Taxes*

Income tax expense is comprised of the current and deferred tax consequences of events and transactions already recognized. The Company includes interest and penalties related to income tax liabilities in income tax expense. The effective tax rate, income tax expense as a percent of pre-tax income, may vary significantly from statutory rates due to tax credits and permanent differences. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are adjusted through the provision for income taxes as changes in tax laws or rates are enacted.

*Per Share Results*

Basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share includes the dilutive effect of potential common stock that could be issued by the Company. Under the treasury stock method of accounting, potential common stock may be issued for stock options, non-vested restricted stock awards, performance based stock awards, and convertible preferred stock. Diluted earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding for the period plus the number of dilutive potential common shares. The calculation of diluted earnings per common share excludes potential common shares that have an exercise price greater than the average market value of the Company's common stock because the effect would be antidilutive.

***Recent Accounting Standards***

*Standards Adopted*

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". The amendment requires companies to disclose significant segment expenses that are regularly provided to the chief operating decision maker. This ASU became effective for the Company on December 31, 2024. The Company has one reportable segment and as such, adoption of ASU No. 2023-07 did not have a material impact on the Company's financial statements.

*Standards Not Yet Adopted*

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740)." The amendments in this ASU are related to the rate reconciliation and income taxes paid disclosures and are designed to improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. The ASU will be effective for annual periods beginning January 1, 2025 and will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The adoption of this pronouncement is not expected to have a material impact on the Consolidated Financial Statements.

In November 2024, the FASB issued ASU No. 2024-03, "Expense Disaggregation Disclosures (Topic 230): Disaggregation of Income Statement Expenses". The amendment requires disclosure of disaggregated information about specific expense categories underlying certain income statement expense line items. This ASU will become effective for the Company on December 31, 2027.

The Company does not expect other recent accounting standards issued by the FASB or other standards-setting bodies to have a material impact on the consolidated financial statements.

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2. Acquisitions and Divestitures**

On September 16, 2022, the Company completed the sale of its Emporia, Virginia branch (the "Emporia Branch Sale") to Benchmark Community Bank ("Benchmark"). The sale included the branch real estate, certain personal property, and all deposits associated with the branch. There were no loans included in the transaction. Benchmark paid a deposit premium of two percent for certain deposits. In addition, Benchmark paid \$1.50 million for branch real estate and certain personal property. Total deposits acquired by Benchmark totaled \$61.05 million. The deposits were composed of \$18.38 million in demand, \$28.46 million in interest-bearing demand, \$11.52 million in savings, and \$2.69 million in time deposits. The Company recognized a gain of \$1.66 million from the Emporia Branch Sale.

On November 18, 2022, the Company and NC-based Surrey Bancorp ("Surrey"), parent company of Surrey Bank & Trust, jointly announced their entry into an agreement and plan of merger pursuant to which First Community would acquire Surrey and its wholly-owned bank subsidiary, Surrey Bank & Trust. Under the terms of the agreement and plan of merger, each share of Surrey common stock immediately converted into the right to receive 0.7159 shares of the Company's common stock. The transaction was consummated on April 21, 2023. The total purchase price for the transaction was \$71.37 million.

The Surrey transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair value on the acquisition date. Fair values are preliminary and subject to refinement for up to a year after the closing date of the acquisition. The Company incurred a total of \$2.99 million in merger expenses related to the Surrey transaction, \$596 thousand was recorded in the last quarter of 2022 and \$2.39 million in the first nine months of 2023. These costs were primarily related to data conversion, investment banking fees, and legal fees.

Goodwill arising from business combinations represents the excess of the purchase price over the sum of the estimated fair values of the tangible and identifiable intangible assets acquired less the fair value of the liabilities assumed. The Surrey acquisition resulted in the Company recognizing \$14.38 million in goodwill. The primary identifiable intangible asset we typically record in connection with a whole bank or bank branch acquisition is the value of the core deposit intangibles which represents the estimated value of the long-term deposit relationships acquired in the transaction. Determining the amount of identifiable intangible assets and their average lives involves multiple assumptions and estimates and is typically determined by performing a discounted cash flow analysis, which involves a combination of any or all of the following assumptions: customer attrition/runoff, alternative funding costs, deposit servicing costs, and discount rates. The core deposit intangibles are amortized over the estimated useful lives of the deposit accounts based on a method that we believe reasonably approximates the anticipated benefit stream from this intangible. Core deposit intangibles for the Surrey transaction totaled \$12.70 million.

When loans are acquired they are identified as either purchased credit deteriorated PCD or non-PCD. PCD loans represent assets that are acquired with evidence of more than insignificant credit quality deterioration since the origination of the loans as of the acquisition date. The ACL for PCD assets is recognized within business combination accounting with no initial impact to net income. Changes in estimates of expected credit losses on PCD loans after acquisition are recognized as provision expense (or reversal of provision expense) in subsequent periods as they arise. Non-PCD loans acquired are generally estimated at fair value using a discounted cash flow approach with assumptions of discount rate, remaining life, prepayments, probability of default, and loss given default. The actual cash flows on these loans could differ materially from the fair value estimates. The amount we record as the fair values for the loans is generally less than the contractual unpaid principal balance due from the borrowers, with the difference being referred to as the "discount" on the acquired loans. Discounts on acquired non-PCD loans are accreted to interest income over their estimated remaining lives, which may include prepayment estimates in certain circumstances. The ACL for non-PCD assets is recognized as provision expense in the same reporting period as the business combination. Estimated credit losses for acquired loans are determined using methodologies and applying estimates and assumptions similar to originated performing loans. The fair value of purchased loans with credit deterioration was \$101.42 million on the date of acquisition with the gross contractual amount totaling \$111.22 million. The Company estimates that \$2.01 million of contractual cash flows specific to the purchased loans with credit deterioration will not be collected. Non-purchased credit deteriorated loans acquired had a fair value of \$137.55 million with a gross contractual value of \$143.55 million.

(Amounts in thousands, except share data)

|  | As recorded by<br>Surrey | Fair Value<br>Adjustments | As recorded by<br>the Company |
|--|--------------------------|---------------------------|-------------------------------|
| <b>Assets</b>  |                          |                           |                               |
| Cash and cash equivalents                            | \$ 176,700               | \$ —                      | \$ 176,700                    |
| Securities available for sale                        | 22,027                   | (1,093) ( a )             | 20,934                        |
| Loans held for investment, net of allowance and mark | 251,944                  | (12,864) ( b )            | 239,080                       |
| Premises and equipment                               | 5,501                    | 774 ( c )                 | 6,275                         |
| Other assets   | 10,787                   | (229) ( d ), ( e )        | 10,558                        |
| Intangible assets                                    | —                        | 12,700 ( f )              | 12,700                        |
| <b>Total assets</b>                                  | <b>\$ 466,959</b>        | <b>\$ (712)</b>           | <b>\$ 466,247</b>             |

**LIABILITIES**

|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| <b>Deposits:</b>  |                  |                  |                  |
| Noninterest-bearing   | \$ 158,389       | \$ —             | \$ 158,389       |
| Interest-bearing  | 246,460          | (1,214) ( g )    | 245,246          |
| <b>Total deposits</b>   | <b>404,849</b>   | <b>(1,214)</b>   | <b>403,635</b>   |
| Long term debt  | —                | —                | —                |
| Other liabilities   | 6,004            | (381) ( h )      | 5,623            |
| <b>Total liabilities</b>  | <b>410,853</b>   | <b>(1,595)</b>   | <b>409,258</b>   |
| Net identifiable assets acquired over (under) liabilities assumed | 56,106           | 883              | 56,989           |
| Goodwill  | —                | 14,381           | 14,381           |
| <b>Net assets acquired over liabilities assumed</b>               | <b>\$ 56,106</b> | <b>\$ 15,264</b> | <b>\$ 71,370</b> |

**Consideration:**

|  |                  |
|--|------------------|
| First Community Bankshares, Inc. common                | 2,996,786        |
| Purchase price per share of the Company's common stock | \$ 23.81         |
| Fair Value of Company common stock issued              | 71,354           |
| Cash paid for fractional shares                        | 16               |
| <b>Fair Value of total consideration transferred</b>   | <b>\$ 71,370</b> |

**Explanation of fair value adjustments;**

- (a) Adjustment reflects the fair value adjustment based on the Company's evaluation of the acquired investment portfolio.
- (b) Adjustment reflects the fair value adjustments of \$(15.80) million based on the Company's evaluation of the acquired loan portfolio and excludes the allowance for credit losses and deferred loan fees of \$2.94 million as recorded by Surrey.
- (c) Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired premises and equipment.
- (d) Adjustment reflects the fair value adjustment based on the Company's evaluation of stocks with other banks of \$47 thousand.
- (e) Adjustment to record the deferred tax asset related to the fair value adjustments \$(177) thousand.
- (f) Adjustment to record the core deposit intangible on the acquired deposit accounts.
- (g) Adjustment reflects the fair value adjustment based on the Company's evaluation of the time deposit portfolio.
- (h) Adjustment to reclass deferred tax asset \$(99) thousand, goodwill \$(282) thousand, federal income tax payable \$(389) thousand, and state income tax payable \$8 thousand.

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3. Debt Securities**

The following tables present the amortized cost and fair value of available-for-sale debt securities, including gross unrealized gains and losses, as of the dates indicated:

|                                   | <b>December 31, 2024</b>  |                             |                              |                       |
|-----------------------------------|---------------------------|-----------------------------|------------------------------|-----------------------|
|                                   | <b>Amortized<br/>Cost</b> | <b>Unrealized<br/>Gains</b> | <b>Unrealized<br/>Losses</b> | <b>Fair<br/>Value</b> |
| <i>(Amounts in thousands)</i>     |                           |                             |                              |                       |
| U.S. Treasury securities          | \$ 55,760                 | \$ 10                       | \$ (1)                       | \$ 55,769             |
| Municipal securities              | 13,949                    | 2                           | (114)                        | 13,837                |
| Corporate Notes                   | 28,598                    | —                           | (1,056)                      | 27,542                |
| Mortgage-backed Agency securities | 86,380                    | —                           | (13,679)                     | 72,701                |
| <b>Total</b>                      | <b>\$ 184,687</b>         | <b>\$ 12</b>                | <b>\$ (14,850)</b>           | <b>\$ 169,849</b>     |

|                                   | <b>December 31, 2023</b>  |                             |                              |                       |
|-----------------------------------|---------------------------|-----------------------------|------------------------------|-----------------------|
|                                   | <b>Amortized<br/>Cost</b> | <b>Unrealized<br/>Gains</b> | <b>Unrealized<br/>Losses</b> | <b>Fair<br/>Value</b> |
| <i>(Amounts in thousands)</i>     |                           |                             |                              |                       |
| U.S. Agency securities            | \$ 5,750                  | \$ —                        | \$ (1)                       | \$ 5,749              |
| U.S. Treasury securities          | 146,653                   | 16                          | (843)                        | 145,826               |
| Municipal securities              | 19,528                    | 11                          | (162)                        | 19,377                |
| Corporate Notes                   | 28,566                    | —                           | (1,485)                      | 27,081                |
| Mortgage-backed Agency securities | 94,548                    | 2                           | (11,622)                     | 82,928                |
| <b>Total</b>                      | <b>\$ 295,045</b>         | <b>\$ 29</b>                | <b>\$ (14,113)</b>           | <b>\$ 280,961</b>     |

The following table presents the amortized cost and fair value of available-for-sale debt securities, by contractual maturity, as of December 31, 2024. Actual maturities could differ from contractual maturities because issuers may have the right to call or prepay obligations with or without penalties.

|                                    | <b>U.S. Treasury<br/>Securities</b> | <b>Municipal<br/>Securities</b> | <b>Corporate<br/>Notes</b> | <b>Total</b>      |
|------------------------------------|-------------------------------------|---------------------------------|----------------------------|-------------------|
| <i>(Amounts in thousands)</i>      |                                     |                                 |                            |                   |
| <b>Amortized cost maturity:</b>    |                                     |                                 |                            |                   |
| One year or less                   | \$ 55,760                           | \$ 4,074                        | \$ 3,761                   | \$ 63,595         |
| After one year through five years  | —                                   | 9,875                           | 24,837                     | 34,712            |
| After five years through ten years | —                                   | —                               | —                          | —                 |
| After ten years                    | —                                   | —                               | —                          | —                 |
| Amortized cost                     | <u>\$ 55,760</u>                    | <u>\$ 13,949</u>                | <u>\$ 28,598</u>           | <u>98,307</u>     |
| Mortgage-backed securities         |                                     |                                 |                            | <u>86,380</u>     |
| Total amortized cost               |                                     |                                 |                            | <u>\$ 184,687</u> |
| <b>Fair value maturity:</b>        |                                     |                                 |                            |                   |
| One year or less                   | \$ 55,769                           | \$ 4,073                        | \$ 3,719                   | \$ 63,561         |
| After one year through five years  | —                                   | 9,764                           | 23,823                     | 33,587            |
| After five years through ten years | —                                   | —                               | —                          | —                 |
| After ten years                    | —                                   | —                               | —                          | —                 |
| Fair value                         | <u>\$ 55,769</u>                    | <u>\$ 13,837</u>                | <u>\$ 27,542</u>           | <u>97,148</u>     |
| Mortgage-backed securities         |                                     |                                 |                            | <u>72,701</u>     |
| Total fair value                   |                                     |                                 |                            | <u>\$ 169,849</u> |

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following tables present the fair values and unrealized losses for available-for-sale debt securities in a continuous unrealized loss position for less than 12 months and for 12 months or longer as of the dates indicated:

|                                   | <b>December 31, 2024</b>   |                          |                            |                          |                   |                          |
|-----------------------------------|----------------------------|--------------------------|----------------------------|--------------------------|-------------------|--------------------------|
|                                   | <b>Less than 12 Months</b> |                          | <b>12 Months or Longer</b> |                          | <b>Total</b>      |                          |
|                                   | <b>Fair Value</b>          | <b>Unrealized Losses</b> | <b>Fair Value</b>          | <b>Unrealized Losses</b> | <b>Fair Value</b> | <b>Unrealized Losses</b> |
| <i>(Amounts in thousands)</i>     |                            |                          |                            |                          |                   |                          |
| U.S. Treasury securities          | \$ 4,984                   | \$ (1)                   | \$ -                       | \$ -                     | \$ 4,984          | \$ (1)                   |
| Municipal securities              | 3,914                      | (16)                     | 6,638                      | (98)                     | 10,552            | (114)                    |
| Corporate Notes                   | —                          | —                        | 27,542                     | (1,056)                  | 27,542            | (1,056)                  |
| Mortgage-backed Agency securities | 4,100                      | (81)                     | 68,601                     | (13,598)                 | 72,701            | (13,679)                 |
| <b>Total</b>                      | <b>\$ 12,998</b>           | <b>\$ (98)</b>           | <b>\$ 102,781</b>          | <b>\$ (14,752)</b>       | <b>\$ 115,779</b> | <b>\$ (14,850)</b>       |

|                                   | <b>December 31, 2023</b>   |                          |                            |                          |                   |                          |
|-----------------------------------|----------------------------|--------------------------|----------------------------|--------------------------|-------------------|--------------------------|
|                                   | <b>Less than 12 Months</b> |                          | <b>12 Months or Longer</b> |                          | <b>Total</b>      |                          |
|                                   | <b>Fair Value</b>          | <b>Unrealized Losses</b> | <b>Fair Value</b>          | <b>Unrealized Losses</b> | <b>Fair Value</b> | <b>Unrealized Losses</b> |
| <i>(Amounts in thousands)</i>     |                            |                          |                            |                          |                   |                          |
| U.S. Agency securities            | \$ 5,749                   | \$ (1)                   | \$ —                       | \$ —                     | \$ 5,749          | \$ (1)                   |
| U.S. Treasury securities          | 11,417                     | (14)                     | 129,108                    | (829)                    | 140,525           | (843)                    |
| Municipal securities              | 4,742                      | (20)                     | 5,484                      | (142)                    | 10,226            | (162)                    |
| Corporate Notes                   | —                          | —                        | 27,081                     | (1,485)                  | 27,081            | (1,485)                  |
| Mortgage-backed Agency securities | 3,421                      | (10)                     | 78,319                     | (11,612)                 | 81,740            | (11,622)                 |
| <b>Total</b>                      | <b>\$ 25,329</b>           | <b>\$ (45)</b>           | <b>\$ 239,992</b>          | <b>\$ (14,068)</b>       | <b>\$ 265,321</b> | <b>\$ (14,113)</b>       |

There were 103 individual debt securities in an unrealized loss position as of December 31, 2024, and their combined depreciation in value represented 8.74% of the debt securities portfolio. There were 112 individual debt securities in an unrealized loss position as of December 31, 2023, and their combined depreciation in value represented 5.02 % of the debt securities portfolio.

There were no sales of available for sale debt securities in 2024 nor in 2022. Approximately \$38.98 million in securities available for sale were sold in 2023. Gross gains and gross losses were \$30 thousand and \$51 thousand, respectively for December 31, 2023. The carrying amount of securities pledged for various purposes totaled \$24.64 million as of December 31, 2024, and \$145.09 million as of December 31, 2023.

In determining whether or not a security is impaired, we consider the severity of the loss as well as our intent to hold the securities to maturity or the recovery of the cost basis. Unrealized losses have not been recognized into income as the decline in fair value is largely due to changes in interest rates and other market conditions. Management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery.

#### *U.S. Treasury securities*

U.S. Treasury securities are backed by the full faith and credit of the United States government. At December 31, 2024, the total amortized cost of available for sale U. S. Treasury securities was \$55.76 million. Based on management's analysis and judgement, there were no credit losses attributable to U.S. Treasury securities at December 31, 2024.

#### *Municipal securities*

Municipal securities are securities issued by various municipalities in the United States. At December 31, 2024, the total amortized cost of available for sale Municipal securities was \$13.95 million. The majority of the portfolio was rated AA or higher, with no securities rated below investment grade at year-end. Based on management's analysis and judgement, there were no credit losses attributable to Municipal securities at December 31, 2024.

#### *Corporate Notes*

Corporate notes are debt obligations issued by public or private corporations. As of December 31, 2024, the total amortized cost of available for sale Corporate notes was \$28.60 million. The majority of the portfolio was rated AA or higher, with no securities rated below investment grade at year-end. Based on management's analysis and judgement, there were no credit losses attributable to Corporate note securities at December 31, 2024.

#### *Mortgage-backed Agency securities*

Mortgage-backed Agency securities within the Company's portfolio are issued by Ginnie Mae, Fannie Mae, and Freddie Mac. As of December 31, 2024, the total amortized cost of available for sale mortgage-backed Agency securities was \$86.38 million. Each agency provides a guarantee of full and timely payments of principal and interest by the issuing agency. Based on management's analysis and judgement, there were no credit losses attributable to mortgage-backed Agency securities at December 31, 2024.



**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4. Loans**

The Company groups loans into three segments (commercial loans, consumer real estate loans, and consumer and other loans) with each segment divided into various classes. Customer overdrafts reclassified as loans totaled \$1.82 million as of December 31, 2024, and \$1.50 million as of December 31, 2023. Deferred loan fees were \$6.60 million as of December 31, 2024, and \$7.71 million as of December 31, 2023. For information about off-balance sheet financing, see Note 19, "Litigation, Commitments, and Contingencies," to the Consolidated Financial Statements of this report.

In accordance with the adoption of ASU 2016-13, the table below reflects the loan portfolio at the amortized cost basis for the periods indicated, to include net deferred loan fees of \$6.60 million as of December 31, 2024, and \$7.71 million as of December 31, 2023. Additionally, included is, the unamortized discount total related to loans acquired of \$12.39 million as of December 31, 2024, and \$15.29 million as of December 31, 2023. Accrued interest receivable of \$8.51 million as of December 31, 2024, and \$9.64 million as of December 31, 2023, is accounted for separately and reported in Interest Receivable on the Consolidated Balance Sheet.

The following table presents loans, net of unearned income by loan class, as of the dates indicated:

| <i>(Amounts in thousands)</i>                           | December 31, |         |              |         |
|---|--------------|---------|--------------|---------|
|   | 2024         |         | 2023         |         |
|   | Amount       | Percent | Amount       | Percent |
| Commercial loans  |              |         |              |         |
| Construction, development, and other land               | \$ 72,319    | 2.99%   | \$ 105,945   | 4.12%   |
| Commercial and industrial                               | 232,854      | 9.64%   | 211,850      | 8.24%   |
| Multi-family residential                                | 199,521      | 8.26%   | 188,382      | 7.32%   |
| Single family non-owner occupied                        | 195,588      | 8.10%   | 224,895      | 8.74%   |
| Non-farm, non-residential                               | 852,223      | 35.27%  | 894,550      | 34.78%  |
| Agricultural  | 16,676       | 0.69%   | 21,669       | 0.84%   |
| Farmland  | 12,311       | 0.51%   | 14,202       | 0.55%   |
| Total commercial loans                                  | 1,581,492    | 65.46%  | 1,661,493    | 64.59%  |
| Consumer real estate loans                              |              |         |              |         |
| Home equity lines                                       | 90,227       | 3.73%   | 87,626       | 3.41%   |
| Single family owner occupied                            | 650,306      | 26.92%  | 696,140      | 27.06%  |
| Owner occupied construction                             | 4,491        | 0.19%   | 8,445        | 0.33%   |
| Total consumer real estate loans                        | 745,024      | 30.84%  | 792,211      | 30.80%  |
| Consumer and other loans                                |              |         |              |         |
| Consumer loans  | 87,758       | 3.63%   | 117,091      | 4.55%   |
| Other   | 1,815        | 0.08%   | 1,503        | 0.06%   |
| Total consumer and other loans                          | 89,573       | 3.71%   | 118,594      | 4.61%   |
| Total loans held for investment, net of unearned income | \$ 2,416,089 | 100.00% | \$ 2,572,298 | 100.00% |

## Note 5. Credit Quality

The Company uses a risk grading matrix to assign a risk grade to each loan in its portfolio. Loan risk ratings may be upgraded or downgraded to reflect current information identified during the loan review process. The general characteristics of each risk grade are as follows:

- **Pass** -- This grade is assigned to loans with acceptable credit quality and risk. The Company further segments this grade based on borrower characteristics that include capital strength, earnings stability, liquidity, leverage, and industry conditions.
- **Special Mention** -- This grade is assigned to loans that require an above average degree of supervision and attention. These loans have the characteristics of an asset with acceptable credit quality and risk; however, adverse economic or financial conditions exist that create potential weaknesses deserving of management's close attention. If potential weaknesses are not corrected, the prospect of repayment may worsen.
- **Substandard** -- This grade is assigned to loans that have well defined weaknesses that may make payment default, or principal exposure, possible. These loans will likely be dependent on collateral liquidation, secondary repayment sources, or events outside the normal course of business to meet repayment terms.
- **Doubtful** -- This grade is assigned to loans that have the weaknesses inherent in substandard loans; however, the weaknesses are so severe that collection or liquidation in full is unlikely based on current facts, conditions, and values. Due to certain specific pending factors, the amount of loss cannot yet be determined.
- **Loss** -- This grade is assigned to loans that will be charged off or charged down when payments, including the timing and value of payments, are uncertain. This risk grade does not imply that the asset has no recovery or salvage value, but simply means that it is not practical or desirable to defer writing off, either all or a portion of, the loan balance even though partial recovery may be realized in the future.

The following tables present the recorded investment of the loan portfolio, by loan class and credit quality, as of the dates indicated.

| <i>(Amounts in thousands)</i>             | <b>December 31, 2024</b> |                            |                    |                 |             | <b>Total</b>        |
|---|--------------------------|----------------------------|--------------------|-----------------|-------------|---------------------|
|   | <b>Pass</b>              | <b>Special<br/>Mention</b> | <b>Substandard</b> | <b>Doubtful</b> | <b>Loss</b> |                     |
| <b>Commercial loans</b>                   |                          |                            |                    |                 |             |                     |
| Construction, development, and other land | \$ 69,290                | \$ 133                     | \$ 2,896           | \$ —            | \$ —        | \$ 72,319           |
| Commercial and industrial                 | 227,108                  | 2,045                      | 3,701              | —               | —           | 232,854             |
| Multi-family residential                  | 194,865                  | 3,319                      | 1,337              | —               | —           | 199,521             |
| Single family non-owner occupied          | 187,762                  | 1,701                      | 6,125              | —               | —           | 195,588             |
| Non-farm, non-residential                 | 831,821                  | 12,572                     | 7,830              | —               | —           | 852,223             |
| Agricultural                              | 11,144                   | 3,589                      | 1,943              | —               | —           | 16,676              |
| Farmland                                  | 10,729                   | 430                        | 1,152              | —               | —           | 12,311              |
| <b>Consumer real estate loans</b>         |                          |                            |                    |                 |             |                     |
| Home equity lines                         | 86,908                   | 476                        | 2,843              | —               | —           | 90,227              |
| Single family owner occupied              | 627,853                  | 2,047                      | 20,406             | —               | —           | 650,306             |
| Owner occupied construction               | 4,491                    | —                          | —                  | —               | —           | 4,491               |
| <b>Consumer and other loans</b>           |                          |                            |                    |                 |             |                     |
| Consumer loans                            | 86,177                   | —                          | 1,581              | —               | —           | 87,758              |
| Other                                     | 1,815                    | —                          | —                  | —               | —           | 1,815               |
| <b>Total loans</b>                        | <b>\$ 2,339,963</b>      | <b>\$ 26,312</b>           | <b>\$ 49,814</b>   | <b>\$ —</b>     | <b>\$ —</b> | <b>\$ 2,416,089</b> |

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2023**

| <i>(Amounts in thousands)</i>             | <b>Pass</b>                | <b>Special<br/>Mention</b> | <b>Substandard</b>      | <b>Doubtful</b>    | <b>Loss</b>        | <b>Total</b>               |
|---|----------------------------|----------------------------|-------------------------|--------------------|--------------------|----------------------------|
| <b>Commercial loans</b>                   |                            |                            |                         |                    |                    |                            |
| Construction, development, and other land | \$ 103,573                 | \$ 1,955                   | \$ 417                  | \$ —               | \$ —               | \$ 105,945                 |
| Commercial and industrial                 | 207,034                    | 2,097                      | 2,719                   | —                  | —                  | 211,850                    |
| Multi-family residential                  | 184,565                    | 3,522                      | 295                     | —                  | —                  | 188,382                    |
| Single family non-owner occupied          | 215,375                    | 2,016                      | 7,504                   | —                  | —                  | 224,895                    |
| Non-farm, non-residential                 | 866,711                    | 15,240                     | 12,599                  | —                  | —                  | 894,550                    |
| Agricultural                              | 15,944                     | 3,878                      | 1,847                   | —                  | —                  | 21,669                     |
| Farmland                                  | 12,480                     | 484                        | 1,238                   | —                  | —                  | 14,202                     |
| <b>Consumer real estate loans</b>         |                            |                            |                         |                    |                    |                            |
| Home equity lines                         | 83,769                     | 546                        | 3,311                   | —                  | —                  | 87,626                     |
| Single family owner occupied              | 669,878                    | 2,360                      | 23,902                  | —                  | —                  | 696,140                    |
| Owner occupied construction               | 8,445                      | —                          | —                       | —                  | —                  | 8,445                      |
| <b>Consumer and other loans</b>           |                            |                            |                         |                    |                    |                            |
| Consumer loans                            | 114,725                    | 4                          | 2,362                   | —                  | —                  | 117,091                    |
| Other                                     | 1,503                      | —                          | —                       | —                  | —                  | 1,503                      |
| <b>Total loans</b>                        | <b><u>\$ 2,484,002</u></b> | <b><u>\$ 32,102</u></b>    | <b><u>\$ 56,194</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 2,572,298</u></b> |

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following tables present the amortized cost basis of the loan portfolio, by year of origination, loan class, and credit quality, as of the dates indicated:

(Amounts in thousands)

| Balance at December 31, 2024                    | Term Loans Amortized Cost Basis by Origination Year |           |            |            |            |            | Revolving | Total      |
|---|---|-----------|------------|------------|------------|------------|-----------|------------|
|   | 2024  | 2023      | 2022       | 2021       | 2020       | Prior      |           |            |
| <b>Construction, development and other land</b> |   |           |            |            |            |            |           |            |
| Pass  | \$ 9,806  | \$ 7,378  | \$ 33,423  | \$ 12,495  | \$ 1,948   | \$ 3,589   | \$ 651    | \$ 69,290  |
| Special Mention                                 | -   | -         | -          | -          | 65         | 68         | -         | 133        |
| Substandard                                     | 164   | 2,418     | -          | -          | 11         | 303        | -         | 2,896      |
| Doubtful  | -   | -         | -          | -          | -          | -          | -         | -          |
| Loss  | -   | -         | -          | -          | -          | -          | -         | -          |
| Total construction, development, and other land | \$ 9,970  | \$ 9,796  | \$ 33,423  | \$ 12,495  | \$ 2,024   | \$ 3,960   | \$ 651    | \$ 72,319  |
| Current period gross write-offs                 | \$ -  | \$ -      | \$ -       | \$ -       | \$ 1       | \$ 8       | \$ -      | \$ 9       |
| <b>Commercial and industrial</b>                |   |           |            |            |            |            |           |            |
| Pass  | \$ 71,241   | \$ 34,794 | \$ 50,214  | \$ 11,973  | \$ 7,332   | \$ 12,265  | \$ 39,289 | \$ 227,108 |
| Special Mention                                 | 5   | -         | 35         | 82         | -          | 1,584      | 339       | 2,045      |
| Substandard                                     | 193   | 404       | 831        | 457        | 465        | 1,351      | -         | 3,701      |
| Doubtful  | -   | -         | -          | -          | -          | -          | -         | -          |
| Loss  | -   | -         | -          | -          | -          | -          | -         | -          |
| Total commercial and industrial                 | \$ 71,439   | \$ 35,198 | \$ 51,080  | \$ 12,512  | \$ 7,797   | \$ 15,200  | \$ 39,628 | \$ 232,854 |
| Current period gross write-offs                 | \$ 24   | \$ 95     | \$ 351     | \$ 48      | \$ 34      | \$ 2       | \$ -      | \$ 554     |
| <b>Multi-family residential</b>                 |   |           |            |            |            |            |           |            |
| Pass  | \$ 775  | \$ 10,084 | \$ 73,633  | \$ 42,533  | \$ 28,855  | \$ 36,150  | \$ 2,835  | \$ 194,865 |
| Special Mention                                 | -   | -         | -          | -          | -          | 3,319      | -         | 3,319      |
| Substandard                                     | -   | -         | 1,285      | -          | -          | 52         | -         | 1,337      |
| Doubtful  | -   | -         | -          | -          | -          | -          | -         | -          |
| Loss  | -   | -         | -          | -          | -          | -          | -         | -          |
| Total multi-family residential                  | \$ 775  | \$ 10,084 | \$ 74,918  | \$ 42,533  | \$ 28,855  | \$ 39,521  | \$ 2,835  | \$ 199,521 |
| Current period gross write-offs                 | \$ -  | \$ -      | \$ -       | \$ -       | \$ -       | \$ -       | \$ -      | \$ -       |
| <b>Non-farm, non-residential</b>                |   |           |            |            |            |            |           |            |
| Pass  | \$ 40,054   | \$ 76,285 | \$ 226,217 | \$ 140,911 | \$ 104,728 | \$ 235,001 | \$ 8,625  | \$ 831,821 |
| Special Mention                                 | 154   | -         | 565        | 1,758      | -          | 10,095     | -         | 12,572     |
| Substandard                                     | -   | 593       | 285        | 1,882      | 872        | 3,885      | 313       | 7,830      |
| Doubtful  | -   | -         | -          | -          | -          | -          | -         | -          |
| Loss  | -   | -         | -          | -          | -          | -          | -         | -          |
| Total non-farm, non-residential                 | \$ 40,208   | \$ 76,878 | \$ 227,067 | \$ 144,551 | \$ 105,600 | \$ 248,981 | \$ 8,938  | \$ 852,223 |
| Current period gross write-offs                 | \$ -  | \$ -      | \$ -       | \$ -       | \$ -       | \$ 29      | \$ -      | \$ 29      |
| <b>Agricultural</b>                             |   |           |            |            |            |            |           |            |
| Pass  | \$ 646  | \$ 3,168  | \$ 2,723   | \$ 1,561   | \$ 245     | \$ 1,754   | \$ 1,047  | \$ 11,144  |
| Special Mention                                 | -   | -         | 256        | 161        | 3          | 3,169      | -         | 3,589      |
| Substandard                                     | -   | 429       | 166        | 25         | 79         | 1,244      | -         | 1,943      |
| Doubtful  | -   | -         | -          | -          | -          | -          | -         | -          |
| Loss  | -   | -         | -          | -          | -          | -          | -         | -          |
| Total agricultural                              | \$ 646  | \$ 3,597  | \$ 3,145   | \$ 1,747   | \$ 327     | \$ 6,167   | \$ 1,047  | \$ 16,676  |
| Current period gross write-offs                 | \$ -  | \$ 115    | \$ 96      | \$ 19      | \$ -       | \$ -       | \$ -      | \$ 230     |
| <b>Farmland</b>                                 |   |           |            |            |            |            |           |            |
| Pass  | \$ 861  | \$ 1,175  | \$ 1,052   | \$ 1,389   | \$ 665     | \$ 4,429   | \$ 1,158  | \$ 10,729  |
| Special Mention                                 | -   | -         | -          | 99         | -          | 331        | -         | 430        |
| Substandard                                     | -   | -         | -          | -          | 142        | 1,010      | -         | 1,152      |
| Doubtful  | -   | -         | -          | -          | -          | -          | -         | -          |
| Loss  | -   | -         | -          | -          | -          | -          | -         | -          |
| Total farmland                                  | \$ 861  | \$ 1,175  | \$ 1,052   | \$ 1,488   | \$ 807     | \$ 5,770   | \$ 1,158  | \$ 12,311  |
| Current period gross write-offs                 | \$ -  | \$ -      | \$ -       | \$ -       | \$ -       | \$ -       | \$ -      | \$ -       |

**FIRST COMMUNITY BANKSHARES, INC.**  
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*(Amounts in thousands)*

| <b>Balance at December 31, 2024</b>                     | <b>Term Loans Amortized Cost Basis by Origination Year</b> |                  |                   |                   |                   |                   | <b>Revolving</b> | <b>Total</b>      |
|---|--|------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|
|   | <b>2024</b>  | <b>2023</b>      | <b>2022</b>       | <b>2021</b>       | <b>2020</b>       | <b>Prior</b>      |                  |                   |
| <b>Home equity lines</b>                                |  |                  |                   |                   |                   |                   |                  |                   |
| Pass  | \$ 10  | \$ 106           | \$ 1,205          | \$ 100            | \$ 86             | \$ 4,175          | \$ 81,226        | \$ 86,908         |
| Special Mention   | -  | -                | -                 | -                 | -                 | 140               | 336              | 476               |
| Substandard   | 23   | 22               | 78                | -                 | 22                | 1,793             | 905              | 2,843             |
| Doubtful  | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| Loss  | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| <b>Total home equity lines</b>                          | <b>\$ 33</b>   | <b>\$ 128</b>    | <b>\$ 1,283</b>   | <b>\$ 100</b>     | <b>\$ 108</b>     | <b>\$ 6,108</b>   | <b>\$ 82,467</b> | <b>\$ 90,227</b>  |
| Current period gross write-offs                         | \$ 3   | \$ -             | \$ -              | \$ -              | \$ 47             | \$ -              | \$ 17            | \$ 67             |
| <b>Single family Mortgage</b>                           |  |                  |                   |                   |                   |                   |                  |                   |
| Pass  | \$ 16,876  | \$ 47,598        | \$ 154,680        | \$ 204,443        | \$ 173,310        | \$ 218,047        | \$ 661           | \$ 815,615        |
| Special Mention   | -  | -                | -                 | 440               | -                 | 3,308             | -                | 3,748             |
| Substandard   | 6  | 779              | 1,550             | 1,270             | 1,161             | 21,765            | -                | 26,531            |
| Doubtful  | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| Loss  | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| <b>Total single family owner and non-owner occupied</b> | <b>\$ 16,882</b>   | <b>\$ 48,377</b> | <b>\$ 156,230</b> | <b>\$ 206,153</b> | <b>\$ 174,471</b> | <b>\$ 243,120</b> | <b>\$ 661</b>    | <b>\$ 845,894</b> |
| Current period gross write-offs                         | \$ -   | \$ -             | \$ -              | \$ 185            | \$ -              | \$ 84             | \$ -             | \$ 269            |
| <b>Owner occupied construction</b>                      |  |                  |                   |                   |                   |                   |                  |                   |
| Pass  | \$ 2,387   | \$ 1,272         | \$ 318            | \$ 217            | \$ -              | \$ 297            | \$ -             | \$ 4,491          |
| Special Mention   | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| Substandard   | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| Doubtful  | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| Loss  | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| <b>Total owner occupied construction</b>                | <b>\$ 2,387</b>  | <b>\$ 1,272</b>  | <b>\$ 318</b>     | <b>\$ 217</b>     | <b>\$ -</b>       | <b>\$ 297</b>     | <b>\$ -</b>      | <b>\$ 4,491</b>   |
| Current period gross write-offs                         | \$ -   | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -             | \$ -              |
| <b>Consumer loans</b>                                   |  |                  |                   |                   |                   |                   |                  |                   |
| Pass  | \$ 19,684  | \$ 20,709        | \$ 24,573         | \$ 10,590         | \$ 3,214          | \$ 1,493          | \$ 7,729         | \$ 87,992         |
| Special Mention   | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| Substandard   | 94   | 327              | 532               | 284               | 30                | 279               | 35               | 1,581             |
| Doubtful  | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| Loss  | -  | -                | -                 | -                 | -                 | -                 | -                | -                 |
| <b>Total consumer loans</b>                             | <b>\$ 19,778</b>   | <b>\$ 21,036</b> | <b>\$ 25,105</b>  | <b>\$ 10,874</b>  | <b>\$ 3,244</b>   | <b>\$ 1,772</b>   | <b>\$ 7,764</b>  | <b>\$ 89,573</b>  |
| Current period gross write-offs                         | \$ 1,518   | \$ 1,269         | \$ 2,277          | \$ 908            | \$ 243            | \$ 105            | \$ 373           | \$ 6,693          |

*(Amounts in thousands)*

| <b>Balance at December 31, 2024</b> | <b>Term Loans Amortized Cost Basis by Origination Year</b> |                   |                   |                   |                   |                   | <b>Revolving</b>  | <b>Total</b>        |
|-------------------------------------|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
|                                     | <b>2024</b>  | <b>2023</b>       | <b>2022</b>       | <b>2021</b>       | <b>2020</b>       | <b>Prior</b>      |                   |                     |
| <b>Total Loans</b>                  |  |                   |                   |                   |                   |                   |                   |                     |
| Pass                                | \$ 162,340   | \$ 202,569        | \$ 568,038        | \$ 426,212        | \$ 320,383        | \$ 517,200        | \$ 143,221        | \$ 2,339,963        |
| Special Mention                     | 159  | -                 | 856               | 2,540             | 68                | 22,014            | 675               | 26,312              |
| Substandard                         | 480  | 4,972             | 4,727             | 3,918             | 2,782             | 31,682            | 1,253             | 49,814              |
| Doubtful                            | -  | -                 | -                 | -                 | -                 | -                 | -                 | -                   |
| Loss                                | -  | -                 | -                 | -                 | -                 | -                 | -                 | -                   |
| <b>Total loans</b>                  | <b>\$ 162,979</b>  | <b>\$ 207,541</b> | <b>\$ 573,621</b> | <b>\$ 432,670</b> | <b>\$ 323,233</b> | <b>\$ 570,896</b> | <b>\$ 145,149</b> | <b>\$ 2,416,089</b> |
| Current period gross write-offs     | \$ 1,545   | \$ 1,479          | \$ 2,724          | \$ 1,160          | \$ 325            | \$ 228            | \$ 390            | \$ 7,851            |

**FIRST COMMUNITY BANKSHARES, INC.**  
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(Amounts in thousands)

| Balance at December 31, 2023                    | Term Loans Amortized Cost Basis by Origination Year |            |            |            |           |            | Revolving | Total      |
|---|---|------------|------------|------------|-----------|------------|-----------|------------|
|   | 2023  | 2022       | 2021       | 2020       | 2019      | Prior      |           |            |
| Construction, development and other land        |   |            |            |            |           |            |           |            |
| Pass  | \$ 12,379   | \$ 54,752  | \$ 23,328  | \$ 4,121   | \$ 2,700  | \$ 3,874   | \$ 2,419  | \$ 103,573 |
| Special Mention                                 | 1,737   | -          | -          | 139        | -         | 79         | -         | 1,955      |
| Substandard                                     | -   | -          | -          | -          | 175       | 242        | -         | 417        |
| Doubtful  | -   | -          | -          | -          | -         | -          | -         | -          |
| Loss  | -   | -          | -          | -          | -         | -          | -         | -          |
| Total construction, development, and other land | \$ 14,116   | \$ 54,752  | \$ 23,328  | \$ 4,260   | \$ 2,875  | \$ 4,195   | \$ 2,419  | \$ 105,945 |
| Current period gross write-offs                 | \$ -  | \$ -       | \$ -       | \$ -       | \$ 13     | \$ -       | \$ -      | \$ 13      |
| Commercial and industrial                       |   |            |            |            |           |            |           |            |
| Pass  | \$ 53,619   | \$ 64,380  | \$ 19,477  | \$ 11,538  | \$ 5,717  | \$ 11,775  | \$ 40,528 | \$ 207,034 |
| Special Mention                                 | -   | 229        | 11         | -          | 349       | 1,408      | 100       | 2,097      |
| Substandard                                     | 51  | 744        | 276        | 86         | 926       | 636        | -         | 2,719      |
| Doubtful  | -   | -          | -          | -          | -         | -          | -         | -          |
| Loss  | -   | -          | -          | -          | -         | -          | -         | -          |
| Total commercial and industrial                 | \$ 53,670   | \$ 65,353  | \$ 19,764  | \$ 11,624  | \$ 6,992  | \$ 13,819  | \$ 40,628 | \$ 211,850 |
| Current period gross write-offs                 | \$ 66   | \$ 168     | \$ 201     | \$ 51      | \$ 32     | \$ 66      | \$ -      | \$ 584     |
| Multi-family residential                        |   |            |            |            |           |            |           |            |
| Pass  | \$ 6,753  | \$ 67,484  | \$ 36,621  | \$ 30,021  | \$ 3,280  | \$ 36,982  | \$ 3,424  | \$ 184,565 |
| Special Mention                                 | -   | -          | -          | -          | -         | 3,522      | -         | 3,522      |
| Substandard                                     | -   | -          | -          | -          | -         | 295        | -         | 295        |
| Doubtful  | -   | -          | -          | -          | -         | -          | -         | -          |
| Loss  | -   | -          | -          | -          | -         | -          | -         | -          |
| Total multi-family residential                  | \$ 6,753  | \$ 67,484  | \$ 36,621  | \$ 30,021  | \$ 3,280  | \$ 40,799  | \$ 3,424  | \$ 188,382 |
| Current period gross write-offs                 | \$ -  | \$ -       | \$ -       | \$ -       | \$ -      | \$ -       | \$ -      | \$ -       |
| Non-farm, non-residential                       |   |            |            |            |           |            |           |            |
| Pass  | \$ 83,420   | \$ 234,607 | \$ 151,433 | \$ 114,974 | \$ 53,466 | \$ 217,034 | \$ 11,777 | \$ 866,711 |
| Special Mention                                 | 65  | 583        | 2,590      | 819        | -         | 11,132     | 51        | 15,240     |
| Substandard                                     | 1,175   | 238        | 1,968      | 690        | 3,175     | 5,143      | 210       | 12,599     |
| Doubtful  | -   | -          | -          | -          | -         | -          | -         | -          |
| Loss  | -   | -          | -          | -          | -         | -          | -         | -          |
| Total non-farm, non-residential                 | \$ 84,660   | \$ 235,428 | \$ 155,991 | \$ 116,483 | \$ 56,641 | \$ 233,309 | \$ 12,038 | \$ 894,550 |
| Current period gross write-offs                 | \$ -  | \$ 8       | \$ -       | \$ -       | \$ -      | \$ 2       | \$ -      | \$ 10      |
| Agricultural                                    |   |            |            |            |           |            |           |            |
| Pass  | \$ 5,004  | \$ 4,215   | \$ 2,352   | \$ 625     | \$ 674    | \$ 2,094   | \$ 980    | \$ 15,944  |
| Special Mention                                 | 28  | 276        | 184        | 8          | 90        | 3,292      | -         | 3,878      |
| Substandard                                     | 157   | 166        | 50         | 28         | 1,188     | 258        | -         | 1,847      |
| Doubtful  | -   | -          | -          | -          | -         | -          | -         | -          |
| Loss  | -   | -          | -          | -          | -         | -          | -         | -          |
| Total agricultural                              | \$ 5,189  | \$ 4,657   | \$ 2,586   | \$ 661     | \$ 1,952  | \$ 5,644   | \$ 980    | \$ 21,669  |
| Current period gross write-offs                 | \$ -  | \$ 59      | \$ -       | \$ 9       | \$ 14     | \$ 8       | \$ -      | \$ 90      |
| Farmland  |   |            |            |            |           |            |           |            |
| Pass  | \$ 1,380  | \$ 1,237   | \$ 1,557   | \$ 912     | \$ 745    | \$ 5,766   | \$ 883    | \$ 12,480  |
| Special Mention                                 | -   | -          | 103        | -          | -         | 381        | -         | 484        |
| Substandard                                     | -   | -          | -          | -          | -         | 1,238      | -         | 1,238      |
| Doubtful  | -   | -          | -          | -          | -         | -          | -         | -          |
| Loss  | -   | -          | -          | -          | -         | -          | -         | -          |
| Total farmland                                  | \$ 1,380  | \$ 1,237   | \$ 1,660   | \$ 912     | \$ 745    | \$ 7,385   | \$ 883    | \$ 14,202  |
| Current period gross write-offs                 | \$ -  | \$ -       | \$ -       | \$ -       | \$ -      | \$ -       | \$ -      | \$ -       |

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts in thousands)

| Balance at December 31, 2023                            | Term Loans Amortized Cost Basis by Origination Year |                   |                   |                   |                  |                   | Revolving        | Total             |
|---|---|-------------------|-------------------|-------------------|------------------|-------------------|------------------|-------------------|
|   | 2023  | 2022              | 2021              | 2020              | 2019             | Prior             |                  |                   |
| <b>Home equity lines</b>                                |   |                   |                   |                   |                  |                   |                  |                   |
| Pass  | \$ 9  | \$ 962            | \$ 86             | \$ 73             | \$ 68            | \$ 3,800          | \$ 78,771        | \$ 83,769         |
| Special Mention   | -   | -                 | -                 | -                 | -                | 45                | 501              | 546               |
| Substandard   | -   | 12                | -                 | 27                | 102              | 1,853             | 1,317            | 3,311             |
| Doubtful  | -   | -                 | -                 | -                 | -                | -                 | -                | -                 |
| Loss  | -   | -                 | -                 | -                 | -                | -                 | -                | -                 |
| <b>Total home equity lines</b>                          | <b>\$ 9</b>   | <b>\$ 974</b>     | <b>\$ 86</b>      | <b>\$ 100</b>     | <b>\$ 170</b>    | <b>\$ 5,698</b>   | <b>\$ 80,589</b> | <b>\$ 87,626</b>  |
| Current period gross write-offs                         | \$ -  | \$ -              | \$ -              | \$ -              | \$ -             | \$ -              | \$ 227           | \$ 227            |
| <b>Single family Mortgage</b>                           |   |                   |                   |                   |                  |                   |                  |                   |
| Pass  | \$ 50,826   | \$ 164,974        | \$ 221,352        | \$ 191,156        | \$ 44,974        | \$ 211,540        | \$ 431           | \$ 885,253        |
| Special Mention   | -   | -                 | 465               | 98                | 108              | 3,705             | -                | 4,376             |
| Substandard   | 236   | 555               | 1,464             | 1,381             | 1,515            | 26,255            | -                | 31,406            |
| Doubtful  | -   | -                 | -                 | -                 | -                | -                 | -                | -                 |
| Loss  | -   | -                 | -                 | -                 | -                | -                 | -                | -                 |
| <b>Total single family owner and non-owner occupied</b> | <b>\$ 51,062</b>                                    | <b>\$ 165,529</b> | <b>\$ 223,281</b> | <b>\$ 192,635</b> | <b>\$ 46,597</b> | <b>\$ 241,500</b> | <b>\$ 431</b>    | <b>\$ 921,035</b> |
| Current period gross write-offs                         | \$ -  | \$ -              | \$ 47             | \$ -              | \$ -             | \$ 194            | \$ -             | \$ 241            |
| <b>Owner occupied construction</b>                      |   |                   |                   |                   |                  |                   |                  |                   |
| Pass  | \$ 3,620  | \$ 4,232          | \$ 240            | \$ -              | \$ 21            | \$ 332            | \$ -             | \$ 8,445          |
| Special Mention   | -   | -                 | -                 | -                 | -                | -                 | -                | -                 |
| Substandard   | -   | -                 | -                 | -                 | -                | -                 | -                | -                 |
| Doubtful  | -   | -                 | -                 | -                 | -                | -                 | -                | -                 |
| Loss  | -   | -                 | -                 | -                 | -                | -                 | -                | -                 |
| <b>Total owner occupied construction</b>                | <b>\$ 3,620</b>                                     | <b>\$ 4,232</b>   | <b>\$ 240</b>     | <b>\$ -</b>       | <b>\$ 21</b>     | <b>\$ 332</b>     | <b>\$ -</b>      | <b>\$ 8,445</b>   |
| Current period gross write-offs                         | \$ -  | \$ -              | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             | \$ -              |
| <b>Consumer loans</b>                                   |   |                   |                   |                   |                  |                   |                  |                   |
| Pass  | \$ 31,243   | \$ 43,675         | \$ 20,672         | \$ 7,710          | \$ 3,214         | \$ 1,026          | \$ 8,688         | \$ 116,228        |
| Special Mention   | -   | -                 | 3                 | -                 | -                | -                 | 1                | 4                 |
| Substandard   | 338   | 820               | 590               | 198               | 157              | 212               | 47               | 2,362             |
| Doubtful  | -   | -                 | -                 | -                 | -                | -                 | -                | -                 |
| Loss  | -   | -                 | -                 | -                 | -                | -                 | -                | -                 |
| <b>Total consumer loans</b>                             | <b>\$ 31,581</b>                                    | <b>\$ 44,495</b>  | <b>\$ 21,265</b>  | <b>\$ 7,908</b>   | <b>\$ 3,371</b>  | <b>\$ 1,238</b>   | <b>\$ 8,736</b>  | <b>\$ 118,594</b> |
| Current period gross write-offs                         | \$ 1,238  | \$ 3,594          | \$ 1,852          | \$ 518            | \$ 196           | \$ 77             | \$ 185           | \$ 7,660          |

(Amounts in thousands)

| Balance at December 31, 2023    | Term Loans Amortized Cost Basis by Origination Year |                   |                   |                   |                   |                   | Revolving         | Total               |
|---------------------------------|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
|                                 | 2023  | 2022              | 2021              | 2020              | 2019              | Prior             |                   |                     |
| <b>Total Loans</b>              |   |                   |                   |                   |                   |                   |                   |                     |
| Pass                            | \$ 248,253  | \$ 640,518        | \$ 477,118        | \$ 361,130        | \$ 114,859        | \$ 494,223        | \$ 147,901        | \$ 2,484,002        |
| Special Mention                 | 1,830   | 1,088             | 3,356             | 1,064             | 547               | 23,564            | 653               | 32,102              |
| Substandard                     | 1,957   | 2,535             | 4,348             | 2,410             | 7,238             | 36,132            | 1,574             | 56,194              |
| Doubtful                        | -   | -                 | -                 | -                 | -                 | -                 | -                 | -                   |
| Loss                            | -   | -                 | -                 | -                 | -                 | -                 | -                 | -                   |
| <b>Total loans</b>              | <b>\$ 252,040</b>                                   | <b>\$ 644,141</b> | <b>\$ 484,822</b> | <b>\$ 364,604</b> | <b>\$ 122,644</b> | <b>\$ 553,919</b> | <b>\$ 150,128</b> | <b>\$ 2,572,298</b> |
| Current period gross write-offs | \$ 1,304  | \$ 3,829          | \$ 2,100          | \$ 578            | \$ 255            | \$ 347            | \$ 412            | \$ 8,825            |

**FIRST COMMUNITY BANKSHARES, INC.**  
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The Company generally places a loan on nonaccrual status when it is 90 days or more past due. The following table presents nonaccrual loans by loan class, as of the dates indicated:

| <i>(Amounts in thousands)</i>             | December 31, 2024 |                      |                  | December 31, 2023 |                      |                  |
|---|-------------------|----------------------|------------------|-------------------|----------------------|------------------|
|   | No Allowance      | With an<br>Allowance | Total            | No Allowance      | With an<br>Allowance | Total            |
| <b>Commercial loans</b>                   |                   |                      |                  |                   |                      |                  |
| Construction, development, and other land | \$ 140            | \$ —                 | \$ 140           | \$ 172            | \$ —                 | \$ 172           |
| Commercial and industrial                 | 2,492             | —                    | 2,492            | 1,438             | —                    | 1,438            |
| Multi-family residential                  | 152               | —                    | 152              | 183               | —                    | 183              |
| Single family non-owner occupied          | 983               | —                    | 983              | 832               | —                    | 832              |
| Non-farm, non-residential                 | 2,284             | 531                  | 2,815            | 1,271             | 1,173                | 2,444            |
| Agricultural                              | 1,541             | —                    | 1,541            | 1,558             | —                    | 1,558            |
| Farmland                                  | 386               | —                    | 386              | 123               | —                    | 123              |
| <b>Consumer real estate loans</b>         |                   |                      |                  |                   |                      |                  |
| Home equity lines                         | 1,072             | —                    | 1,072            | 1,335             | —                    | 1,335            |
| Single family owner occupied              | 9,189             | —                    | 9,189            | 9,365             | —                    | 9,365            |
| Owner occupied construction               | —                 | —                    | —                | —                 | —                    | —                |
| <b>Consumer and other loans</b>           |                   |                      |                  |                   |                      |                  |
| Consumer loans                            | 1,099             | —                    | 1,099            | 1,906             | —                    | 1,906            |
| <b>Total nonaccrual loans</b>             | <b>\$ 19,338</b>  | <b>\$ 531</b>        | <b>\$ 19,869</b> | <b>\$ 18,183</b>  | <b>\$ 1,173</b>      | <b>\$ 19,356</b> |

In both 2024 and 2023 nonaccrual loan interest recognized was immaterial.

**FIRST COMMUNITY BANKSHARES, INC.**  
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The following tables presents the aging of past due loans by loan class, as of the date indicated. Nonaccrual loans 30 days or more past due are included in the applicable delinquency category.

| <b>December 31, 2024</b>                  |                                      |                                      |                              |                           |                          |                        |  |
|---|--------------------------------------|--------------------------------------|------------------------------|---------------------------|--------------------------|------------------------|--|
| <i>(Amounts in thousands)</i>             | <b>30 - 59<br/>Days<br/>Past Due</b> | <b>60 - 89<br/>Days<br/>Past Due</b> | <b>90+ Days<br/>Past Due</b> | <b>Total<br/>Past Due</b> | <b>Current<br/>Loans</b> | <b>Total<br/>Loans</b> | <b>Amortized<br/>Cost of<br/>&gt;90 Days<br/>Accruing<br/>No Allowance</b> |
| <b>Commercial loans</b>                   |                                      |                                      |                              |                           |                          |                        |  |
| Construction, development, and other land | \$ 40                                | \$ 2,424                             | \$ 143                       | \$ 2,607                  | \$ 69,712                | \$ 72,319              | \$ —   |
| Commercial and industrial                 | 1,100                                | 295                                  | 2,285                        | 3,680                     | 229,174                  | 232,854                | —  |
| Multi-family residential                  | —                                    | —                                    | —                            | —                         | 199,521                  | 199,521                | —  |
| Single family non-owner occupied          | 1,228                                | 434                                  | 500                          | 2,162                     | 193,426                  | 195,588                | —  |
| Non-farm, non-residential                 | 3,182                                | 123                                  | 1,457                        | 4,762                     | 847,461                  | 852,223                | —  |
| Agricultural                              | 159                                  | 67                                   | 492                          | 718                       | 15,958                   | 16,676                 | —  |
| Farmland                                  | 11                                   | 2                                    | 142                          | 155                       | 12,156                   | 12,311                 | —  |
| <b>Consumer real estate loans</b>         |                                      |                                      |                              |                           |                          |                        |  |
| Home equity lines                         | 599                                  | 230                                  | 558                          | 1,387                     | 88,840                   | 90,227                 | —  |
| Single family owner occupied              | 5,812                                | 1,457                                | 3,974                        | 11,243                    | 639,063                  | 650,306                | —  |
| Owner occupied construction               | —                                    | —                                    | —                            | —                         | 4,491                    | 4,491                  | —  |
| <b>Consumer and other loans</b>           |                                      |                                      |                              |                           |                          |                        |  |
| Consumer loans                            | 2,960                                | 932                                  | 560                          | 4,452                     | 83,306                   | 87,758                 | —  |
| Other                                     | —                                    | —                                    | —                            | —                         | 1,815                    | 1,815                  | —  |
| <b>Total loans</b>                        | <b>\$ 15,091</b>                     | <b>\$ 5,964</b>                      | <b>\$ 10,111</b>             | <b>\$ 31,166</b>          | <b>\$ 2,384,923</b>      | <b>\$ 2,416,089</b>    | <b>\$ —</b>  |

| <b>December 31, 2023</b>                  |                                      |                                      |                              |                           |                          |                        |  |
|---|--------------------------------------|--------------------------------------|------------------------------|---------------------------|--------------------------|------------------------|--|
| <i>(Amounts in thousands)</i>             | <b>30 - 59<br/>Days<br/>Past Due</b> | <b>60 - 89<br/>Days<br/>Past Due</b> | <b>90+ Days<br/>Past Due</b> | <b>Total<br/>Past Due</b> | <b>Current<br/>Loans</b> | <b>Total<br/>Loans</b> | <b>Amortized<br/>Cost of<br/>&gt;90 Days<br/>Accruing<br/>No Allowance</b> |
| <b>Commercial loans</b>                   |                                      |                                      |                              |                           |                          |                        |  |
| Construction, development, and other land | \$ 38                                | \$ 6                                 | \$ 23                        | \$ 67                     | \$ 105,878               | \$ 105,945             | \$ —   |
| Commercial and industrial                 | 1,232                                | 766                                  | 390                          | 2,388                     | 209,462                  | 211,850                | —  |
| Multi-family residential                  | 115                                  | 68                                   | —                            | 183                       | 188,199                  | 188,382                | —  |
| Single family non-owner occupied          | 777                                  | 455                                  | 232                          | 1,464                     | 223,431                  | 224,895                | —  |
| Non-farm, non-residential                 | 617                                  | 229                                  | 382                          | 1,228                     | 893,322                  | 894,550                | —  |
| Agricultural                              | 22                                   | 56                                   | 217                          | 295                       | 21,374                   | 21,669                 | —  |
| Farmland                                  | 15                                   | —                                    | —                            | 15                        | 14,187                   | 14,202                 | —  |
| <b>Consumer real estate loans</b>         |                                      |                                      |                              |                           |                          |                        |  |
| Home equity lines                         | 639                                  | 343                                  | 534                          | 1,516                     | 86,110                   | 87,626                 | —  |
| Single family owner occupied              | 6,108                                | 2,831                                | 3,519                        | 12,458                    | 683,682                  | 696,140                | —  |
| Owner occupied construction               | —                                    | —                                    | —                            | —                         | 8,445                    | 8,445                  | —  |
| <b>Consumer and other loans</b>           |                                      |                                      |                              |                           |                          |                        |  |
| Consumer loans                            | 4,390                                | 1,440                                | 1,087                        | 6,917                     | 110,174                  | 117,091                | —  |
| Other                                     | —                                    | —                                    | —                            | —                         | 1,503                    | 1,503                  | —  |
| <b>Total loans</b>                        | <b>\$ 13,953</b>                     | <b>\$ 6,194</b>                      | <b>\$ 6,384</b>              | <b>\$ 26,531</b>          | <b>\$ 2,545,767</b>      | <b>\$ 2,572,298</b>    | <b>\$ —</b>  |

**FIRST COMMUNITY BANKSHARES, INC.**  
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ASC 326 prescribes that when an entity determines foreclosure is probable, the expected credit loss is required to be measured based on the fair value of the collateral. As a practical expedient, an entity may use the fair value as of the reporting date when recording the net carrying amount of the asset. For the collateral dependent asset ("CDA") a credit loss expense is recorded for loan amounts in excess of fair value of the collateral. The table below summarizes collateral dependent loans, where foreclosure is possible, by type of collateral, and the extent to which they are collateralized during the periods.

| <i>(Amounts in thousands)</i>    | December 31, 2024 |                     |                | December 31, 2023 |                     |                |
|----------------------------------|-------------------|---------------------|----------------|-------------------|---------------------|----------------|
|                                  | Balance           | Collateral Coverage | Coverage Ratio | Balance           | Collateral Coverage | Coverage Ratio |
| Commercial Real Estate           |                   |                     |                |                   |                     |                |
| Other                            | \$ 531            | \$ 645              | 121.57%        | \$ 1,173          | \$ 825              | 70.33%         |
| Consumer owner occupied          | -                 | -                   |                | -                 | -                   |                |
| Total collateral dependent loans | <u>\$ 531</u>     | <u>\$ 645</u>       | <u>121.57%</u> | <u>\$ 1,173</u>   | <u>\$ 825</u>       | <u>70.33%</u>  |

The Company may make concessions in interest rates, loan terms and/or amortization terms when restructuring loans for borrowers experiencing financial difficulty. Effective, January 1, 2023, the Company adopted ASU 2022-02, Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures. The amendments eliminated TDR accounting guidance for issuers that adopted ASU 2015-13, created a single loan modification accounting model, and clarified disclosure requirements for loan modifications and write-offs. Presented below are the amortized cost basis and percentage of loan class for loan modifications made to borrowers experiencing financial difficulty by loan class, concession type, and financial effect as of the date indicated.

| <i>(Amounts in thousands)</i>      | Payment Delays       |  |   |
|------------------------------------|----------------------|--|---|
|                                    | Amortized Cost Basis | % of Total Class of Financing Receivable | Financial Effect                                      |
|                                    | December 31, 2024    |  |   |
| Non Farm, Non Residential Property | \$ 625               | 0.07%                                    | Deferred 6 months of interest to Loan Maturity.       |
| Single Family Owner Occupied       | 509                  | 0.08%                                    | Deferred \$66 thousand in Principal to Loan Maturity. |
| Single Family Non Owner Occupied   | 30                   | 0.02%                                    | Deferred 6 months of interest to Loan Maturity.       |
| Commercial & Industrial            | 135                  | 0.06%                                    | Deferred \$8 thousand in Principal to Loan Maturity.  |
| Total                              | <u>\$ 1,299</u>      |  |   |

| <i>(Amounts in thousands)</i> | Term Extensions      |  |   |
|-------------------------------|----------------------|--|---|
|                               | Amortized Cost Basis | % of Total Class of Financing Receivable | Financial Effect                          |
|                               | December 31, 2024    |  |   |
| Commercial & Industrial       | \$ 144               | 0.06%                                    | Delayed repayment of P & I for two years. |
| Consumer                      | 2                    | 0.00%                                    | Extended term from 60 to 84 months.       |
| Home Equity                   | 2                    | 0.00%                                    | Delayed repayment of P & I for two years. |
| Total                         | <u>\$ 148</u>        |  |   |

| <i>(Amounts in thousands)</i> | Term Extension and Rate Reduction |  |   |
|-------------------------------|-----------------------------------|--|---|
|                               | Amortized Cost Basis              | % of Total Class of Financing Receivable | Financial Effect  |
|                               | December 31, 2024                 |  |   |
| Single Family Owner Occupied  | \$ 806                            | 0.12%                                    | Reduced interest income and extended time to recover principal. |
| Consumer                      | 7                                 | 0.01%                                    | Reduced rate to 10.5%; extended term by ten months.             |
| Total                         | <u>\$ 813</u>                     |  |   |

**FIRST COMMUNITY BANKSHARES, INC.**  
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| Payment Delays                     |  |  |
|------------------------------------|--|--|
| Amortized Cost Basis               | % of Total Class of Financing Receivable | Financial Effect   |
| December 31, 2023                  |  |  |
| <i>(Amounts in thousands)</i>      |  |  |
| Non farm, non residential property | \$ 662                                   | 0.07%Deferred 6 months of interest to loan maturity.       |
| Single family owner occupied       | 548                                      | 0.08%Deferred \$66 thousand in principal to loan maturity. |
| Single family non owner occupied   | 89                                       | 0.04%Deferred 6 months of interest to loan maturity.       |
| Commercial & industrial            | 171                                      | 0.08%Deferred \$8 thousand in principal to loan maturity.  |
| Total                              | \$ 1,470                                 |  |

| Term Extensions               |  |  |
|-------------------------------|--|--|
| Amortized Cost Basis          | % of Total Class of Financing Receivable | Financial Effect                         |
| December 31, 2023             |  |  |
| <i>(Amounts in thousands)</i> |  |  |
| Consumer                      | \$ 6                                     | 0.01%Extended term from 60 to 84 months. |
| Total                         | \$ 6                                     |  |

| Principal Forgiveness         |  |   |
|-------------------------------|--|---|
| Amortized Cost Basis          | % of Total Class of Financing Receivable | Financial Effect                                    |
| December 31, 2023             |  |   |
| <i>(Amounts in thousands)</i> |  |   |
| Single family owner occupied  | \$ 5                                     | 0.00%Reduced amortized cost basis by \$13 thousand. |
| Total                         | \$ 5                                     |   |

| Term Extension and Rate Reduction |  |  |
|-----------------------------------|--|--|
| Amortized Cost Basis              | % of Total Class of Financing Receivable | Financial Effect   |
| December 31, 2023                 |  |  |
| <i>(Amounts in thousands)</i>     |  |  |
| Single family owner occupied      | \$ 565                                   | 0.08%Reduced interest income and extended time to recover principal. |
| Total                             | \$ 565                                   |  |

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. As of December 31, 2024, there were no modified loans (or portions of a loan) deemed uncollectible.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified in the last twelve months:

|                                    | December 31, 2024                     |                     |                   |
|------------------------------------|---------------------------------------|---------------------|-------------------|
|                                    | Payment Status (Amortized Cost Basis) |                     |                   |
|                                    | Current                               | 30-89 Days Past Due | 90+ Days Past Due |
| <i>(Amounts in thousands)</i>      |                                       |                     |                   |
| Non Farm, Non Residential Property | \$ 625                                | \$ -                | -                 |
| Single Family Owner Occupied       | 1,140                                 | 174                 | -                 |
| Single Family Non Owner Occupied   | -                                     | 30                  | -                 |
| Commercial & Industrial            | 144                                   | -                   | 135               |

|             |                 |               |               |
|-------------|-----------------|---------------|---------------|
| Consumer    | 10              | -             | -             |
| Home Equity | 2               |               |               |
| Total       | <u>\$ 1,921</u> | <u>\$ 204</u> | <u>\$ 135</u> |

**December 31, 2023**

**Payment Status (Amortized Cost Basis)**

|                                    | <b>30-89 Days Past</b> |               |                          |
|------------------------------------|------------------------|---------------|--------------------------|
|                                    | <b>Current</b>         | <b>Due</b>    | <b>90+ Days Past Due</b> |
| <b>(Amounts in thousands)</b>      |                        |               |                          |
| Non farm, non residential property | \$ 662                 | \$ -          | \$ -                     |
| Single family owner occupied       | 864                    | 254           | -                        |
| Single family non owner occupied   | 89                     |               |                          |
| Commercial & industrial            | 171                    |               |                          |
| Consumer                           | 6                      | -             | -                        |
| Total                              | <u>\$ 1,792</u>        | <u>\$ 254</u> | <u>\$ -</u>              |

**FIRST COMMUNITY BANKSHARES, INC.**  
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The following table provides information about OREO, which consists of properties acquired through foreclosure, as of the dates indicated:

| <i>(Amounts in thousands)</i>                               | <b>December 31, 2024</b> | <b>December 31, 2023</b> |
|---|--------------------------|--------------------------|
| Total OREO  | \$ 521                   | \$ 192                   |
| OREO secured by residential real estate                     | \$ 521                   | \$ 192                   |
| Residential real estate loans in the foreclosure process(1) | \$ 2,625                 | \$ 1,895                 |

(1) The recorded investment in consumer mortgage loans collateralized by residential real estate that are in the process of foreclosure according to local requirements of the applicable jurisdiction

**Note 6. Allowance for Credit Losses**

The following tables present the changes in the allowance for credit losses, by loan segment, during the periods indicated.

| <i>(Amounts in thousands)</i>                                  | <b>Year Ended December 31, 2024</b> |                                 |                               |                            |
|--|-------------------------------------|---------------------------------|-------------------------------|----------------------------|
|  | <b>Commercial</b>                   | <b>Consumer<br/>Real Estate</b> | <b>Consumer and<br/>Other</b> | <b>Total<br/>Allowance</b> |
| Total allowance  |                                     |                                 |                               |                            |
| Balance at beginning of year:                                  |                                     |                                 |                               |                            |
| Allowance for credit losses - loans                            | \$ 21,850                           | \$ 9,693                        | \$ 4,646                      | \$ 36,189                  |
| Allowance for credit losses - loan commitments                 | 597                                 | 121                             | 28                            | 746                        |
| Total allowance for credit losses beginning of year            | 22,447                              | 9,814                           | 4,674                         | 36,935                     |
| Provision for credit losses:                                   |                                     |                                 |                               |                            |
| (Recovery of) provision for credit losses - loans              | (1,227)                             | 175                             | 5,054                         | 4,002                      |
| (Recovery of) provision for credit losses - loan commitments   | (426)                               | 17                              | 4                             | (405)                      |
| Total provision for credit losses - loans and loan commitments | (1,653)                             | 192                             | 5,058                         | 3,597                      |
| Charge-offs  | (822)                               | (336)                           | (6,693)                       | (7,851)                    |
| Recoveries   | 617                                 | 375                             | 1,493                         | 2,485                      |
| Net (charge-offs) recoveries                                   | (205)                               | 39                              | (5,200)                       | (5,366)                    |
| Allowance for credit losses - loans                            | 20,418                              | 9,907                           | 4,500                         | 34,825                     |
| Allowance for credit losses - loan commitments                 | 171                                 | 138                             | 32                            | 341                        |
| Ending balance   | \$ 20,589                           | \$ 10,045                       | \$ 4,532                      | \$ 35,166                  |

| <i>(Amounts in thousands)</i>                                  | <b>Year Ended December 31, 2023</b> |                                 |                               |                            |
|--|-------------------------------------|---------------------------------|-------------------------------|----------------------------|
|  | <b>Commercial</b>                   | <b>Consumer<br/>Real Estate</b> | <b>Consumer and<br/>Other</b> | <b>Total<br/>Allowance</b> |
| Total allowance  |                                     |                                 |                               |                            |
| Balance at beginning of year:                                  |                                     |                                 |                               |                            |
| Allowance for credit losses - loans                            | \$ 17,213                           | \$ 8,931                        | \$ 4,412                      | \$ 30,556                  |
| Allowance for credit losses - loan commitments                 | 1,018                               | 156                             | 22                            | 1,196                      |
| Total allowance for credit losses beginning of year            | 18,231                              | 9,087                           | 4,434                         | 31,752                     |
| Purchased credit deteriorated -Surrey acquisition              | 1,452                               | 529                             | 30                            | 2,011                      |
| Provision for credit losses:                                   |                                     |                                 |                               |                            |
| Provision for (recovery of) credit losses - loans              | 2,217                               | 125                             | 6,093                         | 8,435                      |
| (Recovery of) provision for credit losses - loan commitments   | (421)                               | (35)                            | 6                             | (450)                      |
| Total provision for credit losses - loans and loan commitments | 1,796                               | 90                              | 6,099                         | 7,985                      |
| Charge-offs  | (753)                               | (412)                           | (7,660)                       | (8,825)                    |
| Recoveries   | 1,721                               | 520                             | 1,771                         | 4,012                      |
| Net (charge-offs) recoveries                                   | 968                                 | 108                             | (5,889)                       | (4,813)                    |
| Allowance for credit losses - loans                            | 21,850                              | 9,693                           | 4,646                         | 36,189                     |
| Allowance for credit losses - loan commitments                 | 597                                 | 121                             | 28                            | 746                        |
| Ending balance   | \$ 22,447                           | \$ 9,814                        | \$ 4,674                      | \$ 36,935                  |

**FIRST COMMUNITY BANKSHARES, INC.**  
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**Note 7. Premises, Equipment, and Leases*****Premises and Equipment***

The following table presents the components of premises and equipment as of the dates indicated:

|   | December 31, |           |
|---|--------------|-----------|
|   | 2024         | 2023      |
| <i>(Amounts in thousands)</i>             |              |           |
| Land                                      | \$ 19,309    | \$ 19,497 |
| Buildings and leasehold improvements      | 50,903       | 51,557    |
| Equipment                                 | 43,889       | 42,810    |
| Total premises and equipment              | 114,101      | 113,864   |
| Accumulated depreciation and amortization | (65,366)     | (63,184)  |
| Total premises and equipment, net         | \$ 48,735    | \$ 50,680 |

There were no impairment charges related to certain long-term investments in land and buildings in 2024, in 2023, or in 2022. Depreciation and amortization expense for premises and equipment was \$4.35 million in 2024, \$3.95 million in 2023, and \$4.15 million in 2022.

***Leases***

Operating leases are recorded as a right of use (“ROU”) asset and operating lease liability. The ROU asset is recorded in other assets, while the lease liability is recorded in other liabilities on the condensed balance sheet beginning January 1, 2019, when the Company adopted ASU 2016-02, on a prospective basis. The ROU asset represents the right to use an underlying asset during the lease term and the lease liability represents the obligation to make lease payments arising from the lease. The ROU asset and lease liability have been recognized based on the present value of the lease payments using a discount rate that represented our incremental borrowing rate at the lease commencement date or the date of adoption of ASU 2016-02. The lease expense, which is comprised of the amortization of the ROU asset and the implicit interest accreted on the lease liability, is recognized on a straight-line basis over the lease term, and is recorded in occupancy expense in the condensed statements of income.

The Company’s current operating leases relate to two existing bank branches and one operating lease acquired in a prior bank acquisition. The acquired operating lease was for vacant land and will terminate in July of 2029. The Company’s ROU asset was \$489 thousand as of December 31, 2024, compared to \$594 thousand as of December 31, 2023. The operating lease liability as of December 31, 2024, was \$515 thousand compared to \$620 thousand as of December 31, 2023. The Company’s total operating leases have remaining terms of 3 months to 4.5 years compared with 1 years to 5.5 years as of December 31, 2023. The December 31, 2024, weighted average discount was 3.39%, compared to 3.24% from December 31, 2023.

**FIRST COMMUNITY BANKSHARES, INC.**  
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Future minimum lease payments as of the dates indicated are as follows:

| <b>Year</b>                        | <b>Amount</b> |
|------------------------------------|---------------|
| <i>(Amounts in thousands)</i>      |               |
| 2025                               | \$ 130        |
| 2026                               | 110           |
| 2027                               | 101           |
| 2028                               | 101           |
| 2029 and thereafter                | 59            |
| Total lease payments               | 501           |
| Less: Interest                     | (14)          |
| Present value of lease liabilities | <u>\$ 515</u> |

Lease expense which is included in occupancy expense on the Consolidated Statement of Income was \$178 thousand in 2024, \$171 thousand in 2023, and \$175 thousand in 2022. The Company maintained no subleases as of December 31, 2024.

**Note 8. Goodwill and Other Intangible Assets**

**Goodwill**

The Company has one reporting unit for goodwill impairment testing purposes, Community Banking. The Company performed its annual assessment of goodwill as of October 31, 2024, and concluded that the carrying value of goodwill was not impaired. No events have occurred after the analysis to indicate potential impairment.

As of December 31, 2024, and as of December 31, 2023, the Company's goodwill totaled \$143.95 million. The Surrey acquisition resulted in the Company recognizing \$14.38 million in goodwill in the transaction. The balance was \$129.57 million for 2022.

|                               |                   |
|-------------------------------|-------------------|
| <i>(Amounts in thousands)</i> |                   |
| Balance January 1, 2022       | \$ 129,565        |
| Acquisitions                  | —                 |
| Balance December 31, 2022     | <u>\$ 129,565</u> |
| Balance January 1, 2023       | \$ 129,565        |
| Acquisitions                  | 14,381            |
| Balance December 31, 2023     | <u>\$ 143,946</u> |
| Balance January 1, 2024       | \$ 143,946        |
| Acquisitions                  | —                 |
| Balance December 31, 2024     | <u>\$ 143,946</u> |

**Other Intangible Assets**

As of December 31, 2024, the remaining lives of core deposit intangibles ranged from 6 months to 8 years with a weighted average remaining life of 7.63 years. The Surrey acquisition resulted in the Company recognizing \$12.70 million in core deposit intangibles. The following table presents the components of other intangible assets as of the dates indicated:

|                                    | December 31,     |                  |                 |
|------------------------------------|------------------|------------------|-----------------|
|                                    | 2024             | 2023             | 2022            |
| <i>(Amounts in thousands)</i>      |                  |                  |                 |
| Core deposit intangibles           | \$ 25,374        | \$ 12,674        | \$ 12,674       |
| Acquisitions                       | —                | 12,700           | —               |
| Accumulated amortization           | (12,360)         | (10,229)         | (8,498)         |
| Total other intangible assets, net | <u>\$ 13,014</u> | <u>\$ 15,145</u> | <u>\$ 4,176</u> |

Amortization expense for other intangible assets was \$2.13 million in 2024, \$1.73 million in 2023, and \$1.45 million in 2022.

The following schedule presents the estimated amortization expense for intangible assets, by year, as of December 31, 2024:

|                               |          |
|-------------------------------|----------|
| <i>(Amounts in thousands)</i> |          |
| 2025                          | \$ 1,916 |
| 2026                          | 1,719    |
| 2027                          | 1,719    |

|                                      |                  |
|--------------------------------------|------------------|
| 2028                                 | 1,719            |
| 2029                                 | 1,717            |
| 2030 and thereafter                  | 4,224            |
| Total estimated amortization expense | <u>\$ 13,014</u> |

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 9. Deposits**

The following table presents the components of deposits as of the dates indicated:

|                                     | December 31, |              |
|-------------------------------------|--------------|--------------|
|                                     | 2024         | 2023         |
| <i>(Amounts in thousands)</i>       |              |              |
| Noninterest-bearing demand deposits | \$ 883,499   | \$ 931,920   |
| Interest-bearing deposits           |              |              |
| Interest-bearing demand deposits    | 675,522      | 693,979      |
| Money market accounts               | 338,527      | 307,487      |
| Savings deposits                    | 553,158      | 535,566      |
| Certificates of deposit             | 162,139      | 166,417      |
| Individual retirement accounts      | 78,402       | 86,956       |
| Total interest-bearing deposits     | 1,807,748    | 1,790,405    |
| Total deposits                      | \$ 2,691,247 | \$ 2,722,325 |

The following schedule presents the contractual maturities of time deposits, defined as certificates of deposits and individual retirement accounts, by year, as of December 31, 2024:

|                               |  |            |
|-------------------------------|--|------------|
| <i>(Amounts in thousands)</i> |  |            |
| 2025                          |  | \$ 163,517 |
| 2026                          |  | 31,564     |
| 2027                          |  | 17,932     |
| 2028                          |  | 15,805     |
| 2029                          |  | 9,695      |
| 2030 and thereafter           |  | 2,028      |
| Total contractual maturities  |  | \$ 240,541 |

Time deposits of \$250 thousand or more totaled \$22.39 million as of December 31, 2024, and \$18.59 million as of December 31, 2023. The following schedule presents the contractual maturities of time deposits of \$250 thousand or more as of December 31, 2024:

|                                |  |           |
|--------------------------------|--|-----------|
| <i>(Amounts in thousands)</i>  |  |           |
| Three months or less           |  | \$ 1,903  |
| Over three through six months  |  | 8,477     |
| Over six through twelve months |  | 8,712     |
| Over twelve months             |  | 3,300     |
| Total contractual maturities   |  | \$ 22,392 |

**FIRST COMMUNITY BANKSHARES, INC.**  
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**Note 10. Borrowings**

The following table presents the components of borrowings as of the dates indicated:

| <i>(Amounts in thousands)</i> | <b>December 31,</b> |                                  |                |                                  |
|-------------------------------|---------------------|----------------------------------|----------------|----------------------------------|
|                               | <b>2024</b>         |                                  | <b>2023</b>    |                                  |
|                               | <b>Balance</b>      | <b>Weighted<br/>Average Rate</b> | <b>Balance</b> | <b>Weighted<br/>Average Rate</b> |
| Retail repurchase agreements  | \$ 906              | 0.05%                            | \$ 1,119       | 0.06%                            |

Repurchase agreements are secured by certain securities that remain under the Company's control during the terms of the agreements. The counterparties may redeem callable repurchase agreements, which could substantially shorten the borrowings' lives. The prepayment or early termination of a repurchase agreement may result in substantial penalties based on market conditions. The following schedule presents the contractual maturities of repurchase agreements, by type of collateral pledged, as of December 31, 2024:

|                                   | <b>Overnight and<br/>Continuous</b> | <b>Up to 30 Days</b> | <b>30 - 90 Days</b> | <b>Greater than<br/>90 Days</b> | <b>Total</b> |
|-----------------------------------|-------------------------------------|----------------------|---------------------|---------------------------------|--------------|
| <i>(Amounts in thousands)</i>     |                                     |                      |                     |                                 |              |
| Municipal securities              | \$ 220                              | \$ -                 | \$ -                | \$ -                            | \$ 220       |
| Mortgage-backed Agency securities | 686                                 | —                    | —                   | —                               | 686          |
| Total                             | \$ 906                              | \$ —                 | \$ —                | \$ —                            | \$ 906       |

As of December 31, 2024, unused borrowing capacity with the FHLB totaled \$352.32 million, net of FHLB letters of credit of \$122.72 million. The Company pledged \$475.03 million in qualifying loans to secure the FHLB letters of credit, which provide an attractive alternative to pledging securities for public unit deposits.

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**Note 11. Derivative Instruments and Hedging Activities**

Generally, derivative instruments help the Company manage exposure to market risk and meet customer financing needs. Market risk represents the possibility that fluctuations in external factors such as interest rates, market-driven loan rates, prices, or other economic factors will adversely affect economic value or net interest income.

The Company has used interest rate swap contracts to modify its exposure to interest rate risk caused by changes in benchmark interest rates in relation to certain designated fixed rate loans. These instruments are used to convert these fixed rate loans to an effective floating rate. If the Secured Overnight Financing Rate ("SOFR") plus a spread falls below the loan's stated fixed rate for a given period, the Company will owe the floating rate payer the notional amount times the difference between the floating rate and the stated fixed rate. If SOFR is above the stated rate for a given period, the Company will receive payments based on the notional amount times the difference between the floating rate and the stated fixed rate.

Certain of the Company's interest rate swaps qualify as fair value hedging instruments. Therefore, fair value changes in the derivative and hedged item attributable to the hedged risk are recognized in earnings in the same period. The fair value hedges were effective as of December 31, 2024.

The following table presents the notional, or contractual, amounts and fair values of derivative instruments as of the dates indicated:

|                                      | December 31,                         |                      |                           |                                      |                      |                           |
|--------------------------------------|--------------------------------------|----------------------|---------------------------|--------------------------------------|----------------------|---------------------------|
|                                      | 2024                                 |                      |                           | 2023                                 |                      |                           |
| <i>(Amounts in thousands)</i>        | Notional or<br>Contractual<br>Amount | Derivative<br>Assets | Derivative<br>Liabilities | Notional or<br>Contractual<br>Amount | Derivative<br>Assets | Derivative<br>Liabilities |
| Derivatives designated as hedges     |                                      |                      |                           |                                      |                      |                           |
| Interest rate swaps                  | \$ 3,109                             | \$ 116               | \$ —                      | \$ 3,557                             | \$ 136               | \$ —                      |
| Derivatives not designated as hedges |                                      |                      |                           |                                      |                      |                           |
| Interest rate swaps                  | -                                    | -                    | -                         | -                                    | -                    | -                         |
| <b>Total derivatives</b>             | <b>\$ 3,109</b>                      | <b>\$ 116</b>        | <b>\$ —</b>               | <b>\$ 3,557</b>                      | <b>\$ 136</b>        | <b>\$ —</b>               |

The following table presents the interest component of derivative and hedging activity, if applicable, on the consolidated statements of income for the periods indicated:

|                                      | Year Ended December 31, |                 |               | Income Statement Location  |
|--------------------------------------|-------------------------|-----------------|---------------|----------------------------|
|                                      | 2024                    | 2023            | 2022          |                            |
| <i>(Amounts in thousands)</i>        |                         |                 |               |                            |
| Derivatives designated as hedges     |                         |                 |               |                            |
| Interest rate swaps                  | \$ (97)                 | \$ (102)        | \$ 35         | Interest and fees on loans |
| Derivatives not designated as hedges |                         |                 |               |                            |
| Interest rate swaps                  | -                       | -               | 90            | Interest and fees on loans |
| <b>Total derivative expense</b>      | <b>\$ (97)</b>          | <b>\$ (102)</b> | <b>\$ 125</b> |                            |

**Note 12. Employee Benefit Plans**

**Defined Benefit Plans**

The Company maintains two nonqualified domestic, noncontributory defined benefit plans (the "Benefit Plans") for key members of senior management and non-management directors. The Company's unfunded Benefit Plans include the Supplemental Executive Retention Plan ("SERP") and the Directors' Supplemental Retirement Plan ("Directors' Plan"). The SERP provides for a defined benefit, at normal retirement age, targeted at 35% of the participant's projected final average compensation, subject to a defined maximum annual benefit. Benefits under the SERP generally become payable at age 62. The Directors' Plan provides for a defined benefit, at normal retirement age, up to 100% of the participant's highest consecutive three-year average compensation. Benefits under the Directors' Plan generally become payable at age 70. The SERP was frozen near the end of 2021; the Directors' Plan was fundamentally frozen at that time as well. The following table presents the changes in the aggregate actuarial benefit obligation for the two plans combined during the periods indicated:

|                               | December 31,    |                 |
|-------------------------------|-----------------|-----------------|
|                               | 2024            | 2023            |
| <i>(Amounts in thousands)</i> |                 |                 |
| Beginning balance             | \$ 9,050        | \$ 9,488        |
| Effect of curtailment         | —               | —               |
| Service cost                  | —               | —               |
| Interest cost                 | 414             | 451             |
| Actuarial gain                | (440)           | (306)           |
| Benefits paid                 | (583)           | (583)           |
| <b>Ending balance</b>         | <b>\$ 8,441</b> | <b>\$ 9,050</b> |



**FIRST COMMUNITY BANKSHARES, INC.**  
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The following table presents the components of net periodic pension cost, the effect on the consolidated statements of income, and the assumed discount rate for the periods indicated:

|                                    | Year Ended December 31, |               |               | Income Statement Location      |
|------------------------------------|-------------------------|---------------|---------------|--------------------------------|
|                                    | 2024                    | 2023          | 2022          |                                |
| <i>(Amounts in thousands)</i>      |                         |               |               |                                |
| Service cost                       | \$ —                    | \$ —          | \$ —          | Salaries and employee benefits |
| Interest cost                      | 414                     | 451           | 332           | Other expense                  |
| Effect of curtailment              | —                       | —             | —             | Salaries and employee benefits |
| Amortization of prior service cost | —                       | —             | —             | Other expense                  |
| Amortization of losses             | 37                      | 38            | 135           | Other expense                  |
| Net periodic cost                  | <u>\$ 451</u>           | <u>\$ 489</u> | <u>\$ 467</u> |                                |
| Assumed discount rate              | 5.35%                   | 4.79%         | 4.96%         |                                |

The following schedule presents the projected benefit payments to be paid under the Benefit Plans, by year, as of December 31, 2024:

|                               |        |
|-------------------------------|--------|
| <i>(Amounts in thousands)</i> |        |
| 2025                          | \$ 731 |
| 2026                          | 823    |
| 2027                          | 793    |
| 2028                          | 755    |
| 2029                          | 714    |
| 2030 through 2034             | 3,459  |

#### ***Deferred Compensation Plan***

The Company maintains deferred compensation agreements with certain current and former officers that provide benefit payments, over various periods, commencing at retirement or death. There were no accrued benefits, which are based on the present values of expected payments and estimated life expectancies, as of December 31, 2024 or 2023. There was no deferred compensation plan expense in 2024, 2023, or 2022.

The Company maintains a deferred compensation plan, referred to as the WRAP, and is a voluntary, non-tax qualified deferred compensation plan available to certain employees, including executive officers. Under the plan, participants may defer a portion of their base and/or annual incentive compensation. The plan is intended to mirror the Corporation's qualified KSOP, and may include discretionary match that coincides with a match made to the KSOP to the extent participants cannot otherwise receive the full match in the KSOP. The balance as of December 31, 2024 and 2023 was \$8.73 million and \$8.28 million, respectively.

#### ***Employee Welfare Plan***

The Company provides various medical, dental, vision, life, accidental death and dismemberment, and long-term disability insurance benefits to all full-time employees who elect coverage under this program. A third-party administrator manages the health plan. Monthly employer and employee contributions are made to a tax-exempt employee benefits trust where the third-party administrator processes and pays claims. As of December 31, 2024, stop-loss insurance coverage generally limits the Company's risk of loss to \$200 thousand for individual claims and \$5.56 million for aggregate claims. Health plan expenses were \$4.10 million in 2024, \$4.16 million in 2023, and \$4.04 million in 2022.

#### ***Employee Stock Ownership and Savings Plan***

The Company maintains the Employee Stock Ownership and Savings Plan ("KSOP") that consists of a 401(k) savings feature that covers all employees that meet minimum eligibility requirements. The Company matches employee contributions at levels determined by the Board of Directors annually. These contributions are made in the first quarter following each plan year and employees must be employed on the last day of the plan year to be eligible. Matching contributions to qualified deferrals under the 401(k) savings component of the KSOP totaled \$1.89 million in 2024, \$1.76 million in 2023, and \$1.82 million in 2022. The KSOP held 266,533 shares of the Company's common stock as of December 31, 2024, 282,072 shares as of December 31, 2023, and 309,019 shares as of December 31, 2022.

#### ***Equity-Based Compensation Plans***

The Company maintains equity-based compensation plans to promote the long-term success of the Company by encouraging officers, employees, directors, and other individuals performing services for Company to focus on critical long-range objectives. The Company's most current equity-based compensation plans include the 2022 Omnibus Equity Compensation Plan (the "2022 Plan"), which authorized 1,000,000 shares for potential grants of Non-Qualified Stock Options, Incentive Stock Options, Performance Shares, Performance Stock Units, Restricted Stock, Restricted Stock Units, and Performance Awards. The Company's Compensation and Retirement Committee determines the vesting period for each grant; however, awards shall have a minimum vesting/exercise schedule of at least one year, except that a shorter vesting/exercise schedule may apply to not more than 5% of the shares authorized for issuance under the 2022 Plan.



**FIRST COMMUNITY BANKSHARES, INC.**  
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The following table presents the pre-tax compensation expense and excess tax benefit recognized in earnings for all equity-based compensation plans for the periods indicated:

|                               | Year Ended December 31, |        |        |
|-------------------------------|-------------------------|--------|--------|
|                               | 2024                    | 2023   | 2022   |
| <i>(Amounts in thousands)</i> |                         |        |        |
| Pre-tax compensation expense  | \$ 403                  | \$ 597 | \$ 718 |
| Excess tax (benefit) expense  | (227)                   | (167)  | (68)   |

*Stock Options*

The following table presents stock option activity and related information for the year ended December 31, 2024:

|  | Option Shares  | Weighted<br>Average<br>Exercise Price<br>Per Share | Weighted<br>Average<br>Remaining<br>Contractual<br>Term (Years) | Aggregate<br>Intrinsic Value |
|--|----------------|--|---|------------------------------|
| <i>(Amounts in thousands, except share and per share data)</i> |                |  |   |                              |
| Outstanding, January 1, 2024                                   | 186,264        | \$ 29.72   |   |                              |
| Granted  | —              | —  |   |                              |
| Exercised  | (51,088)       | 27.61  |   |                              |
| Canceled/Expired   | (4,536)        | 22.58  |   |                              |
| Outstanding, December 31, 2024                                 | <u>130,640</u> | <u>\$ 30.79</u>                                    | <u>5.49</u>   | <u>\$ 1,417</u>              |
| Exercisable, December 31, 2024                                 | <u>130,640</u> | <u>\$ 30.79</u>                                    | <u>5.49</u>   | <u>\$ 1,417</u>              |

There were no options granted in 2024. There were 51,088 options exercised in 2024 and 4,288 options exercised in 2023. The intrinsic value of options exercised was \$832 thousand in 2024, and \$58 thousand in 2023. As of December 31, 2024, there was no unrecognized compensation cost related to nonvested stock options.

*Restricted Stock and Stock Unit Awards*

The following table presents restricted stock activity and related information for the year ended December 31, 2024:

|                              | Shares/Units   | Weighted Average<br>Grant-Date Fair<br>Value |
|------------------------------|----------------|--|
| Nonvested, January 1, 2024   | 108,993        | \$ 37.10                                     |
| Granted                      | 59,484         | 33.99  |
| Vested                       | (16,648)       | 35.00  |
| Canceled                     | (708)          | 41.55  |
| Nonvested, December 31, 2024 | <u>151,121</u> | <u>\$ 36.09</u>                              |

As of December 31, 2024, unrecognized compensation cost related to nonvested restricted stock/unit awards totaled \$2.47 million with an expected weighted average recognition period of 1.91 years. The actual compensation cost recognized might differ from this estimate due to various items, including new awards granted and changes in estimated forfeitures.

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**Note 13. Other Operating Income and Expense**

The following table presents the components of other operating income and expense for the periods indicated:

| <i>(Amounts in thousands)</i>     | Year Ended December 31, |                  |                  |
|-----------------------------------|-------------------------|------------------|------------------|
|                                   | 2024                    | 2023             | 2022             |
| Other operating income            |                         |                  |                  |
| Bank owned life insurance         | \$ 1,143                | \$ 829           | \$ 961           |
| Other(1)                          | 5,358                   | 4,822            | 4,187            |
| Total other operating income      | <u>\$ 6,501</u>         | <u>\$ 5,651</u>  | <u>\$ 5,148</u>  |
| Other operating expense           |                         |                  |                  |
| OREO expense and net loss         | 50                      | 129              | 557              |
| Telephone and data communications | 1,313                   | 1,326            | 1,658            |
| Office supplies                   | 599                     | 586              | 494              |
| Other(1)                          | 11,134                  | 9,994            | 7,766            |
| Total other operating expense     | <u>\$ 13,096</u>        | <u>\$ 12,035</u> | <u>\$ 10,475</u> |

(1) Components of other operating income or expense that do not exceed 1% of total income

**Note 14. Income Taxes**

Income tax expense is comprised of current and deferred, federal and state income taxes on the Company's pre-tax earnings. The following table presents the components of the income tax provision for the periods indicated:

| <i>(Amounts in thousands)</i> | Year Ended December 31, |                  |                  |
|-------------------------------|-------------------------|------------------|------------------|
|                               | 2024                    | 2023             | 2022             |
| Current tax expense:          |                         |                  |                  |
| Federal                       | \$ 11,070               | \$ 11,055        | \$ 9,883         |
| State                         | 1,173                   | 1,553            | 1,648            |
| Total current tax expense     | <u>12,243</u>           | <u>12,608</u>    | <u>11,531</u>    |
| Deferred tax expense:         |                         |                  |                  |
| Federal                       | 1,624                   | 1,166            | 1,800            |
| State                         | 223                     | 180              | 164              |
| Total deferred tax expense    | <u>1,847</u>            | <u>1,346</u>     | <u>1,964</u>     |
| Total income tax expense      | <u>\$ 14,090</u>        | <u>\$ 13,954</u> | <u>\$ 13,495</u> |

**FIRST COMMUNITY BANKSHARES, INC.**  
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The Company's effective tax rate, income tax as a percent of pre-tax income, may vary significantly from the statutory rate due to permanent differences and available tax credits. Permanent differences are income and expense items excluded by law in the calculation of taxable income. The Company's most significant permanent differences generally include interest income on municipal securities and increases in the cash surrender value of life insurance policies. The following table reconciles the Company's income tax expense to the amount computed by applying the federal statutory tax rate to pre-tax income for the periods indicated:

|  | Year Ended December 31, |               |                  |               |                  |               |
|--|-------------------------|---------------|------------------|---------------|------------------|---------------|
|  | 2024                    |               | 2023             |               | 2022             |               |
|  | Amount                  | Percent       | Amount           | Percent       | Amount           | Percent       |
| <i>(Amounts in thousands)</i>            |                         |               |                  |               |                  |               |
| Federal income tax at the statutory rate | \$ 13,796               | 21.00%        | \$ 13,014        | 21.00%        | \$ 12,633        | 21.00%        |
| State income tax, net of federal benefit | 1,102                   | 1.68%         | 1,368            | 2.21%         | 1,432            | 2.38%         |
|  | <u>14,898</u>           | <u>22.68%</u> | <u>14,382</u>    | <u>23.21%</u> | <u>14,065</u>    | <u>23.38%</u> |
| Increase (decrease) resulting from:      |                         |               |                  |               |                  |               |
| Tax-exempt interest income               | (351)                   | (0.54)%       | (348)            | (0.56)%       | (347)            | (0.58)%       |
| Excess tax benefits                      | (104)                   | (0.16)%       | (25)             | (0.04)%       | (24)             | (0.04)%       |
| Bank owned life insurance                | (227)                   | (0.35)%       | (167)            | (0.27)%       | (68)             | (0.11)%       |
| Other items, net                         | (126)                   | (0.19)%       | 112              | 0.17%         | (131)            | (0.22)%       |
| Income tax at the effective tax rate     | <u>\$ 14,090</u>        | <u>21.44%</u> | <u>\$ 13,954</u> | <u>22.51%</u> | <u>\$ 13,495</u> | <u>22.43%</u> |

Deferred taxes derived from continuing operations reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for tax purposes. The following table presents the significant components of the net deferred tax asset as of the dates indicated:

|  | December 31,     |                  |
|--|------------------|------------------|
|  | 2024             | 2023             |
| <i>(Amounts in thousands)</i>                      |                  |                  |
| Deferred tax assets                                |                  |                  |
| Allowance for credit losses                        | \$ 8,193         | \$ 8,523         |
| Unrealized losses on available-for-sale securities | 3,116            | 2,958            |
| Unrealized asset losses                            | 329              | 420              |
| FDIC assisted transactions                         | 333              | 346              |
| Deferred loan fees                                 | 3,978            | 4,674            |
| Deferred compensation assets                       | 6,918            | 6,316            |
| Federal net operating loss carryforward            | —                | 266              |
| Lease liability                                    | 121              | 146              |
| Accrued litigation                                 | 83               | 824              |
| Other  | 1,200            | 831              |
| Total deferred tax assets                          | <u>24,271</u>    | <u>25,304</u>    |
| Deferred tax liabilities                           |                  |                  |
| Fixed assets                                       | (1,332)          | (939)            |
| Intangible assets                                  | (4,671)          | (4,303)          |
| Odd days interest deferral                         | (3,874)          | (4,134)          |
| Purchase accounting                                | (31)             | (81)             |
| Right of use asset                                 | (115)            | (140)            |
| Other  | (1,197)          | (869)            |
| Total deferred tax liabilities                     | <u>(11,220)</u>  | <u>(10,466)</u>  |
| Net deferred tax asset                             | <u>\$ 13,051</u> | <u>\$ 14,838</u> |

The Company had no unrecognized tax benefits or accrued interest or penalties as of December 31, 2024 or 2023. The Company had no deferred tax valuation allowance recorded as of December 31, 2024 or 2023, as management believes it is more likely than not that all of the deferred tax assets will be realized against deferred tax liabilities and projected future taxable income. The Company and its subsidiaries are subject to U.S. federal income tax of the various states. The Company is no longer subject to examination by federal or state taxing authorities for years before 2021.

At December 31, 2024, the Company had no federal or state net operating loss carryforwards.

The Company has analyzed the tax positions taken, or expected to be taken in its tax returns, and concluded it has no liability related to uncertain tax positions.

**FIRST COMMUNITY BANKSHARES, INC.**  
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**Note 15. Accumulated Other Comprehensive Income**

The following table presents the changes in AOCI, net of tax and by component, during the periods indicated:

| <i>(Amounts in thousands)</i>                              | <b>Unrealized Gains<br/>(Losses) on<br/>Available-for-Sale<br/>Securities</b> | <b>Employee Benefit<br/>Plans</b> | <b>Total</b>       |
|--|---|-----------------------------------|--------------------|
| Balance January 1, 2022                                    | \$ 15   | \$ (1,561)                        | \$ (1,546)         |
| Other comprehensive (loss) income before reclassifications | (15,636)  | 1,357                             | (14,279)           |
| Reclassified from AOCI                                     | —   | 106                               | 106                |
| Other comprehensive (loss) income, net                     | (15,636)  | 1,463                             | (14,173)           |
| Balance December 31, 2022                                  | <u>\$ (15,621)</u>  | <u>\$ (98)</u>                    | <u>\$ (15,719)</u> |
| Balance January 1, 2023                                    | \$ (15,621)   | \$ (98)                           | \$ (15,719)        |
| Other comprehensive income before reclassifications        | 4,479   | 242                               | 4,721              |
| Reclassified from AOCI                                     | 16  | 31                                | 47                 |
| Other comprehensive income, net                            | 4,495   | 273                               | 4,768              |
| Balance December 31, 2023                                  | <u>\$ (11,126)</u>  | <u>\$ 175</u>                     | <u>\$ (10,951)</u> |
| Balance January 1, 2024                                    | \$ (11,126)   | \$ 175                            | \$ (10,951)        |
| Other comprehensive (loss) income before reclassifications | (596)   | 347                               | (249)              |
| Reclassified from AOCI                                     | —   | 29                                | 29                 |
| Other comprehensive (loss) income, net                     | (596)   | 376                               | (220)              |
| Balance December 31, 2024                                  | <u>\$ (11,722)</u>  | <u>\$ 551</u>                     | <u>\$ (11,171)</u> |

The following table presents reclassifications out of AOCI, by component, during the periods indicated:

| <i>(Amounts in thousands)</i>              | <b>Year Ended December 31,</b> |              |               | <b>Income Statement<br/>Line Item Affected</b> |
|--|--------------------------------|--------------|---------------|--|
|  | <b>2024</b>                    | <b>2023</b>  | <b>2022</b>   |  |
| Available-for-sale securities              |                                |              |               |  |
| Loss recognized                            | \$ —                           | \$ 21        | \$ —          | Net loss on sale of securities                 |
| Reclassified out of AOCI, before tax       | —                              | 21           | —             | Income before income taxes                     |
| Income tax benefit                         | —                              | (5)          | —             | Income tax expense                             |
| Reclassified out of AOCI, net of tax       | —                              | 16           | —             | Net income                                     |
| Employee benefit plans                     |                                |              |               |  |
| Amortization of prior service cost         | —                              | —            | —             | Other operating expense                        |
| Amortization of net actuarial loss         | 37                             | 38           | 135           | Other operating expense                        |
| Reclassified out of AOCI, before tax       | 37                             | 38           | 135           | Income before income taxes                     |
| Income tax benefit                         | (8)                            | (7)          | (29)          | Income tax expense                             |
| Reclassified out of AOCI, net of tax       | 29                             | 31           | 106           | Net income                                     |
| Total reclassified out of AOCI, net of tax | <u>\$ 29</u>                   | <u>\$ 47</u> | <u>\$ 106</u> | Net income                                     |

**FIRST COMMUNITY BANKSHARES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 16. Fair Value**

***Financial Instruments Measured at Fair Value***

The following discussion describes the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments under the valuation hierarchy.

*Assets and Liabilities Reported at Fair Value on a Recurring Basis*

*Available-for-Sale Debt Securities.* Debt securities available for sale are reported at fair value on a recurring basis. The fair value of Level 1 securities is based on quoted market prices in active markets, if available. If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are primarily derived from or corroborated by observable market data. Level 2 securities use fair value measurements from independent pricing services obtained by the Company. These fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and bond terms and conditions. The Company's Level 2 securities include U.S. Agency and Treasury securities, municipal securities, and mortgage-backed securities. Securities are based on Level 3 inputs when there is limited activity or less transparency to the valuation inputs. In the absence of observable or corroborated market data, internally developed estimates that incorporate market-based assumptions are used when such information is available.

Fair value models may be required when trading activity has declined significantly or does not exist, prices are not current, or pricing variations are significant. For Level 3 securities, the Company obtains the cash flow of specific securities from third parties that use modeling software to determine cash flows based on market participant data and knowledge of the structures of each individual security. The fair values of Level 3 securities are determined by applying proper market observable discount rates to the cash flow derived from third-party models. Discount rates are developed by determining credit spreads above a benchmark rate, such as SOFR, and adding premiums for illiquidity, which are based on a comparison of initial issuance spread to SOFR versus a financial sector curve for recently issued debt to SOFR. Securities with increased uncertainty about the receipt of cash flows are discounted at higher rates due to the addition of a deal specific credit premium based on assumptions about the performance of the underlying collateral. Finally, internal fair value model pricing and external pricing observations are combined by assigning weights to each pricing observation. Pricing is reviewed for reasonableness based on the direction of specific markets and the general economic indicators.

*Equity Securities.* Equity securities are recorded at fair value on a recurring basis and included in other assets in the consolidated balance sheets. The Company uses Level 1 inputs to value equity securities that are traded in active markets. Equity securities that are not actively traded are classified in Level 2.

*Loans Held for Investment.* Loans held for investment are reported at fair value using the exit price notion, which is derived from third-party models. Loans related to fair value hedges are recorded at fair value on a recurring basis.

*Deferred Compensation Assets and Liabilities.* Securities held for trading purposes are recorded at fair value on a recurring basis and included in other assets in the consolidated balance sheets. These securities include assets related to employee deferred compensation plans, which are generally invested in Level 1 equity securities. The liability associated with these deferred compensation plans is carried at the fair value of the obligation to the employee, which corresponds to the fair value of the invested assets.

*Derivative Assets and Liabilities.* Derivatives are recorded at fair value on a recurring basis. The Company obtains dealer quotes, Level 2 inputs, based on observable data to value derivatives.

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following tables summarize financial assets and liabilities recorded at fair value on a recurring basis, by the level of valuation inputs in the fair value hierarchy, as of the dates indicated:

| <i>(Amounts in thousands)</i>            | <b>December 31, 2024</b> |                                      |                |                |
|--|--------------------------|--------------------------------------|----------------|----------------|
|  | <b>Total</b>             | <b>Fair Value Measurements Using</b> |                |                |
|  | <b>Fair Value</b>        | <b>Level 1</b>                       | <b>Level 2</b> | <b>Level 3</b> |
| Available-for-sale debt securities       |                          |                                      |                |                |
| U.S. Treasury securities                 | \$ 55,769                | \$ -                                 | \$ 55,769      | —              |
| Municipal securities                     | 13,837                   | —                                    | 13,837         | \$ -           |
| Corporate Notes                          | 27,542                   | —                                    | 27,542         | —              |
| Mortgage-backed Agency securities        | 72,701                   | —                                    | 72,701         | —              |
| Total available-for-sale debt securities | 169,849                  | —                                    | 169,849        | —              |
| Equity securities                        | 55                       | —                                    | 55             | —              |
| Fair value loans                         | 2,993                    | —                                    | —              | 2,993          |
| Derivative assets                        | 116                      | —                                    | 116            | —              |
| Deferred compensation assets             | 8,571                    | 8,571                                | —              | —              |
| Deferred compensation liabilities        | 10,189                   | 10,189                               | —              | —              |

| <i>(Amounts in thousands)</i>            | <b>December 31, 2023</b> |                                      |                |                |
|--|--------------------------|--------------------------------------|----------------|----------------|
|  | <b>Total</b>             | <b>Fair Value Measurements Using</b> |                |                |
|  | <b>Fair Value</b>        | <b>Level 1</b>                       | <b>Level 2</b> | <b>Level 3</b> |
| Available-for-sale debt securities       |                          |                                      |                |                |
| U.S. Agency securities                   | \$ 5,749                 | \$ —                                 | \$ 5,749       | \$ —           |
| U.S. Treasury securities                 | 145,826                  | \$ —                                 | 145,826        | \$ —           |
| Municipal securities                     | 19,377                   | —                                    | 19,377         | —              |
| Corporate Notes                          | 27,081                   | —                                    | 27,081         | —              |
| Mortgage-backed Agency securities        | 82,928                   | —                                    | 82,928         | —              |
| Total available-for-sale debt securities | 280,961                  | —                                    | 280,961        | —              |
| Equity securities                        | 55                       | —                                    | 55             | —              |
| Fair value loans                         | 3,421                    | —                                    | —              | 3,421          |
| Derivative assets                        | 136                      | —                                    | 136            | —              |
| Deferred compensation assets             | 6,729                    | 6,729                                | —              | —              |
| Deferred compensation liabilities        | 8,282                    | 8,282                                | —              | —              |

*Changes in Level 3 Fair Value Measurements*

The following table presents the changes in Level 3 assets recorded at fair value on a recurring basis during the period indicated:

| <i>(Amounts in thousands)</i>      | <b>Assets</b>   |
|------------------------------------|-----------------|
| Balance January 1, 2023            | \$ 3,784        |
| Changes in fair value              | 63              |
| Changes due to principal reduction | (426)           |
| Balance December 31, 2023          | <u>\$ 3,421</u> |
| Balance January 1, 2024            | \$ 3,421        |
| Changes in fair value              | 20              |
| Changes due to principal reduction | (448)           |
| Balance December 31, 2024          | <u>\$ 2,993</u> |

No transfers into or out of Level 3 of the fair value hierarchy occurred during the year ended December 31, 2024 or 2023.

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Assets Measured at Fair Value on a Nonrecurring Basis*

*Impaired Loans.* Prior to the adoption of ASU 2016-13, impaired loans were recorded at fair value on a nonrecurring basis when repayment is expected solely from the sale of the loan's collateral. Fair value is based on appraised value adjusted for customized discounting criteria, Level 3 inputs.

The Company maintains an active and robust problem credit identification system. The review includes obtaining third-party collateral valuations to help management identify potential credit impairment and determine the amount of impairment to record. The Company's Special Assets staff manages and monitors all impaired loans. Internal collateral valuations are generally performed within two to four weeks of identifying the initial potential impairment. The internal valuation compares the original appraisal to current local real estate market conditions and considers experience and expected liquidation costs. The Company typically receives a third-party valuation within thirty to forty-five days of completing the internal valuation. When a third-party valuation is received, it is reviewed for reasonableness. Once the valuation is reviewed and accepted, discounts are applied to fair market value, based on, but not limited to, our historical liquidation experience for like collateral, resulting in an estimated net realizable value. The estimated net realizable value is compared to the outstanding loan balance to determine the appropriate amount of specific impairment reserve.

*OREO.* OREO is recorded at fair value on a nonrecurring basis using Level 3 inputs. The Company calculates the fair value of OREO from current or prior appraisals that have been adjusted for valuation declines, estimated selling costs, and other proprietary qualitative adjustments that are deemed necessary.

The following tables present assets measured at fair value on a nonrecurring basis, by the level of valuation inputs in the fair value hierarchy, as of the dates indicated:

|  | <b>December 31, 2024</b> |                                      |                |                |
|--|--------------------------|--------------------------------------|----------------|----------------|
|  | <b>Total</b>             | <b>Fair Value Measurements Using</b> |                |                |
|  | <b>Fair Value</b>        | <b>Level 1</b>                       | <b>Level 2</b> | <b>Level 3</b> |
| <i>(Amounts in thousands)</i>                      |                          |                                      |                |                |
| Collateral dependent assets with specific reserves | \$ 531                   | \$ —                                 | \$ —           | \$ 531         |
| OREO   | 521                      | —                                    | —              | 521            |

|  | <b>December 31, 2023</b> |                                      |                |                |
|--|--------------------------|--------------------------------------|----------------|----------------|
|  | <b>Total</b>             | <b>Fair Value Measurements Using</b> |                |                |
|  | <b>Fair Value</b>        | <b>Level 1</b>                       | <b>Level 2</b> | <b>Level 3</b> |
| <i>(Amounts in thousands)</i>                      |                          |                                      |                |                |
| Collateral dependent assets with specific reserves | \$ 825                   | \$ —                                 | \$ —           | \$ 825         |
| OREO   | 192                      | —                                    | —              | 192            |

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Quantitative Information about Level 3 Fair Value Measurements*

The following table provides quantitative information for assets measured at fair value on a nonrecurring basis using Level 3 valuation inputs as of the dates indicated:

|  | Valuation<br>Technique   | Unobservable<br>Input    | Discount Range<br>(Weighted Average)<br>December 31, 2024 |     |
|--|--------------------------|--------------------------|---|-----|
| Collateral dependent assets with specific reserves | Discounted appraisals(1) | Appraisal adjustments(2) | 0%  | 0%  |
| OREO   | Discounted appraisals(1) | Appraisal adjustments(2) | 20% to 74%  | 61% |

(1) Fair value is generally based on appraisals of the underlying collateral.

(2) Appraisals may be adjusted by management for customized discounting criteria, estimated sales costs, and proprietary qualitative adjustments.

|  | Valuation<br>Technique   | Unobservable<br>Input    | Discount Range<br>(Weighted Average)<br>December 31, 2023 |     |
|--|--------------------------|--------------------------|---|-----|
| Collateral dependent assets with specific reserves | Discounted appraisals(1) | Appraisal adjustments(2) | 42%   | 42% |
| OREO   | Discounted appraisals(1) | Appraisal adjustments(2) | 20% to 100%   | 10% |

(1) Fair value is generally based on appraisals of the underlying collateral.

(2) Appraisals may be adjusted by management for customized discounting criteria, estimated sales costs, and proprietary qualitative adjustments.

The following tables present the carrying amounts and fair values of financial instruments, by the level of valuation inputs in the fair value hierarchy, as of the dates indicated:

| <i>(Amounts in thousands)</i>                  | December 31, 2024  |            |                               |         |           |
|--|--------------------|------------|-------------------------------|---------|-----------|
|  | Carrying<br>Amount | Fair Value | Fair Value Measurements Using |         |           |
|  |                    |            | Level 1                       | Level 2 | Level 3   |
| <b>Assets</b>                                  |                    |            |                               |         |           |
| Cash and cash equivalents                      | \$ 377,454         | \$ 377,454 | \$ 377,454                    | \$ —    | \$ —      |
| Debt securities available for sale             | 169,849            | 169,849    | —                             | 169,849 | —         |
| Equity securities                              | 55                 | 55         | —                             | 55      | —         |
| Loans held for investment, net of allowance    | 2,381,264          | 2,177,891  | —                             | —       | 2,177,891 |
| Interest receivable                            | 9,207              | 9,207      | —                             | 1,246   | 9,635     |
| Deferred compensation assets                   | 8,571              | 8,571      | 8,571                         | —       | —         |
| Derivative assets                              | 116                | 116        | —                             | 116     | —         |
| <b>Liabilities</b>                             |                    |            |                               |         |           |
| Time deposits                                  | 240,541            | 238,262    | —                             | 238,262 | —         |
| Securities sold under agreements to repurchase | 906                | 906        | —                             | 906     | —         |
| Interest payable                               | 880                | 880        | —                             | 880     | —         |
| Deferred compensation liabilities              | 10,189             | 10,189     | 10,189                        | —       | —         |

| <i>(Amounts in thousands)</i>                  | December 31, 2023  |            |                               |         |           |
|--|--------------------|------------|-------------------------------|---------|-----------|
|  | Carrying<br>Amount | Fair Value | Fair Value Measurements Using |         |           |
|  |                    |            | Level 1                       | Level 2 | Level 3   |
| <b>Assets</b>                                  |                    |            |                               |         |           |
| Cash and cash equivalents                      | \$ 116,420         | \$ 116,420 | \$ 116,420                    | \$ —    | \$ —      |
| Debt securities available for sale             | 280,961            | 280,961    | —                             | 280,961 | —         |
| Equity securities                              | 55                 | 55         | —                             | 55      | —         |
| Loans held for investment, net of allowance    | 2,536,109          | 2,350,071  | —                             | —       | 2,350,071 |
| Interest receivable                            | 10,881             | 10,881     | —                             | 1,246   | 9,635     |
| Deferred compensation assets                   | 6,729              | 6,729      | 6,729                         | —       | —         |
| Derivative assets                              | 136                | 136        | —                             | 136     | —         |
| <b>Liabilities</b>                             |                    |            |                               |         |           |
| Time deposits                                  | 253,373            | 247,141    | —                             | 247,141 | —         |
| Securities sold under agreements to repurchase | 1,119              | 1,119      | —                             | 1,119   | —         |
| Interest payable                               | 556                | 556        | —                             | 556     | —         |

Deferred compensation liabilities

8,282

8,282

8,282

—

—

81

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**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 17. Earnings per Share**

The following table presents the calculation of basic and diluted earnings per common share for the periods indicated:

|  | Year Ended December 31, |            |            |
|--|-------------------------|------------|------------|
|  | 2024                    | 2023       | 2022       |
| <i>(Amounts in thousands, except share and per share data)</i> |                         |            |            |
| Net income   | \$ 51,604               | \$ 48,020  | \$ 46,662  |
| Weighted average common shares outstanding, basic              | 18,349,498              | 17,996,373 | 16,519,848 |
| Dilutive effect of potential common shares                     |                         |            |            |
| Stock options  | 33,692                  | 15,856     | 18,784     |
| Restricted stock and units                                     | 47,016                  | 14,922     | 23,625     |
| Total dilutive effect of potential common shares               | 80,708                  | 30,778     | 42,409     |
| Weighted average common shares outstanding, diluted            | 18,430,206              | 18,027,151 | 16,562,257 |
| Basic earnings per common share                                | \$ 2.81                 | \$ 2.67    | \$ 2.82    |
| Diluted earnings per common share                              | 2.80                    | 2.72       | 2.82       |
| Potential antidilutive common shares                           |                         |            |            |
| Stock options  | —                       | 129,324    | 131,198    |
| Restricted stock and units                                     | 76                      | 32,706     | —          |
| Total potential antidilutive shares                            | 76                      | 162,030    | 131,198    |

**Note 18. Related Party Transactions**

Loans to principal officers, directors, and their affiliates were as follows:

|                               | Year Ended December 31, |           |
|-------------------------------|-------------------------|-----------|
|                               | 2024                    | 2023      |
| <i>(Amounts in thousands)</i> |                         |           |
| Beginning balance             | \$ 30,017               | \$ 30,981 |
| New loans and advances        | 6,727                   | 5,215     |
| Loan repayments               | (11,497)                | (6,217)   |
| Reclassifications(1)          | 307                     | 38        |
| Ending balance                | \$ 25,554               | \$ 30,017 |

(1) Changes related to the composition of the Company's directors, executive officers, and related insiders

Deposits from related parties totaled \$15.16 million as of December 31, 2024, and \$15.19 million as of December 31, 2023. Legal fees paid to related parties totaled \$81 thousand in 2024, \$41 thousand in 2023, and \$47 thousand in 2022. There were no lease payments paid to related parties in 2024, 2023, or 2022. Other expense paid to related parties totaled \$6 thousand in 2024, \$53 thousand in 2023, and \$23 thousand in 2022.

**Note 19. Litigation, Commitments, and Contingencies**
**Litigation**

On May 6, 2024, the Bank agreed to settle a putative class action lawsuit pending in the United States District Court for the Southern District of West Virginia, filed on June 24, 2022. The civil action alleges the Bank breached its deposit account agreements and was unjustly enriched by collecting overdraft fees with respect to certain debit card transactions and by assessing more than one nonsufficient funds fee on items presented multiple times for payment. The Bank denies each and every substantive allegation asserted in the civil action. Under the settlement, which is subject to documentation and preliminary and final court approval, the Bank agrees to establish a \$4.80 million settlement fund and forgive up to \$500,000 in assessed but unpaid fees. Attorneys' fees, settlement administration expenses, and settlement payments to eligible class members will be paid from the settlement fund. Under the settlement, the Bank admitted no wrongdoing and will receive a complete release of all claims asserted in the civil action. The Bank agreed to the settlement in order to resolve the litigation and avoid further expense. The Company previously accrued \$3.00 million as an estimated liability relating to this civil action.

The Company and its subsidiaries are currently involved in various legal proceedings in the normal course of business. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with all pending or threatened claims and litigation, utilizing the most recent information available. On a matter-by-matter basis, an accrual for loss is established for those matters which the Company believes it is probable that a loss may be incurred and that the amount of such loss can be reasonably estimated. Once established, each accrual is adjusted as appropriate to reflect any subsequent

developments. Accordingly, management's estimate will change from time to time, and actual losses may be more or less than the current estimate. For matters where a loss is not probable, or the amount of the loss cannot be estimated, no accrual is established.

We are currently a defendant in other legal actions and asserted claims in the normal course of business. Although we are unable to assess the ultimate outcome of each matter with certainty, we believe that the resolution of these actions should not have a material adverse effect on our financial position, results of operations, or cash flows.

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Commitments and Contingencies**

The Company is a party to financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and financial guarantees. These instruments involve, to varying degrees, elements of credit and interest rate risk beyond the amount recognized in the consolidated balance sheets. The contractual amounts of these instruments reflect the extent of involvement the Company has in particular classes of financial instruments. If the other party to a financial instrument does not perform, the Company's credit loss exposure is the same as the contractual amount of the instrument. The Company uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments are expected to expire without being drawn on, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of each customer on a case-by-case basis. Collateral may include accounts receivable, inventory, property, plant and equipment, and income producing commercial properties. The Company maintains a reserve for the risk inherent in unfunded lending commitments, which is included in other liabilities in the consolidated balance sheets.

Standby letters of credit and financial guarantees are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending credit to customers. The amount of collateral obtained, if deemed necessary, to secure the customer's performance under certain letters of credit is based on management's credit evaluation of the customer.

The following table presents the off-balance sheet financial instruments as of the dates indicated:

|   | December 31,   |                |
|---|----------------|----------------|
|   | 2024           | 2023           |
| <i>(Amounts in thousands)</i>                         |                |                |
| Commitments to extend credit                          | \$ 252,225     | \$ 277,462     |
| Standby letters of credit and financial guarantees(1) | 125,561        | 129,220        |
| Total off-balance sheet risk                          | <u>377,786</u> | <u>406,682</u> |

(1) Includes FHLB letters of credit

**Note 20. Regulatory Requirements and Restrictions**

The Company and the Bank are subject to various regulatory capital requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, which applies only to the Bank, the Bank must meet specific capital guidelines that involve quantitative measures of the entity's balance sheet assets and off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. In addition, the Company and the Bank are subject to various regulatory restrictions related to the payment of dividends, including requirements to maintain capital at or above regulatory minimums.

The current risk-based capital requirements, based on the international capital standards known as Basel III, requires the Company and the Bank to maintain minimum amounts and ratios of Common Equity Tier 1 capital, Tier 1 capital, and total capital to risk-weighted assets, and of Tier 1 capital to average consolidated assets ("Tier 1 leverage ratio"), as defined in the regulations. Basel III's capital conservation buffer ("CCB"), which is intended to absorb losses during periods of economic stress, increased those minimum ratios by 2.5% on January 1, 2019).

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following tables present actual and required capital ratios, under Basel III capital rules, as of the dates indicated:

|                                 | December 31, 2024 |        |                               |       |  |        |                                 |        |
|---------------------------------|-------------------|--------|-------------------------------|-------|--|--------|---------------------------------|--------|
|                                 | Actual            |        | Minimum Basel III Requirement |       | Minimum Basel III Requirement - with CCB |        | Well Capitalized Requirement(1) |        |
|                                 | Amount            | Ratio  | Amount                        | Ratio | Amount                                   | Ratio  | Amount                          | Ratio  |
| <i>(Amounts in thousands)</i>   |                   |        |                               |       |  |        |                                 |        |
| <b>The Company</b>              |                   |        |                               |       |  |        |                                 |        |
| Common equity Tier 1 ratio      | \$ 380,602        | 16.75% | \$ 102,277                    | 4.50% | \$ 159,097                               | 7.00%  | N/A                             | N/A    |
| Tier 1 risk-based capital ratio | 380,602           | 16.75% | 136,369                       | 6.00% | 193,190                                  | 8.50%  | N/A                             | N/A    |
| Total risk-based capital ratio  | 409,096           | 18.00% | 181,826                       | 8.00% | 238,646                                  | 10.50% | N/A                             | N/A    |
| Tier 1 Leverage ratio           | 380,602           | 12.25% | 124,267                       | 4.00% | N/A                                      | N/A    | N/A                             | N/A    |
| <b>The Bank</b>                 |                   |        |                               |       |  |        |                                 |        |
| Common equity Tier 1 ratio      | \$ 315,006        | 13.89% | \$ 102,025                    | 4.50% | \$ 158,705                               | 7.00%  | \$ 147,369                      | 6.50%  |
| Tier 1 risk-based capital ratio | 315,006           | 13.89% | 136,003                       | 6.00% | 192,713                                  | 8.50%  | 181,377                         | 8.00%  |
| Total risk-based capital ratio  | 343,430           | 15.15% | 181,377                       | 8.00% | 238,058                                  | 10.50% | 226,722                         | 10.00% |
| Tier 1 Leverage ratio           | 315,006           | 10.32% | 122,092                       | 4.00% | N/A                                      | N/A    | 152,615                         | 5.00%  |

(1) Based on prompt corrective action provisions

|                                 | December 31, 2023 |        |                               |       |  |        |                                 |        |
|---------------------------------|-------------------|--------|-------------------------------|-------|--|--------|---------------------------------|--------|
|                                 | Actual            |        | Minimum Basel III Requirement |       | Minimum Basel III Requirement - with CCB |        | Well Capitalized Requirement(1) |        |
|                                 | Amount            | Ratio  | Amount                        | Ratio | Amount                                   | Ratio  | Amount                          | Ratio  |
| <i>(Amounts in thousands)</i>   |                   |        |                               |       |  |        |                                 |        |
| <b>The Company</b>              |                   |        |                               |       |  |        |                                 |        |
| Common equity Tier 1 ratio      | \$ 355,157        | 14.69% | \$ 108,761                    | 4.50% | \$ 169,184                               | 7.00%  | N/A                             | N/A    |
| Tier 1 risk-based capital ratio | 355,157           | 14.69% | 145,015                       | 6.00% | 205,438                                  | 8.50%  | N/A                             | N/A    |
| Total risk-based capital ratio  | 385,369           | 15.94% | 193,353                       | 8.00% | 253,776                                  | 10.50% | N/A                             | N/A    |
| Tier 1 Leverage ratio           | 355,157           | 11.52% | 123,278                       | 4.00% | N/A                                      | N/A    | N/A                             | N/A    |
| <b>The Bank</b>                 |                   |        |                               |       |  |        |                                 |        |
| Common equity Tier 1 ratio      | \$ 312,593        | 12.97% | \$ 108,461                    | 4.50% | \$ 168,718                               | 7.00%  | \$ 156,667                      | 6.50%  |
| Tier 1 risk-based capital ratio | 312,593           | 12.97% | 144,615                       | 6.00% | 204,872                                  | 8.50%  | 192,820                         | 8.00%  |
| Total risk-based capital ratio  | 342,805           | 14.22% | 192,820                       | 8.00% | 253,077                                  | 10.50% | 241,026                         | 10.00% |
| Tier 1 Leverage ratio           | 312,593           | 10.07% | 124,181                       | 4.00% | N/A                                      | N/A    | 155,226                         | 5.00%  |

(1) Based on prompt corrective action provisions

## Note 21. Segment Information

The Company conducts its business activities through community banking. Community banking revolves around serving the community and customers where the bank has branches and offices. Community banking consists of commercial and consumer banking, lending activities, and wealth management.

The Company's chief executive officer is in charge of allocating the Company's resources and assessing the Company's performance, and as such, has been identified as the chief operating decision maker. The chief operating decision maker regularly reviews a multitude of reports that have a varying level of combined detail on products offered, however, all of the information and activity reviewed fall under the definition of community banking.

Based on the business activities and information reviewed by the chief operating decision maker, the Company has one reportable segment - Community Banking.

The accounting policies of the community banking segment are the same as those for the Company described in Note 1. In accordance with ASC 280, the Company has concluded that consolidated net income is the measure of segment profit or loss that is required to be reported because it is the measure determined in accordance with measurement principles that are most consistent with US GAAP. As the Company only has one reportable segment, total segment net income and total segment assets are equivalent to the results disclosed in the accompanying Consolidated Statements of Income and Consolidated Balance Sheets, respectively

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 22. Parent Company Financial Information**

The following tables present condensed financial information for the parent company, First Community Bankshares, Inc., as of and for the dates indicated:

| <i>(Amounts in thousands)</i>              | <b>CONDENSED BALANCE SHEETS</b> |                   |
|--|---------------------------------|-------------------|
|  | <b>December 31,</b>             |                   |
|  | <b>2024</b>                     | <b>2023</b>       |
| <b>Assets</b>                              |                                 |                   |
| Cash and due from banks                    | \$ 3,952                        | \$ 14,681         |
| Securities available for sale              | 55,768                          | 22,468            |
| Investment in subsidiaries                 | 460,789                         | 460,731           |
| Other assets                               | 6,166                           | 6,227             |
| Total assets                               | <u>\$ 526,675</u>               | <u>\$ 504,107</u> |
| <b>Liabilities</b>                         |                                 |                   |
| Other liabilities                          | \$ 283                          | \$ 813            |
| Total liabilities                          | 283                             | 813               |
| <b>Stockholders' equity</b>                |                                 |                   |
| Common stock                               | 18,322                          | 18,502            |
| Additional paid-in capital                 | 169,752                         | 175,841           |
| Retained earnings                          | 349,489                         | 319,902           |
| Accumulated other comprehensive loss       | (11,171)                        | (10,951)          |
| Total stockholders' equity                 | <u>526,392</u>                  | <u>503,294</u>    |
| Total liabilities and stockholders' equity | <u>\$ 526,675</u>               | <u>\$ 504,107</u> |

**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|   | <b>CONDENSED STATEMENTS OF INCOME</b> |                  |                  |
|---|---------------------------------------|------------------|------------------|
|   | <b>Year Ended December 31,</b>        |                  |                  |
|   | <b>2024</b>                           | <b>2023</b>      | <b>2022</b>      |
| <i>(Amounts in thousands)</i>   |                                       |                  |                  |
| Cash dividends received from subsidiary bank                                      | \$ 50,800                             | \$ 45,700        | \$ 56,250        |
| Other income  | 2,432                                 | 1,397            | 222              |
| Other operating expense   | 1,859                                 | 1,524            | 1,052            |
| Income before income taxes and equity in undistributed net income of subsidiaries | 51,373                                | 45,573           | 55,420           |
| Income tax benefit  | 50                                    | (41)             | (224)            |
| Income before equity in undistributed net income of subsidiaries                  | 51,323                                | 45,614           | 55,644           |
| Equity in (dividends in excess) of undistributed net income of subsidiaries       | 281                                   | 2,406            | (8,982)          |
| Net income  | <u>\$ 51,604</u>                      | <u>\$ 48,020</u> | <u>\$ 46,662</u> |

|  | <b>CONDENSED STATEMENTS OF CASH FLOWS</b> |                  |                  |
|--|---|------------------|------------------|
|  | <b>Year Ended December 31,</b>            |                  |                  |
|  | <b>2024</b>                               | <b>2023</b>      | <b>2022</b>      |
| <i>(Amounts in thousands)</i>  |   |                  |                  |
| <b>Operating activities</b>  |   |                  |                  |
| Net income   | \$ 51,604                                 | \$ 48,020        | \$ 46,662        |
| Adjustments to reconcile net income to net cash provided by operating activities |   |                  |                  |
| Net change in other operating activities   | (1,818)                                   | (3,275)          | 8,442            |
| Net cash provided by operating activities  | 49,786                                    | 44,745           | 55,104           |
| <b>Investing activities</b>  |   |                  |                  |
| Purchase of investment securities  | (109,979)                                 | (69,469)         | (19,372)         |
| Proceeds from maturities, calls, sales of investment securities                  | 77,750                                    | 65,250           | 11,807           |
| Dividends in excess of undistributed net income of subsidiaries                  | —   | —                | —                |
| Net cash (used) provided by investing activities                                 | (32,229)                                  | (4,219)          | (7,565)          |
| <b>Financing activities</b>  |   |                  |                  |
| Proceeds from issuance of common stock   | 1,410                                     | 91               | 172              |
| Payments for repurchase of common stock  | (8,717)                                   | (23,038)         | (21,311)         |
| Payments of common dividends   | (22,017)                                  | (21,089)         | (18,515)         |
| Net change in other financing activities   | 1,038                                     | 1,203            | 1,375            |
| Net cash (used) provided by financing activities                                 | (28,286)                                  | (42,833)         | (38,279)         |
| Cash and cash equivalents increase (decrease)                                    | (10,729)                                  | (2,307)          | 9,260            |
| Cash and cash equivalents at carrying value at beginning of period               | 14,681                                    | 16,988           | 7,728            |
| Cash and cash equivalents at carrying value at end of period                     | <u>\$ 3,952</u>                           | <u>\$ 14,681</u> | <u>\$ 16,988</u> |

**Note 23. Quarterly Financial Data (Unaudited)**

The following tables present selected financial data for the periods indicated:

|  | <b>Year Ended December 31, 2024</b> |                           |                          |                           |
|--|-------------------------------------|---------------------------|--------------------------|---------------------------|
|  | <b>First<br/>Quarter</b>            | <b>Second<br/>Quarter</b> | <b>Third<br/>Quarter</b> | <b>Fourth<br/>Quarter</b> |
| <i>(Amounts in thousands, except share and per share data)</i> |                                     |                           |                          |                           |
| Interest income  | \$ 36,029                           | \$ 36,789                 | \$ 36,892                | \$ 36,432                 |
| Interest expense   | 4,400                               | 4,877                     | 5,298                    | 5,099                     |
| Net interest income  | 31,629                              | 31,912                    | 31,594                   | 31,333                    |
| Provision for credit losses                                    | 1,011                               | 144                       | 1,360                    | 1,082                     |
| Net interest income after provision                            | 30,618                              | 31,768                    | 30,234                   | 30,251                    |
| Noninterest income, excluding net loss on sale of securities   | 9,259                               | 9,342                     | 10,452                   | 10,337                    |
| Noninterest expense  | 23,386                              | 24,897                    | 24,177                   | 24,107                    |
| Income before income taxes                                     | 16,491                              | 16,213                    | 16,509                   | 16,481                    |
| Income tax expense   | 3,646                               | 3,527                     | 3,476                    | 3,441                     |
| Net income   | <u>\$ 12,845</u>                    | <u>\$ 12,686</u>          | <u>\$ 13,033</u>         | <u>\$ 13,040</u>          |
| Basic earnings per common share                                | \$ 0.70                             | \$ 0.69                   | \$ 0.71                  | \$ 0.71                   |
| Diluted earnings per common share                              | 0.71                                | 0.71                      | 0.71                     | 0.71                      |
| Dividends per common share                                     | 0.29                                | 0.29                      | 0.31                     | 0.31                      |
| Weighted average basic shares outstanding                      | 18,476,128                          | 18,343,958                | 18,279,612               | 18,299,612                |
| Weighted average diluted shares outstanding                    | 18,545,910                          | 18,409,876                | 18,371,907               | 18,418,441                |



**FIRST COMMUNITY BANKSHARES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  | Year Ended December 31, 2023 |                   |                  |                   |
|--|------------------------------|-------------------|------------------|-------------------|
|  | First<br>Quarter             | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
| <i>(Amounts in thousands, except share and per share data)</i> |                              |                   |                  |                   |
| Interest income  | \$ 30,189                    | \$ 34,869         | \$ 36,105        | \$ 36,002         |
| Interest expense   | 777                          | 2,007             | 2,758            | 3,939             |
| Net interest income  | 29,412                       | 32,862            | 33,347           | 32,063            |
| Recovery of credit losses                                      | 1,742                        | 4,105             | 1,109            | 1,029             |
| Net interest income after provision                            | 27,670                       | 28,757            | 32,238           | 31,034            |
| Noninterest income, excluding net loss on sale of securities   | 8,583                        | 8,785             | 9,622            | 10,462            |
| Noninterest expense  | 20,813                       | 24,671            | 22,913           | 26,780            |
| Income before income taxes                                     | 15,440                       | 12,871            | 18,947           | 14,716            |
| Income tax expense   | 3,658                        | 3,057             | 4,307            | 2,932             |
| Net income   | <u>\$ 11,782</u>             | <u>\$ 9,814</u>   | <u>\$ 14,640</u> | <u>\$ 11,784</u>  |
| Basic earnings per common share                                | \$ 0.73                      | \$ 0.53           | \$ 0.78          | \$ 0.64           |
| Diluted earnings per common share                              | 0.72                         | 0.55              | 0.79             | 0.66              |
| Dividends per common share                                     | 0.29                         | 0.29              | 0.29             | 0.29              |
| Weighted average basic shares outstanding                      | 16,228,297                   | 18,407,078        | 18,786,032       | 18,530,114        |
| Weighted average diluted shares outstanding                    | 16,289,489                   | 18,431,598        | 18,831,836       | 18,575,226        |



**- Report of Independent Registered Public Accounting Firm -**

Stockholders and the Board of Directors of First Community Bankshares, Inc.  
Bluefield, Virginia

**Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of First Community Bankshares, Inc. (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

**Basis for Opinions**

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

## **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

## **Critical Audit Matter**

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

### *Allowance and Provision for Credit Losses on Loans – Discounted Cash Flow*

As more fully described in Notes 1, 4, 5 and 6 of the financial statements, the allowance for credit losses (the "ACL") is an accounting estimate of the expected credit losses in the loans held for investment portfolio. Expected credit losses are measured on a collective (pooled) basis for financial assets with similar risk characteristics. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. For collectively evaluated loans, the Company uses a combination of discounted cash flow model, which includes the use of probability of default and loss given default assumptions, and open pool model to estimate expected credit losses. For the majority of the segments of collectively evaluated loans, the Company incorporated at least one macroeconomic driver using a statistical regression. In addition, the Company considers the need to qualitatively adjust expected credit losses for information not already captured in the loss estimation process.

We identified auditing the ACL's discounted cash flow model as a critical audit matter because of the extent of auditor judgment applied and significant audit effort, with the need to use our valuation specialists, to evaluate the high degree of judgments made by management related to the determination of the probability of default and loss given default ("the significant model assumptions") within the discounted cash flow method for certain collectively evaluated loan segments.

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The primary procedures performed to address the critical audit matter included:

Testing the effectiveness of internal controls over:

- The Company's evaluation of the ACL calculation, including the reasonableness of the significant model assumptions and judgments within the discounted cash flow model.
- The Company's evaluation of the relevance and reliability of data used in the discounted cash flow model of the ACL calculation.

Substantively testing management's estimate, which included:

- Evaluation of the appropriateness of the ACL calculation, including the reasonableness of the significant model assumptions and the application of data within the significant model assumptions used in the discounted cash flow model, with assistance of our valuation specialists.
- Evaluation of the relevance and reliability of data used to develop the discounted cash flow model of the ACL calculation.

/s/ Crowe LLP

We have served as the Company's auditor since 2023.

Washington, D.C.

March 7, 2025

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of First Community Bankshares, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended December 31, 2022, and the related notes to the consolidated financial statements (collectively, the "financial statements") of First Community Bankshares, Inc. (the "Company"). In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations of the Company and cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Elliott Davis, PLLC

We served as the Company's auditor from 2022 to 2023.

Charlotte, North Carolina  
February 22, 2023

**- Management's Assessment of Internal Control over Financial Reporting -**

First Community Bankshares, Inc. (the "Company") is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this Annual Report on Form 10-K. The consolidated financial statements and notes included in this Annual Report on Form 10-K have been prepared in conformity with U.S. generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgments.

We, as management of the Company, are responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with U.S. generally accepted accounting principles. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework in the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that its system of internal control over financial reporting was effective as of December 31, 2024.

Crowe, LLP, independent registered public accounting firm, has issued a report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2024. The Report of Independent Registered Public Accounting Firm, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2024, appears hereafter in Item 8 of this Annual Report on Form 10-K.

Dated this 7th day March of 2025.

/s/ William P. Stafford, II

William P. Stafford, II  
Chief Executive Officer

/s/ David D. Brown

David D. Brown  
Chief Financial Officer

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

None.

**Item 9A. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

In connection with this report, we conducted an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures under the Exchange Act Rule 13a-15(b). Based upon that evaluation, the CEO and CFO concluded that, as of December 31, 2024, our disclosure controls and procedures were effective.

Disclosure controls and procedures are our Company’s controls and other procedures that are designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions about required disclosure.

Management, including the CEO and CFO, does not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, collusion of two or more people, or management’s override of the controls.

**Changes in Internal Control over Financial Reporting**

We assess the adequacy of our internal control over financial reporting quarterly and enhance our controls in response to internal control assessments and internal and external audit and regulatory recommendations. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2024, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Management’s Report on Internal Controls over Financial Reporting**

Management’s report on the Company’s internal control over financial reporting and the attestation report of Crowe, LLP, the Company’s independent registered public accounting firm, on internal control over financial reportings are under the headings “Management’s Assessment of Internal Control over Financial Reporting,” and “Report of Independent Registered Public Accounting Firm,” in Item 8 of this report and are incorporated in this Item 9A by reference.

**Item 9B. Other Information.**

During the quarter ended December 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted, modified or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

**Additional Information**

Additional information required in this item is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 2025, (“2025 Annual Meeting”) under the headings “Proposal 1: Election of Directors,” “Director Nominees for the Class of 2028,” “Incumbent Directors,” “Non-Director Named Executive Officers,” and “Other Key Officers,” and under the captions “Board Committees,” and “Delinquent Section 16(a) Reports.”

Our Standards of Conduct apply to all directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Standards of Conduct is available on the Investor Relations section of our website at www.firstcommunitybank.com. There have been no waivers of the Standards of Conduct for any officer.

There have been no material changes to the procedures by which shareholders may recommend nominees to our Board of Directors since the disclosure in our Proxy Statement filed with the SEC on March 11, 2024.

The Company adopted an Insider Trading Policy on January 23, 2024, a copy of which is available on the Investor Relations section of our website at www.firstcommunitybank.com and included as Exhibit 19.1 to this Form 10-K.

**Item 11. Executive Compensation.**

The information required in this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting under the caption, “Board Committees,” and under the headings, “Compensation Discussion and Analysis,” “Director Compensation,” and “Pay Ratio Disclosure.”

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

The following table provides information about compensation plans under which our equity securities are authorized for issuance as of December 31, 2024:

| Plan category   | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(3)<br>(c) |
|---|--|--|---|
| Equity compensation plans approved by security holders(1)     | 267,285  | \$ 37.19   | 818,125   |
| Equity compensation plans not approved by security holders(2) | 14,476   | \$ 25.88   | —   |
| <b>Total</b>  | <b>281,761</b>   |  | <b>818,125</b>  |

(1) Includes the 2022 Omnibus Equity Compensation Plan and 2012 Omnibus Equity Compensation Plan

(2) Includes the 1999 Stock Option Plan

(3) Shares are available for future issuance under the 2022 Omnibus Equity Compensation Plan.

Additional information required in this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting under the caption “Information on Stock Ownership.”

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

The information required in this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting under the caption “Independence of Directors” and “Related Person/Party Transactions.”

**Item 14. Principal Accounting Fees and Services.**

The Independent Registered Public Accounting Firm is Crowe LLP (PCAOB Firm ID No.173 ) located in Washington, District of Columbia. The information required by this item is incorporated by reference to our Proxy Statement for 2025 Annual Meeting under the heading, "Independent Registered Public Accounting Firm".

## PART IV

**Item 15. Exhibits, Financial Statement Schedules.****(a) Documents Filed as Part of this Report****(1) Financial Statements**

The financial statements required in this item are incorporated by reference to Item 8, “Financial Statements and Supplementary Data,” in Part II of this report.

**(2) Financial Statement Schedules**

The schedules required in this item are omitted because they are not applicable or the required information is included in the consolidated financial statements or related notes.

**(3) Exhibits**

| <b>Exhibit No.</b> | <b>Exhibit</b>  |
|--------------------|---|
| 2.1                | <a href="#">Agreement and Plan of Reincorporation and Merger between First Community Bancshares, Inc. and First Community Bankshares, Inc., incorporated by reference to Appendix A of the Definitive Proxy Statement on Form DEF 14A dated April 24, 2018, filed on March 13, 2018</a> |
| 2.2                | <a href="#">Agreement and Plan of Merger between First Community Bankshares, Inc. and Surrey Bancorp, incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K dated and filed November 18, 2022</a>  |
| 3.1                | <a href="#">Articles of Incorporation of First Community Bankshares, Inc., incorporated by reference to Appendix B of the Definitive Proxy Statement on Form DEF 14A dated April 24, 2018, filed on March 13, 2018</a>  |
| 3.2                | <a href="#">Bylaws of First Community Bankshares, Inc., incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K dated and filed October 2, 2018</a>  |
| 4.1                | <a href="#">Description of First Community Bankshares, Inc. Common Stock, incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K dated and filed October 2, 2018</a>  |
| 4.2                | <a href="#">Form of First Community Bankshares, Inc. Common Stock Certificate</a>   |
| 10.1.1**           | <a href="#">First Community Bancshares, Inc. 1999 Stock Option Plan, incorporated by reference to Exhibit 10.1 of the Annual Report on Form 10-K/A for the period ended December 31, 1999, filed on April 13, 2000</a>  |
| 10.1.2**           | <a href="#">Amendment One to the First Community Bancshares, Inc. 1999 Stock Option Plan, incorporated by reference to Exhibit 10.1.1 of the Quarterly Report on Form 10-Q for the period ended March 31, 2004, filed on May 7, 2004</a>  |
| 10.1.7**           | <a href="#">First Community Bankshares Executive Incentive Compensation Plan, incorporated by reference to Exhibit 10.1 of the current Report on Form 8-K filed May 31, 2022</a>  |
| 10.2**             | <a href="#">First Community Bancshares, Inc. 1999 Stock Option Agreement, incorporated by reference to Exhibit 10.5 of the Quarterly Report on Form 10-Q for the period ended June 30, 2002, filed on August 14, 2002</a>   |
| 10.3**             | <a href="#">First Community Bancshares, Inc. 2001 Nonqualified Director Stock Option Agreement, incorporated by reference to Exhibit 10.4 of the Quarterly Report on Form 10-Q for the period ended June 30, 2002, filed on August 14, 2002</a>   |
| 10.6**             | <a href="#">First Community Bancshares, Inc. 2012 Omnibus Equity Compensation Plan, incorporated by reference to Appendix B of the Definitive Proxy Statement on Form DEF 14A dated April 24, 2012, filed on March 7, 2012</a>  |
| 10.7**             | <a href="#">First Community Bancshares, Inc. 2012 Omnibus Equity Compensation Plan Restricted Stock Grant Agreement, incorporated by reference to Exhibit 99.1 of the Current Report on Form 8-K dated and filed May 28, 2013</a>   |
| 10.8**             | <a href="#">First Community Bancshares, Inc. Life Insurance Endorsement Method Split Dollar Plan and Agreement, incorporated by reference to Exhibit 10.5 of the Annual Report on Form 10-K/A for the period ended December 31, 1999, filed on April 13, 2000</a>                       |
| 10.9.1**           | <a href="#">First Community Bankshares, Inc. and Affiliates Executive Retention Plan, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K dated December 30, 2008, filed on January 5, 2009.</a>  |
| 10.9.2**           | <a href="#">Amendment #1 to the First Community Bankshares, Inc. and Affiliates Executive Retention Plan, incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K dated December 16, 2010, filed on December 17, 2010</a>   |
| 10.9.3**           | <a href="#">Amendment #2 to the First Community Bankshares, Inc. and Affiliates Executive Retention Plan, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K dated February 21, 2013, filed on February 25, 2013</a>   |
| 10.9.4**           | <a href="#">Amendment #3 to the First Community Bankshares, Inc. and Affiliates Executive Retention Plan, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K dated May 24, 2016, filed on May 31, 2016</a>   |
| 10.9.5**           | <a href="#">Amendment #4 to the First Community Bankshares, Inc. and Affiliates Executive Retention Plan, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K dated and filed on February 28, 2017</a>  |
| 10.9.6**           | <a href="#">Amendment #5 to the First Community Bankshares, Inc. and Affiliates Executive Retention Plan, incorporated by reference to Exhibit 10.9.6 of the Annual Report on Form 10-K for the period ended December 31, 2021, filed on March 3, 2022.</a>                             |
| 10.9.7**           | <a href="#">Amendment #6 to the First Community Bankshares, Inc. and Affiliates Executive Retention Plan, incorporated by reference to Exhibit 10.9.7 of the Annual Report on Form 10-K for the period ended December 31, 2021, filed on March 3, 2022.</a>                             |

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|           |   |
|-----------|---|
| 10.10**   | <a href="#">Amended and Restated Deferred Compensation Plan for Directors of First Community Bancshares, Inc. and Affiliates, incorporated by reference to Exhibit 99.2 of the Current Report on Form 8-K dated August 22, 2006, filed on August 23, 2006</a>   |
| 10.11.1** | <a href="#">First Community Bancshares, Inc. Amended and Restated Nonqualified Supplemental Cash or Deferred Retirement Plan, incorporated by reference to Exhibit 99.1 of the Current Report on Form 8-K dated August 22, 2006, filed on August 23, 2006, and Amendment #2, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K dated and filed on February 28, 2017</a>   |
| 10.11.2** | <a href="#">Amendment #2 to the First Community Bancshares, Inc. Amended and Restated Nonqualified Supplemental Cash or Deferred Retirement Plan, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K dated and filed on February 28, 2017</a>  |
| 10.12.1** | <a href="#">First Community Bankshares, Inc. Supplemental Directors Retirement Plan, as amended and restated, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K dated December 16, 2010, filed on December 17, 2010, and Amendment #2, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K dated May 24, 2016, filed on May 31, 2016</a>  |
| 10.12.2** | <a href="#">Amendment #2 to the First Community Bankshares, Inc. Supplemental Directors Retirement Plan, as amended and restated, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K dated May 24, 2016, filed on May 31, 2016</a>   |
| 10.12.3** | <a href="#">Amendment #3 to the First Community Bankshares, Inc. Supplemental Directors Retirement Plan, as amended and restated, incorporated by reference to Exhibit 10.12.3 of the Annual Report on Form 10-K for the period ended December 31, 2021, filed on March 3, 2022.</a>  |
| 10.12.4** | <a href="#">Amendment #4 to the First Community Bankshares, Inc. Supplemental Directors Retirement Plan, as amended and restated, incorporated by reference to Exhibit 10.12.4 of the Annual Report on Form 10-K for the period ended December 31, 2021, filed on March 3, 2022.</a>  |
| 10.13**   | <a href="#">Amended and Restated Employment Agreements between First Community Bankshares, Inc. and William P. Stafford, II, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K dated and filed on August 27, 2024.</a>  |
| 10.14**   | <a href="#">Amended and Restated Employment Agreements between First Community Bankshares, Inc. and Gary R. Mills, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K dated and filed on August 27, 2024.</a>  |
| 10.15**   | <a href="#">Amended and Restated Employment Agreements between First Community Bankshares, Inc. and David D. Brown, incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K dated and filed on August 27, 2024.</a>   |
| 10.16**   | <a href="#">Amended and Restated Employment Agreements between First Community Bankshares, Inc. and Jason R. Belcher, incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K dated and filed on August 27, 2024.</a>   |
| 10.17**   | <a href="#">Amended and Restated Employment Agreements between First Community Bankshares, Inc. and Sarah W. Harmon, incorporated by reference to Exhibit 10.5 of the Current Report on Form 8-K dated and filed on August 27, 2024.</a>  |
| 10.18**   | <a href="#">First Community Bankshares, Inc. 2022 Omnibus Equity Compensation Plan incorporated by reference to Exhibit 99.a of the Definitive Proxy Statement on Form DEF 14A dated April 26, 2022, filed on March 16, 2022.</a>   |
| 10.19**   | <a href="#">Amended Nonqualified Deferred Compensation Plan and Adoption Agreement.</a>   |
| 19.1*     | <a href="#">First Community Bankshares, Inc. Insider Trading Policy.</a>  |
| 21*       | <a href="#">Subsidiaries of the Registrant</a>  |
| 23.1*     | <a href="#">Consent of Crowe, LLP Independent Registered Public Accounting Firm for First Community Bankshares, Inc.</a>  |
| 23.2*     | <a href="#">Consent of Elliott Davis, LLC former Independent Registered Public Accounting Firm for First Community Bankshares, Inc.</a>   |
| 31.1*     | <a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>  |
| 31.2*     | <a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>  |
| 32*       | <a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>  |
| 97.1      | <a href="#">First Community Bankshares, Inc. Compensation Recoupment Policy incorporated by reference as Exhibit 97.1 of the Annual Report on Form 10-K for the period ended December 31, 2023, filed on March 8, 2024.</a>   |
| 101***    | Inline interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of December 31, 2024 and 2023; (ii) Consolidated Statements of Income for the years ended December 31, 2024, 2023, and 2022; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2024, 2023, and 2022; (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2024, 2023, and 2022; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023, and 2022; and (vi) Notes to Consolidated Financial Statements |
| 104       | The cover page of First Community Bankshares, Inc. Annual Report on Form 10-K for the year ended December 31, 2024, formatted in Inline XBRL (included within the Exhibit 101 attachments).   |

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|-----|--|
| *   | Filed herewith   |
| **  | Indicates a management contract or compensation plan or agreement. |
| *** | Submitted electronically herewith                                  |

(b) Exhibits  
See Exhibit index included in Item 15(a)(3) of this Annual Report on Form 10-K..

(c) Financial Statement Schedules  
See Item 15(a)(2) of this Annual Report on Form 10-K.

**Item 16. Form 10-K Summary.**  
None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 7th day of March, 2025.

First Community Bankshares, Inc.  
(Registrant)

By: /s/ William P. Stafford, II

William P. Stafford, II  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ David D. Brown

David D. Brown  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

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

| <u>Signature</u>  | <u>Title</u>                                      | <u>Date</u>   |
|---|---|---------------|
| <u>/s/ William P. Stafford, II</u><br>William P. Stafford, II | Chairman and Chief Executive Officer and Director | March 7, 2025 |
| <u>/s/ David D. Brown</u><br>David D. Brown                   | Chief Financial Officer                           | March 7, 2025 |
| <u>/s/ Gary R. Mills</u><br>Gary R. Mills                     | President and Director                            | March 7, 2025 |
| <u>/s/ C. William Davis</u><br>C. William Davis               | Director  | March 7, 2025 |
| <u>/s/ Samuel L. Elmore</u><br>Samuel L. Elmore               | Director  | March 7, 2025 |
| <u>/s/ Richard S. Johnson</u><br>Richard S. Johnson           | Director  | March 7, 2025 |
| <u>/s/ Harriet B. Price</u><br>Harriet B. Price               | Director  | March 7, 2025 |
| <u>/s/ M. Adam Sarver</u><br>M. Adam Sarver                   | Director  | March 7, 2025 |
| <u>/s/ Beth A. Taylor</u><br>Beth A. Taylor                   | Director  | March 7, 2025 |

**NOTE: Execution of this Adoption Agreement creates a legal liability of the Employer with significant tax consequences to the Employer and Participants. Principal Life Insurance Company disclaims all liability for the legal and tax consequences which result from the elections made by the Employer in this Adoption Agreement. Nothing set forth in this agreement or related documents may be taken or relied upon as legal, tax, investment, or accounting advice, nor as any investment recommendation. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.**

Principal Life Insurance Company, Raleigh, NC 27612  
*A member of the Principal Financial Group®*

**THE NONQUALIFIED DEFERRED COMPENSATION PLAN ADOPTION AGREEMENT**

THIS AGREEMENT is the adoption of the Nonqualified Deferred Compensation Plan ("Plan") by **First Community Bankshares, Inc.** (the "Company") with an EIN of **55-0694814**.

WITNESSETH:

WHEREAS, the Company desires to adopt the Plan as an unfunded, nonqualified deferred compensation plan for members of a select group of management or highly compensated employees and under Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA") or independent contractors; and

WHEREAS, the provisions of the Plan are intended to comply with the requirements of Section 409A of the Code and the regulations thereunder and shall apply to amounts subject to Section 409A; and

WHEREAS, the Company has been advised by Principal Life Insurance Company ("the Recordkeeper") to obtain legal and tax advice from its professional advisors before adopting the Plan,

NOW, THEREFORE, the Company hereby adopts the Plan in accordance with the terms and conditions set forth in this Adoption Agreement:

ARTICLE I

Terms used in this Adoption Agreement shall have the same meaning as in the Plan, unless some other meaning is expressly herein set forth. The Company hereby represents and warrants that the Plan has been adopted by the Company upon proper authorization and the Company hereby elects to adopt the Plan for the benefit of its Participants as referred to in the Plan. By the execution of this Adoption Agreement, the Company hereby agrees to be bound by the terms of the Plan.

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ARTICLE II

The Company hereby makes the following designations or elections for the purpose of the Plan:

**2.13 Effective Date:** This is an amendment of plans named:

**First Community Bankshares, Inc. Amended and Restated Non-Qualified Supplemental Cash-Or-Deferred Retirement Plan** originally effective **July 1, 1996**,

**Deferred Compensation Plan for Directors of First Community Bankshares, Inc. and Affiliates** originally effective **June 10, 1986**,

**First Community Bankshares, Inc. Deferred Compensation and Supplemental Bonus Plan for Key Employees** originally effective **October 25, 2006**.

Amended and restated on **January 1, 2023 and** governing all contributions to the plan through **July 10, 2023**. The Effective Date of this amended Plan is **July 11, 2023**.

**2.26 Plan:** The name of the Plan is

**First Community Bankshares, Inc. NQ Deferred Compensation Plan.**

**4.1 Participant Deferral Credits:** Subject to the limitations in Section 4.1 of the Plan, a Participant may elect to have their Compensation, as elected below, deferred within the annual limits below by the following percentage or amount as designated in writing to the Committee:

**Base Salary:**

(a) **Base salary:**

*maximum deferral: 80 %*

(b) Base salary deferral in an amount equal to a 401(k) refund (“**401(k) Refund Offset**”) as defined in Section 2.0 of the Plan:

*mandatory deferral: 100 %*

**Bonus:**

(c) **Service Bonus:**

**Other Bonus:** paid on or around first quarter of the following Plan Year.

*maximum deferral: 80 %*

(d) **Performance-Based Compensation:**

**Incentive Bonus Compensation:** earned from 1/1-12/31, paid on or around the first quarter of the following Plan Year and whose election must be no later than six months prior to the end of the earnings period.

*maximum deferral: 80 %*

**Other:**

- (e) **Commissions:**

*maximum deferral: 80 %*

- (f) **Director Fee:**

*maximum deferral: 100 %*

- (e) Participant deferrals not allowed.

**4.1.2 Participant Deferral Credits and Employer Credits – Election Period (Evergreen Elections):**

An election made by the Participant shall continue in effect for subsequent years until modified by the Participant as permitted in Section 4.1 and Section 4.2 of the Plan.

**4.2 Employer Credits (Section 4.2 of the Plan) and Vesting (Section 6 of the Plan):** Employer Credits will be made in the following manner:

- (a) Employer Credits not allowed.
- (b) **Supplemental Company Discretionary Contributions:** The Employer may make discretionary credits to the Deferred Compensation Account of each Active Participant in an amount determined each Plan Year by the Employer.

- (i) Immediate 100% vesting.

| <input checked="" type="checkbox"/> (ii) | Number of Years of Service | Vested Percentage |
|--|----------------------------|-------------------|
|  | Less than 1                | <u>0%</u>         |
|  | 1                          | <u>0%</u>         |
|  | 2                          | <u>0%</u>         |
|  | 3 or more                  | <u>100%</u>       |

For this purpose, Years of Service of a Participant shall be calculated from the date designated below:

- (1) First day the Participant begins to provide services to the Employer and all Participating Employers
- (2) Each Crediting Date. Under this option (2), each Employer Credit shall vest based on the Years of Service of a Participant from the Crediting Date on which each Employer Discretionary Credit is made to the Deferred Compensation Account.

(b) **Other Employer Credits:** The Employer may make discretionary credits to the Deferred Compensation Account of each Active Participant in an amount determined each Plan Year by the Employer.

(i) Immediate 100% vesting.

|  |                            |                   |
|--|----------------------------|-------------------|
| <input checked="" type="checkbox"/> (ii) | Number of Years of Service | Vested Percentage |
|  | Less than 1                | ____%             |
|  | 1                          | ____%             |
|  | 2                          | ____%             |
|  | 3 or more                  | ____%             |

(iii) **TBD Vesting:** The Employer retains the right to apply a vesting schedule to an Employer Contribution (as defined in Section 4.2 of the Plan) at the time the Employer Contribution is made. The Employer will notify the Recordkeeper in writing at the time a vesting schedule is to be applied to a Participant's Deferred Compensation Account. If the Employer does not provide the Recordkeeper with data to reflect a Participant's Credit, the Credit will receive the same vesting schedule assigned to the Participant's last Credit. If no vesting schedule has been previously established for a Credit, then a default vesting value of 0% will be assigned to the Credit.

For this purpose, Years of Service of a Participant shall be calculated from the date designated below:

(1) First day the Participant begins to provide services to the Employer and all Participating Employers

(2) Each Crediting Date. Under this option (2), each Employer Credit shall vest based on the Years of Service of a Participant from the Crediting Date on which each Employer Discretionary Credit is made to the Deferred Compensation Account.

Further, an Active Participant shall be fully vested in **ALL** Employer Credits, as noted above, upon the first to occur of the following events:

(a) Full Vesting Age (as defined in Section 2.20 of the Plan) shall mean age **55** and **5** years of service.

(b) Death.

(c) Disability.

(d) Change in Control Event.

If Change in Control or Disability is not a Vesting event, amounts not vested at the time payments due under this Section cease will be:

- Forfeited
- Distributed upon a Qualifying Distribution Event if vested at that time

**4.3 Deferred Compensation Account:** A Participant may establish multiple accounts to be distributed upon Separation from Service. Each account may have one set of payment options as permitted in Section 7.1 of the Plan. Additional In-Service accounts may be established as permitted in Section 5.4 of the Plan. The Participant will also be required to elect Separation from Service payment options for each In-Service account established.

**5.2 Disability of a Participant:** A Participant's becoming Disabled shall be a Qualifying Distribution Event and the Deferred Compensation Account shall be paid by the Employer as provided in Section 7.1 of the Plan.

**5.3 Death of a Participant:** A Participant's death shall be a Qualifying Distribution Event and the Deferred Compensation Account shall be paid by the Employer as provided in Section 7.1 of the Plan.

**5.4 In-Service Distributions:** In-Service Accounts are permitted under the Plan:

- (a) In-Service Accounts are allowed with respect to:
  - Participant Deferral Credits only
  - Employer Credits only.
  - Participant Deferral and Employer Credits.

In-service distributions may be made in the following manner:

- Single lump sum payment.
- Annual installments over a term certain not to exceed 5 years.

If applicable, amounts not vested at the time in-service payments are distributed will be distributed at Separation from Service if vested at that time.

- (b) No In-Service Distributions permitted.

**5.5 Change in Control Event:**

- (a) A Change in Control shall not be a Qualifying Distribution Event.
- (b) Participants may elect upon initial enrollment to have accounts distributed upon a Change in Control Event.

**5.6 Upon an Unforeseeable Emergency** (as defined in Section 2.36 of the Plan) Participants may apply to cancel deferral elections and/or have vested accounts distributed upon an Unforeseeable Emergency event.

**7.1 Payment Options:** If permitted by the plan design, any benefit payable under the Plan upon a permitted Qualifying Distribution Event may be made to the Participant or the Beneficiary (as applicable) in any of the following payment forms, as selected by the Participant, or mandated by the plan provisions in the Participation Agreement:

(a) Separation from Service

- (i) A lump sum.
- (ii) Annual installments over a term certain as elected by the Participant not to exceed **15** years.

(b) Death

- (i) A lump sum.
- (ii) Annual installments over a term certain as elected by the Participant not to exceed **10** years.

(c) Disability shall be paid in a lump sum

(d) Unforeseeable Emergency shall be paid in a lump sum

**7.4 (1) De Minimis Amount.** The Employer *may* distribute a Participant's vested balance in all Deferred Compensation Account(s) of the Participant at any time, whether or not a Qualifying Distribution Event has occurred if the balance does not exceed the limit in Section 402(g)(1)(B) of the Code and results in the termination of the Participant's entire interest in the Plan and any other Employer plan subject to aggregation under Section 409A of the Code.

(2) **Installment Eligibility Amount.** Notwithstanding any payment election made by the Participant, the vested balance in all Deferred Compensation Account(s) of the Participant *shall* be distributed in a single lump sum payment if at the time of a permitted Qualifying Distribution Event that is either a Separation from Service, death, Disability, or Change in Control Event the vested balance does not exceed:

- \$75,000 or  Not Applicable (De Minimis Amount still applies)

**14. Amendment and Termination of Plan:** Notwithstanding any provision in this Adoption Agreement or the Plan to the contrary, **Section 4.2(iii) and 7.1** of the Plan shall be amended to read as provided in attached Exhibit **A & B**.

- There are no amendments to the Plan.

**17.8 Construction:** The provisions of the Plan shall be construed and enforced according to the laws of the State/Commonwealth of Virginia, except to the extent that such laws are superseded by ERISA and the applicable provisions of the Code.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year stated below.

**First Community Bankshares, Inc.**

Name of Company

By: *Sarah W. Harmon*

Authorized Person

Date: 08/29/2023

**Exhibit A to the Nonqualified Deferred Compensation Plan**

**TBD Vesting**

The Employer retains the right to apply a vesting schedule to an Employer Contribution (as defined in Section 4.2 of the Plan) at the time the Employer Contribution is made. The Employer will notify the Recordkeeper in writing at the time a vesting schedule is to be applied to a Participant's Deferred Compensation Account. If the Employer does not provide the Recordkeeper with data to reflect a Participant's Credit, the Credit will receive the same vesting schedule assigned to the Participant's last Credit. If no vesting schedule has been previously established for a Credit, then a default vesting value of 0% will be assigned to the Credit.

**Exhibit B to the Nonqualified Deferred Compensation Plan Distributions Delayed after Separation from Service**

The purpose of this exhibit is to allow a Participant to delay receipt of a distribution for a number of years following Separation from Service.

*The following shall be added to Section 7.1 of the Adoption Agreement:*

Participants may elect to delay receipt of a distribution due to Separation from Service from one (1) to seven (7) years following Separation from Service.

THE NONQUALIFIED DEFERRED COMPENSATION PLAN PLAN DOCUMENT

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## THE NONQUALIFIED DEFERRED COMPENSATION PLAN

### Section 1. Purpose

By execution of the Adoption Agreement, the Company has adopted the Plan set forth herein, and in the Adoption Agreement, to provide a means by which certain management Employees or Independent Contractors of the Employer may elect to defer receipt of current Compensation from the Employer in order to provide retirement and other benefits on behalf of such Employees or Independent Contractors of the Employer, as selected in the Adoption Agreement. The Plan is intended to be a nonqualified deferred compensation plan that complies with the provisions of Section 409A of the Internal Revenue Code (the "Code"). The Plan is also intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of management or highly compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA") or independent contractors. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

### Section 2. Definitions

2.0 "401(k) Refund Offset" means a deferral of the Participant's base salary equal to the gross amount of a 401(k)-refund caused by Average Deferral Percentage (ADP) testing failures in the qualified plan. The 401(k) refund itself shall be paid to the Participant from the 401(k) plan and reported on Form 1099-R. This deferral shall not apply to Roth 401(k) refunds or any other refund not generated due to failed testing.

2.1 "Active Participant" means, with respect to any day or date, a Participant who is in Service on such day or date; provided, that a Participant shall cease to be an Active Participant (i) immediately upon a determination by the Committee that the Participant has ceased to be an Employee or Independent Contractor, or (ii) at the end of the Plan Year that the committee determines the Participant no longer meets the eligibility requirements of the Plan.

2.2 "Adoption Agreement" means the written agreement pursuant to which the Company adopts the Plan. The Adoption Agreement is a part of the Plan as applied to the Company.

2.3 "Beneficiary" means the person, persons, entity or entities designated or determined pursuant to the provisions of Section 13 of the Plan.

2.4 "Board" means the Board of Directors of the Company, if the Company is a corporation. If the Company is not a corporation, "Board" shall mean the Company.

2.5 "Change in Control Event" means an event described in Section 409A(a)(2)(A)(v) of the Code (or any successor provision thereto) and the regulations thereunder.

2.6 "Committee" means the Employer, an administrative committee appointed by the Board to serve at the pleasure of the Board, the Board itself, any other person or persons as determined in the Employer's discretion, or any other person or persons noted in the Adoption Agreement. The Recordkeeper is not the Committee.

2.7 "Company" means the company designated in the Adoption Agreement.

2.8 "Compensation" shall have the meaning designated in the Adoption Agreement.

2.9 "Crediting Date" means the date any corresponding asset payment used to informally finance the Plan, if applicable, is credited to the Employer's corporate owned investment account or any other day directed by the Employer. Otherwise, all Credits shall be credited on any business day as specified by the Employer.

2.10 "Deferred Compensation Account" means the account maintained with respect to each Participant under the Plan. The Deferred Compensation Account shall be credited with Participant Deferral Credits and Employer Credits, credited or debited for deemed investment gains or losses, and adjusted for payments in accordance with the rules and elections in effect under Section 8. As permitted in the Adoption Agreement, the Deferred Compensation Account of a Participant may consist of one or more accounts. A Participant may elect payment options for each account as described in Section 7.1 and deemed investments for each account as described in Section 8.2.

2.11 "Disabled or Disability" means Disabled or Disability within the meaning of Section 409A of the Code and the regulations thereunder. Generally, this means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering Employees of the Employer.

2.12 "Education Account" is an In-Service Account which will be used by the Participant for educational purposes.

2.13 "Effective Date" shall be the date designated in the Adoption Agreement.

2.14 "Employee" means an individual in the Service of the Employer if the relationship between the individual and the Employer is the legal relationship of employer and employee. An individual shall cease to be an Employee upon the Employee's Separation from Service.

2.15 "Employer" means the Company, as identified in the Adoption Agreement, and any Participating Employer which adopts this Plan. An Employer may be a corporation, a limited liability company, a partnership or sole proprietorship.

2.16 "Employer Credits" means the amounts credited to the Participant's Deferred Compensation Account by the Employer pursuant to the provisions of Section 4.2.

2.17 "Grandfathered Amounts" means, if applicable, the amounts that were deferred under the Plan and were earned and vested within the meaning of Section 409A of the Code and regulations thereunder as of December 31, 2004. Grandfathered Amounts shall be subject to the terms designated in the Plan which were in effect as of October 3, 2004.

2.18 "Independent Contractor" means an individual in the Service of the Employer if the relationship between the individual and the Employer is not the legal relationship of employer and employee. An individual shall cease to be an Independent Contractor upon the termination of the Independent Contractor's Service. An Independent Contractor shall include a director of the Employer who is not an Employee.

2.19 "In-Service Account" means a separate account to be kept for each Participant that has elected to take in-service distributions as described in Section 5.4. The In-Service Account shall be adjusted in the same manner and at the same time as the Deferred Compensation Account under Section 8 and in accordance with the rules and elections in effect under Section 8.

2.20 "Normal Retirement Age", which may also be called "Full Vesting Age", of a Participant means the age designated in the Adoption Agreement.

2.21 "Participant" means with respect to any Plan Year an Employee or Independent Contractor who has been designated by the Committee as a Participant and who has entered the Plan or who has a Deferred Compensation Account under the Plan; provided that if the Participant is an Employee, the individual must be a member of a select group of management or highly compensated employee of the Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

2.22 "Participant Deferral Credits" means the amounts credited to the Participant's Deferred Compensation Account by the Employer pursuant to the provisions of Section 4.1.

2.23 "Participating Employer" means any trade or business (whether or not incorporated) which adopts this Plan with the consent of the Company identified in the Adoption Agreement.

2.24 "Participation Agreement" means a written agreement, including electronic submissions by the Participant or at the Participant's direction, entered into between a Participant and the Employer pursuant to the provisions of Section 4.1

2.25 "Performance-Based Compensation" means compensation where the amount of, or entitlement to, the compensation is contingent on the satisfaction of preestablished organizational or individual performance criteria relating to a performance period of at least twelve months. Organizational or individual performance criteria are considered preestablished if established in writing within 90 days after the commencement of the period of service to which the criteria relates, provided that the outcome is substantially uncertain at the time the criteria are established. Performance-based compensation may include payments based upon subjective performance criteria as provided in regulations and administrative guidance promulgated under Section 409A of the Code.

2.26 "Plan" means the name of the Plan as designated in the Adoption Agreement.

2.27 "Plan-Approved Domestic Relations Order" shall mean a judgment, decree, or order (including the approval of a settlement agreement) which is:

2.27.1 Issued pursuant to a State's domestic relations law;

2.27.2 Relates to the provision of child support, alimony payments or marital property rights to a Spouse, former Spouse, child or other dependent of the Participant;

2.27.3 Creates or recognizes the right of a Spouse, former Spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan;

2.27.4 Requires payment to such person of an interest in the Participant's benefits in a lump sum payment or any other form of payment allowed under the Plan at a specific time; and

2.27.5 Meets such other requirements established by the Committee.

2.28 "Plan Year" means the twelve-month period ending on the last day of December, unless otherwise noted in the Adoption Agreement, provided, that the initial Plan Year may have fewer than twelve months.

2.28.1 "Recordkeeper" means the individual or entity responsible for keeping records of Plan activity including the tracking of Participant Deferred Compensation Account balances. As to applicable tax and regulatory rules, the actions of the Recordkeeper are limited to executing the decisions and directions of the Committee. The Recordkeeper does not make plan administration decisions.

2.29 "Qualifying Distribution Event" means (i) the Separation from Service of the Participant, (ii) the date the Participant becomes Disabled, (iii) the death of the Participant, (iv) the time specified by the Participant for an In-Service Distribution, (v) a Change in Control Event, or (vi) an Unforeseeable Emergency, each to the extent provided in Section 5.

2.30 "Seniority Date" which may also be called "Installment Eligibility Date" shall have the meaning designated in the Adoption Agreement and shall apply to both the initial deferral election described in Section 4 and the Subsequent deferral election described in Section 7.5.

2.31 "Separation from Service" or "Separates from Service" means a "separation from service" within the meaning of Section 409A of the Code.

2.32 "Service" as an Employee means employment by the Employer. For purposes of the Plan, the employment relationship is treated as continuing intact while the Employee is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the Employee's right to reemployment is provided either by statute or contract. If the Participant is an Independent Contractor, "Service" shall mean the period during which the contractual relationship exists between the Employer and the Participant. The contractual relationship is not terminated if the Participant anticipates a renewal of the contract or becomes an Employee. A Participant who has a Deferred Compensation Account which contains amounts deferred or contributed as an Employee and a member of the Board (Dual Status), Services performed in those capacities will be looked at independently when determining if a Separation from Service has occurred. Services as a member of the Board and Independent Contractor (in a capacity not on the Board) will be looked at collectively when determining if a Separation from Service has occurred.

2.33 "Service Bonus" means any bonus that does not meet the definition of Performance-Based Compensation that is paid to a Participant by the Employer as noted in the Adoption Agreement.

2.34 "Specified Employee" means an Employee who meets the requirements for key employee treatment under Section 416(i)(1)(A)(i), (ii) or (iii) of the Code (applied in accordance with the regulations thereunder and without regard to Section 416(i)(5) of the Code) at any time during the twelve month period ending on December 31 of each year (the "identification date"). If the person is a key employee as of any identification date, the person is treated as a Specified Employee for the twelve-month period beginning on the first day of the fourth month following the identification date. Unless binding corporate action is taken to establish different rules for determining Specified Employees for all plans of the Company and its controlled group members that are subject to Section 409A of the Code, the foregoing rules and the other default rules under the regulations of Section 409A of the Code shall apply.

2.35 "Spouse" or "Surviving Spouse" means, except as otherwise provided in the Plan, a person who is the legally married spouse or surviving spouse of a Participant.

2.36 "Unforeseeable Emergency" means an "unforeseeable emergency" within the meaning of Section 409A of the Code.

2.37 "Years of Service" means each Plan Year of Service completed by the Participant.

For vesting purposes, Years of Service shall be calculated from the date designated in the Adoption Agreement and Service shall be based on service with the Company and all Participating Employers.

### **Section 3. Participation**

The Committee in its discretion shall designate each Employee or Independent Contractor who is eligible to participate in the Plan. A Participant who Separates from Service with the Employer and who later returns to Service may be eligible consistent with Section 409A of the Code and upon satisfaction of such terms and conditions as the Committee shall establish.

## Section 4. Credits to Deferred Compensation Account

4.1 Participant Deferral Credits. To the extent provided in the Adoption Agreement, each Active Participant may elect, by entering into a Participation Agreement with the Employer, to defer the receipt of Compensation from the Employer by a dollar amount or percentage specified in the Participation Agreement. The amount of Compensation the Participant elects to defer, the Participant Deferral Credit, shall be credited by the Employer to the Deferred Compensation Account maintained for the Participant pursuant to Section 8. The following special provisions shall apply with respect to the Participant Deferral Credits of a Participant:

4.1.1 The Employer shall credit to the Participant's Deferred Compensation Account on each Crediting Date an amount equal to the total Participant Deferral Credit for the period ending on such Crediting Date.

4.1.2 An election pursuant to this Section 4.1 shall be made by the Participant by executing and delivering a Participation Agreement to the Committee. Except as otherwise provided in this Section 4.1, the Participation Agreement shall become effective with respect to such Participant as of the first day of January following the date such Participation Agreement is received by the Committee. A Participant's election may be changed at any time prior to the last permissible date for making the election as permitted in this Section 4.1, and shall thereafter be irrevocable. Any election of a Participant shall continue in effect for the time period as set forth in the Adoption Agreement.

4.1.3 A Participant may execute and deliver a Participation Agreement to the Committee within 30 days after the date the Participant first becomes eligible to participate in the Plan. After the 30-day period expires, or after any shorter time period as agreed to by the Participant and the Committee, the latest election made by the Participant during that period becomes irrevocable. Such election shall then be effective as of the first payroll period commencing following the date the Participation Agreement becomes irrevocable. Whether a Participant is treated as newly eligible for participation under this Section shall be determined in accordance with Section 409A of the Code and the regulations thereunder, including (i) rules that treat all elective deferral account balance plans as one plan, and (ii) rules that treat a previously eligible Employee as newly eligible if the Participant's benefits had been previously distributed or if the Participant has been ineligible for 24 months. For Compensation that is earned based upon a specified performance period (for example, an annual bonus), where a deferral election is made under this Section but after the beginning of the performance period, the election will only apply to the portion of the Compensation equal to the total amount of the Compensation for the service period multiplied by the ratio of the number of days remaining in the performance period after the date the election becomes irrevocable over the total number of days in the performance period.

4.1.4 A Participant may unilaterally modify a Participation Agreement (either to terminate, increase or decrease future Compensation which is subject to deferral within the percentage limits set forth in Section 4.1 of the Adoption Agreement) by providing a written modification of the Participation Agreement to the Committee. The modification shall become effective as of the first day of January following the date such written modification is received by the Committee, or at such later date as required under Section 409A of the Code.

4.1.5 If the Participant performed services continuously from the later of the beginning of the performance period or the date upon which the performance criteria are established through the date upon which the Participant makes an initial deferral election, a Participation Agreement relating to the deferral of Performance- Based Compensation may be executed and delivered to the Committee no later than the date which is 6 months prior to the end of the performance period, provided that in no event may an election to defer Performance-Based Compensation be made after such Compensation has become readily ascertainable.

4.1.6 If the Employer has a fiscal year other than the calendar year, Compensation relating to Service in the fiscal year of the Employer (such as a bonus based on the fiscal year of the Employer), of which no amount is paid or payable during the fiscal year, may be deferred at the Participant's election if the election to defer is made not later than the close of the Employer's fiscal year next preceding the first fiscal year in which the Participant performs any services for which such Compensation is payable.

4.1.7 Compensation payable after the last day of the Participant's taxable year solely for services provided during the final payroll period containing the last day of the Participant's taxable year (i.e., generally December 31) is treated for purposes of this Section 4.1 as Compensation for services performed in the subsequent taxable year.

4.1.8 The Committee may from time to time establish policies or rules consistent with the requirements of Section 409A of the Code to govern the manner in which Participant Deferral Credits may be made.

4.1.9 If a Participant becomes Disabled, all currently effective deferral elections for such Participant shall be cancelled. At the time the participant is no longer Disabled, subsequent elections to defer future compensation will be permitted under this Section 4.

4.1.10 If a Participant applies for and receives a distribution on account of an Unforeseeable Emergency, all currently effective deferral elections for such Participant shall be cancelled. Subsequent elections to defer future compensation will be permitted under this Section 4. Furthermore, a Participant may apply to the Committee to cancel all deferral elections due to an Unforeseeable Emergency.

4.2 Employer Credits. If designated by the Employer in the Adoption Agreement, the Employer shall cause the Committee to credit to the Deferred Compensation Account of each Active Participant an Employer Credit as determined in accordance with the Adoption Agreement. A Participant must make distribution elections with respect to any Employer Credits credited to the Deferred Compensation Account by the deadline that would apply under Section 4.1 for distribution elections with respect to Participant Deferral Credits credited at the same time, on a Participation Agreement that is timely executed and delivered to the Committee pursuant to Section 4.1. If no distribution election is made, vested amounts in the Deferred Compensation Account will be distributed in a lump sum upon the earliest of any Qualifying Distribution Event limited to Separation from Service, Disability, Death or Change in Control.

4.3 Deferred Compensation Account. All Participant Deferral Credits and Employer Credits shall be credited to the Deferred Compensation Account of the Participant as provided in Section 8.

## **Section 5. Qualifying Distribution Events**

5.1 Separation from Service. If the Participant Separates from Service with the Employer, the vested balance in the Deferred Compensation Account shall be paid to the Participant by the Employer as provided in Section 7. Notwithstanding the foregoing, no distribution shall be made earlier than six months after the date of Separation from Service (or, if earlier, the date of death) with respect to a Participant who as of the date of Separation from Service is a Specified Employee of a corporation (or a member of such corporation's controlled group) the stock in which is traded on an established securities market (either foreign or domestic) or otherwise. Any payments to which such Specified Employee would be entitled during the first six months following the date of Separation from Service shall be accumulated and paid on the first day of the seventh month following the date of Separation from Service, and shall be adjusted for deemed investment gain and loss incurred during the six month period.

5.2 Disability. If the Employer designates in the Adoption Agreement that distributions are permitted under the Plan when a Participant becomes Disabled, and the Participant becomes Disabled while in Service, the vested balance in the Deferred Compensation Account shall be paid to the Participant by the Employer as provided in Section 7.

5.3 Death. If the Participant dies while in Service, the Employer shall pay a benefit to the Participant's Beneficiary in the amount of the vested balance in the Deferred Compensation Account and any additional amount designated in the Adoption Agreement. Payment of such benefit shall be made by the Employer as provided in Section 7.

5.4 In-Service Distributions. If the Employer designates in the Adoption Agreement that in-service distributions are permitted under the Plan, a Participant may designate in the Participation Agreement to have a specified amount credited to the Participant's In-Service Account for in-service distributions at the date specified by the Participant. In no event may an in-service distribution of an amount be made before the date that is two years after the first day of the year in which any deferral election to such In-Service Account became effective. Notwithstanding the foregoing, if a Participant incurs a Qualifying Distribution Event prior to the date on which the entire balance in the In-Service Account has been distributed, then the vested balance in the In-Service Account on the date of the Qualifying Distribution Event shall be paid as provided under Section 7.1 for payments on such Qualifying Distribution Event.

5.5 Change in Control Event. If the Employer designates in the Adoption Agreement that distributions are permitted under the Plan upon the occurrence of a Change in Control Event, the Participant may designate in the Participation Agreement to have the vested balance in the Deferred Compensation Account paid to the Participant upon a Change in Control Event by the Employer as provided in Section 7.

5.6 Unforeseeable Emergency. If the Employer designates in the Adoption Agreement that distributions are permitted under the Plan upon the occurrence of an Unforeseeable Emergency event, a distribution from the Deferred Compensation Account may be made to a Participant in the event of an Unforeseeable Emergency, subject to the following provisions:

5.6.1 A Participant may, make an application to the Committee to cancel all active deferral elections or to cancel deferral elections and receive a distribution in a lump sum of all or a portion of the vested balance in the Deferred Compensation Account (determined as of the date the distribution, if any, is made under this Section 5.6) because of an Unforeseeable Emergency. A distribution because of an Unforeseeable Emergency shall not exceed the amount required to satisfy the Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution, after taking into account the extent to which the Unforeseeable Emergency may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by stopping current deferrals under the Plan pursuant to Section 4.1.10.

5.6.2 The Participant's request for a distribution on account of Unforeseeable Emergency must be made in writing to the Committee. The request must specify the nature of the financial hardship, the total amount requested to be distributed from the Deferred Compensation Account, and the total amount of the actual expense incurred or to be incurred on account of the Unforeseeable Emergency.

5.6.3 If a cancellation of deferral elections is approved, such cancellation will be effective as soon as practicable. If a distribution under this Section 5.6 is approved by the Committee, such distribution will be made as soon as practicable following the date it is approved. The processing of the request shall be completed as soon as practicable from the date on which the Committee receives the properly completed written request for a distribution on account of an Unforeseeable Emergency. If a Participant's Separation from Service occurs after a request is approved in accordance with this Section 5.6.3, but prior to distribution of the full amount approved, the approval of the request shall be automatically null and void and the benefits which the Participant is entitled to receive under the Plan shall be distributed in accordance with the applicable distribution provisions of the Plan.

5.6.4 The Committee may from time to time adopt additional policies or rules consistent with the requirements of Section 409A of the Code to govern the manner in which such distributions may be made so that the Plan may be conveniently administered.

## **Section 6. Vesting**

A Participant shall be fully vested in the portion of the Deferred Compensation Account attributable to Participant Deferral Credits, and all income, gains and losses attributable thereto. A Participant shall become fully vested in the portion of the Deferred Compensation Account attributable to Employer Credits, and income, gains and losses attributable thereto, in accordance with the vesting schedule and provisions designated by the Employer in the Adoption Agreement. Once a Participant achieves vesting on an Employer Credit, it cannot be reduced or eliminated. If Change in Control was elected as a vesting event in the Adoption Agreement, participants accounts shall be fully vested upon a Change in Control, however new vesting schedules may be applied to future Employer Credits. If a Participant's Deferred Compensation Account is not fully vested upon Separation from Service, the portion of the Deferred Compensation Account that is not fully vested shall be forfeited.

## Section 7. Distribution Rules

7.1 Payment Options. The Employer shall designate in the Adoption Agreement the payment options which may be elected by the Participant. The Participant may at such time elect a method of payment for Qualifying Distribution Events as specified in the Adoption Agreement. If the Participant is permitted by the Employer in the Adoption Agreement to elect different payment options and does not make a valid election, the vested balance in the Deferred Compensation Account will be distributed as a lump sum upon the Qualifying Distribution Event.

Notwithstanding the foregoing, if certain Qualifying Distribution Events occur prior to the date on which the vested balance of a Participant's Deferred Compensation Account is completely paid pursuant to this Section 7.1 following the occurrence of certain Qualifying Distribution Events, the following rules apply:

7.1.1 If the currently effective Qualifying Distribution Event is a Separation from Service or Disability, and the Participant subsequently dies, the remaining unpaid vested balance of a Participant's Deferred Compensation Account shall be paid as a lump sum.

7.1.2 If the currently effective Qualifying Distribution Event is a Change in Control Event, and any subsequent Qualifying Distribution Event occurs (except an In-Service Distribution described in Section 2.29(iv)), the remaining unpaid vested balance of a Participant's Deferred Compensation Account shall be paid as provided under Section 7.1 for payments on such subsequent Qualifying Distribution Event.

7.2 Timing of Payments. Payment shall be made in the manner elected by the Participant and shall commence as soon as practicable after the distribution date specified for the Qualifying Distribution Event. Distribution shall be no later than within 60 days following the day after the Qualifying Distribution Event. Such payment shall not be deemed late if the payment is made on or before the later of (i) December 31 of the calendar year in which the Qualifying Distribution Event occurs, or (ii) the date that is 2-1/2 months after the Qualifying Distribution Event occurs. Participants shall not have any influence as to the tax year or timing of the distribution. For each payment, the Committee must specify a date for the Deferred Compensation Account(s) to be valued. In the event the Participant fails to make a valid election of the payment method, the distribution will be made in a single lump sum payment as soon as practicable after the Qualifying Distribution Event. A payment may be further delayed to the extent permitted in accordance with regulations and guidance under Section 409A of the Code.

7.3 Installment Payments. If the Participant elects to receive installment payments upon a Qualifying Distribution Event, the payment of each installment shall be made on the anniversary of the date of the first installment payment, and the amount of the installment shall be adjusted on such anniversary for credits or debits to the Participant's account pursuant to Section 8 of the Plan. Such adjustment shall be made by dividing the balance in the Deferred Compensation Account on such date by the number of installments remaining to be paid hereunder; provided that the last installment due under the Plan shall be the entire amount credited to the Participant's account on the date of payment.

7.4 De Minimis Amounts. Notwithstanding any payment election made by the Participant, if the Employer designates a pre-determined de minimis amount in the Adoption Agreement, the vested balance in all Deferred Compensation Accounts of the Participant will be distributed in a single lump sum payment if at the time of a permitted Qualifying Distribution Event the vested balance does not exceed such pre-determined de minimis amount; provided, however, that such distribution will be made only where the Qualifying Distribution Event is a Separation from Service, death, Disability, or Change in Control Event. In addition, the Employer may distribute a Participant's vested balance in all of the Participant's Deferred Compensation Accounts at any time if the balance does not exceed the limit in Section 402(g)(1)(B) of the Code and results in the termination of the Participant's entire interest in the Plan as provided under Section 409A of the Code.

7.5 Subsequent Elections. With the consent of the Committee, a Participant may delay or change the method of payment of the Deferred Compensation Account subject to the following requirements:

7.5.1 The new election may not take effect until at least 12 months after the date on which the new election is made.

7.5.2 If the new election relates to a payment for a Qualifying Distribution Event other than the death of the Participant, the Participant becoming Disabled, or an Unforeseeable Emergency, the new election must provide for the deferral of the payment for a period of at least five years from the date such payment would otherwise have been made.

7.5.3 If the new election relates to a payment from the In-Service Account, the new election must be made at least 12 months prior to the date of the first scheduled payment from such account.

For purposes of this Section 7.5 and Section 7.6, a payment is each separately identified amount to which the Participant is entitled under the Plan; provided, that entitlement to a series of installment payments is treated as the entitlement to a single payment.

7.6 Acceleration Prohibited. The acceleration of the time or schedule of any payment due under the Plan is prohibited except as expressly provided in regulations and administrative guidance promulgated under Section 409A of the Code (such as accelerations for domestic relations orders and employment taxes). It is not an acceleration of the time or schedule of payment if the Employer waives or accelerates the vesting requirements applicable to a benefit under the Plan.

7.7 Residual Distributions. If calculation of the amount of any credit to a Participant's Deferred Compensation Account is not administratively practicable due to events beyond the control of the Employer, payments may be made to the Participant for residual amounts contributed to or remaining in a Deferred Compensation Account after payments under the provisions of this Section 7 have commenced or been completed. The residual amount shall be credited to the Deferred Compensation Account when the calculation of the amount becomes administratively practicable. Examples of residual amounts include, but are not limited to, additional investment returns credited after payment (due to dividends or pricing changes) or additional contributions made after payment (such as an annual bonus deferral or an Employer Credit). Payments that would have been made had the residual amount been calculable at the benefit commencement date shall be made up as soon as practicable after crediting to the Deferred Compensation Account, in no case later than the end of the year in which calculation of the amount becomes administratively practicable.

7.8 Ineffective Deferrals. If a Participant deferral election under Section 4 to contribute to an In-Service Account carries over to a subsequent year (an evergreen election) and the deferral election is ineffective (i.e., the distribution election would cause payment in the current or prior years), the amount deferred will be credited to a Deferred Compensation Account that is not an In-Service Account. If the Participant only has one account of this type, the amount deferred will be credited to that account. If the Participant has multiple accounts of this type, and one of the accounts has a lump sum at Separation from Service distribution election, the amount deferred will be credited to that account. If the Participant has multiple accounts of this type and does not have an account with a lump sum at Separation from Service distribution election, one will be established with a lump sum at Separation from Service distribution election and the amount deferred will be credited to this account.

## **Section 8. Accounts; Deemed Investment; Adjustments to Account**

8.1 Accounts. The Committee shall establish a book reserve account, entitled the "Deferred Compensation Account," on behalf of each Participant. The Committee shall also establish an In-Service Account as a part of the Deferred Compensation Account of each Participant, if applicable. The amount credited to the Deferred Compensation Account shall be adjusted pursuant to the provisions of Section 8.3.

8.2 Deemed Investments. The Deferred Compensation Account of a Participant shall be credited with an investment return determined as if the account were invested in one or more investment funds made available by the Committee. The Participant shall elect the investment funds in which the Participant's Deferred Compensation Account shall be deemed to be invested. Such election shall be made in the manner prescribed by the Committee and shall take effect upon the entry of the Participant into the Plan. The investment election of the Participant shall remain in effect until a new election is made by the Participant. In the event the Participant fails for any reason to make an effective election of the investment return to be credited to the account, the investment return shall be determined by the Committee.

8.3 Adjustments to Deferred Compensation Account. With respect to each Participant who has a Deferred Compensation Account under the Plan, the amount credited to such account shall be adjusted by the following debits and credits, at the times and in the order stated:

8.3.1 The Deferred Compensation Account shall be debited each business day with the total amount of any payments made from such account since the last preceding business day. Unless otherwise specified by the Employer, each deemed investment fund will be debited pro-rata based on the value of the investment funds as of the end of the preceding business day.

8.3.2 The Deferred Compensation Account shall be credited on each Crediting Date with the total amount of any Participant Deferral Credits and Employer Credits to such account since the last preceding Crediting Date.

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8.3.3 The Deferred Compensation Account shall be credited or debited on each day securities are traded on a national stock exchange with the amount of deemed investment gain or loss resulting from the performance of the deemed investment funds elected by the Participant in accordance with Section 8.2. The amount of such deemed investment gain or loss shall be determined by the Committee and such determination shall be final and conclusive upon all concerned.

## **Section 9. Administration by Committee**

9.1 Membership of Committee. If the Committee consists of individuals appointed by the Board, they will serve at the pleasure of the Board. Any member of the Committee may resign, and any successor shall be appointed by the Board.

9.2 General Administration. The Committee shall be responsible for the operation and administration of the Plan and for carrying out its provisions. The Committee shall have the full authority and discretion to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with this Plan. Any such action taken by the Committee shall be final and conclusive on any party. To the extent the Committee has been granted discretionary authority under the Plan, the Committee's prior exercise of such authority shall not obligate it to exercise its authority in a like fashion thereafter. The Committee shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Employer with respect to the Plan. The Committee may, from time to time, employ agents and delegate to such agents, including Employees of the Employer, such administrative or other duties as it sees fit.

9.3 Indemnification. To the extent not covered by insurance, the Employer shall indemnify the Committee, each Employee, officer, director, and agent of the Employer, and all persons formerly serving in such capacities, against any and all liabilities or expenses, including all legal fees relating thereto, arising in connection with the exercise of duties and responsibilities with respect to the Plan, provided however that the Employer shall not indemnify any person for liabilities or expenses due to that person's own gross negligence or willful misconduct.

## **Section 10. Contractual Liability, Trust**

10.1 Contractual Liability. Unless otherwise elected in the Adoption Agreement, the Company shall be obligated to make all payments hereunder. This obligation shall constitute a contractual liability of the Company to the Participants, and such payments shall be made from the general funds of the Company. The Company shall not be required to establish or maintain any special or separate fund, or otherwise to segregate assets to assure that such payments shall be made, and the Participants shall not have any interest in any particular assets of the Company by reason of its obligations hereunder. To the extent that any person acquires a right to receive payment from the Company under the Plan, such right shall be no greater than the right of an unsecured creditor of the Company.

10.2 Trust. The Employer may establish a trust to assist it in meeting its obligations under the Plan. Any such trust shall conform to the requirements of a grantor trust under Revenue Procedures 92-64 and 92-65 and at all times during the continuance of the trust the principal and income of the trust shall be subject to claims of general creditors of the Employer under federal and state law. The establishment of such a trust would not be intended to cause Participants to realize current income on amounts contributed thereto, and the trust would be so interpreted and administered.

## **Section 11. Allocation of Responsibilities**

The persons responsible for the Plan and the duties and responsibilities allocated to each are as follows:

### 11.1 Board.

- (i) To amend the Plan;
- (ii) To appoint and remove members of the Committee; and
- (iii) To terminate the Plan as permitted in Section 14.

### 11.2 Committee.

- (i) To designate Participants;
- (ii) To interpret the provisions of the Plan and to determine the rights of the Participants under the Plan, except to the extent otherwise provided in Section 16 relating to claims procedure;
- (iii) To administer the Plan in accordance with its terms, except to the extent powers to administer the Plan are specifically delegated to another person or persons as provided in the Plan;
- (iv) To account for the amount credited to the Deferred Compensation Account of a Participant;
- (v) To direct the Employer in the payment of benefits;
- (vi) To file such reports as may be required with the United States Department of Labor, the Internal Revenue Service and any other government agency to which reports may be required to be submitted from time to time; and
- (vii) To administer the claims procedure to the extent provided in Section 16.

## **Section 12. Benefits Not Assignable; Facility of Payments**

12.1 **Benefits Not Assignable.** No portion of any benefit credited or paid under the Plan with respect to any Participant shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void, nor shall any portion of such benefit be in any manner payable to any assignee, receiver or any one trustee.

12.2 Plan-Approved Domestic Relations Orders. The Committee shall establish procedures for determining whether an order directed to the Plan is a Plan- Approved Domestic Relations Order. If the Committee determines that an order is a Plan- Approved Domestic Relations Order, the Committee shall cause the payment of amounts pursuant to or segregate a separate account as provided by (and to prevent any payment or act which might be inconsistent with) the Plan-Approved Domestic Relations Order notwithstanding Section 12.1.

12.3 Payments to Minors and Others. If any individual entitled to receive a payment under the Plan shall be physically, mentally or legally incapable of receiving or acknowledging receipt of such payment, the Committee, upon the receipt of satisfactory evidence of incapacity and satisfactory evidence that another person or institution is maintaining custody of that person and that no guardian or committee has been appointed, may cause any payment otherwise payable to that person to be made to such person or institution so maintaining custody. Payment to such person or institution shall be in full satisfaction of all claims by or through the Participant to the extent of the amount thereof.

### **Section 13. Beneficiary**

The Participant's Beneficiary shall be the person, persons, entity or entities designated by the Participant on the Beneficiary designation form provided by and filed with the Committee or its designee. If the Participant does not designate a Beneficiary, the Beneficiary shall be the Surviving Spouse. If the Participant does not designate a Beneficiary and has no Surviving Spouse, the Beneficiary shall be the Participant's estate. The designation of a Beneficiary may be changed or revoked only by filing a new Beneficiary designation form with the Committee or its designee. If a Beneficiary (the "primary Beneficiary") is receiving or is entitled to receive payments under the Plan and dies before receiving all of the payments due, the balance to which the Beneficiary is entitled shall be paid to the contingent Beneficiary, if any, named in the Participant's current Beneficiary designation form. If there is no contingent Beneficiary, the balance shall be paid to the estate of the primary Beneficiary. Any Beneficiary may disclaim all or any part of any benefit to which such Beneficiary shall be entitled hereunder by filing a written disclaimer with the Committee before payment of such benefit is to be made. Such a disclaimer shall be made in a form satisfactory to the Committee and shall be irrevocable when filed. Any benefit disclaimed shall be payable from the Plan in the same manner as if the Beneficiary who filed the disclaimer had predeceased the Participant.

## **Section 14. Amendment and Termination of Plan**

The Employer may amend any provision of the Plan or terminate the Plan at any time; provided, that in no event shall such amendment or termination reduce the balance in any Participant's Deferred Compensation Account, including reduction in vesting percentage, as of the date of such amendment or termination, nor shall any such amendment materially adversely affect the Participant relating to the payment of such Deferred Compensation Account. Notwithstanding the foregoing, the following special provisions shall apply:

14.1 Termination and liquidation of the Plan in the Discretion of the Employer. The Employer in its discretion may terminate the Plan and distribute vested benefits in a single lump sum to Participants subject to the following requirements and any others specified under Section 409A of the Code:

14.1.1 All arrangements sponsored by the Employer that would be aggregated with the Plan under Section 1.409A-1(c) of the Treasury Regulations are terminated.

14.1.2 No payments other than payments that would be payable under the terms of the Plan if the termination had not occurred are made within 12 months of the termination date.

14.1.3 All benefits under the Plan are paid within 24 months of the termination date.

14.1.4 The Employer does not adopt a new arrangement that would be aggregated with the Plan under Section 1.409A-1(c) of the Treasury Regulations providing for the deferral of compensation at any time within 3 years following the date of termination of the Plan.

14.1.5 The termination does not occur proximate to a downturn in the financial health of the Employer.

Distribution of benefits shall occur in the same tax year for all Participants.

14.2 Termination and liquidation of the Plan Upon Change in Control Event. If the Employer terminates the Plan within thirty days preceding or twelve months following a Change in Control Event, the vested Deferred Compensation Account of each Participant shall become payable to the Participant in a lump sum within twelve months following the date of termination, subject to the requirements of Section 409A of the Code. Distribution of benefits shall occur in the same tax year for all Participants.

14.3 Termination and liquidation of the Plan upon Corporate Dissolution. The Plan may be terminated within 12 months of a corporate dissolution taxed under Section 331, or with the approval of a bankruptcy court provided the amounts deferred under the plan are included in the Participant's gross income as required under Section 409A of the Code.

## **Section 15. Communication to Participants**

The Employer shall make a copy of the Plan available for inspection by Participants and Beneficiaries during reasonable hours at the principal office of the Employer.

## Section 16. Claims Procedure

The following claims procedure shall apply with respect to the Plan:

16.1 Filing of a Claim for Benefits. If a Participant or Beneficiary (the "claimant") believes there is an entitlement to benefits by the claimant under the Plan which is not being paid or which is not being accrued for the claimant's benefit, the claimant shall file a written claim therefore with the Committee.

16.2 Notification to Claimant of Decision. Within 90 days after receipt of a claim by the Committee (or within 180 days if special circumstances require an extension of time), the Committee shall notify the claimant of the decision with regard to the claim. In the event of such special circumstances requiring an extension of time, there shall be furnished to the claimant prior to expiration of the initial 90-day period written notice of the extension, which notice shall set forth the special circumstances and the date by which the decision shall be furnished. If such claim shall be wholly or partially denied, notice thereof shall be in writing and worded in a manner calculated to be understood by the claimant, and shall set forth: (i) the specific reason or reasons for the denial; (ii) specific reference to pertinent provisions of the Plan on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and (iv) an explanation of the procedure for review of the denial and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under ERISA following an adverse benefit determination on review.

16.3 Procedure for Review. Within 60 days following receipt by the claimant of notice of denying a claim, in whole or in part, or, if such notice shall not be given, within 60 days following the latest date on which such notice could have been timely given, the claimant may appeal denial of the claim by filing a written application for review with the Committee. Following such request for review, the Committee shall fully and fairly review the decision denying the claim. Prior to the decision of the Committee, the claimant shall be given an opportunity to review pertinent documents and to submit issues and comments in writing.

16.4 Decision on Review. The decision on review of a claim denied in whole or in part by the Committee shall be made in the following manner:

16.4.1 Within 60 days following receipt by the Committee of the request for review (or within 120 days if special circumstances require an extension of time), the Committee shall notify the claimant in writing of its decision with regard to the claim. In the event of such special circumstances requiring an extension of time, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension.

16.4.2 With respect to a claim that is denied in whole or in part, the decision on review shall set forth specific reasons for the decision, shall be written in a manner calculated to be understood by the claimant, and shall set forth:

- (i) the specific reason or reasons for the adverse determination;
- (ii) specific reference to pertinent Plan provisions on which the adverse determination is based;
- (iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and
- (iv) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain the information about such procedures, as well as a statement of the claimant's right to bring an action under ERISA section 502(a).

16.4.3 The decision of the Committee shall be final and conclusive.

16.5 Action by Authorized Representative of Claimant. All actions set forth in this Section 16 to be taken by the claimant may likewise be taken by a representative of the claimant duly authorized by the claimant to act on the claimant's behalf on such matters. The Committee may require such evidence of the authority to act of any such representative as it may reasonably deem necessary or advisable.

16.6 Disability Claims. Notwithstanding any provision of the Plan to the contrary, if a claim for benefits is based on Disability, the following claims procedures shall apply: The Committee shall maintain a procedure under which any Participant or Beneficiary can file a claim for benefits under this Plan based on Disability.

16.6.1 After receiving a claim for benefits, the Committee will notify the Participant or Beneficiary of its claim determination within 45 days of the receipt of the claim. This period may be extended by 30 days if an extension is necessary to process the claim due to matters beyond the control of the Committee. A written notice of the extension, the reason for the extension and when the Committee expects to decide the claim, will be furnished to the Participant or Beneficiary within the initial 45-day period. This period may be extended for an additional 30 days beyond the original extension. A written notice of the additional extension, the reason for the additional extension and when the Committee expects to decide the claim, will be furnished to the Participant or Beneficiary within the first 30-day extension period if an additional extension of time is needed. However, if a period of time is extended due to a Participant or Beneficiary's failure to submit information necessary to decide a claim, the period for making the benefit determination by the Committee will be tolled from the date on which the notification of the extension is sent to the Participant or Beneficiary until the date on which the Participant or Beneficiary responds to the request for additional information.

16.6.2 If a claim for benefits is denied, in whole or in part, a Participant or Beneficiary or an authorized representative, will receive a written notice of the denial. The notice will follow the rules of 29 C.F.R. § 2560.503-1(o) for culturally and linguistically appropriate notices and will be written in a manner calculated to be understood by the Participant or Beneficiary. The notice will include:

- (i) the specific reason(s) for the denial,
- (ii) references to the specific Plan provisions on which the benefit determination was based,
- (iii) a description of any additional material or information necessary to perfect a claim and an explanation of why such information is necessary,
- (iv) a description of the Committee's appeals procedures and applicable time limits, including, to the extent applicable, a statement of the right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review,

(v) a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (i) the views presented by the claimant to the Committee of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (ii) the views of medical or vocational experts whose advice was obtained on behalf of the Committee in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (iii) a disability determination regarding the claimant presented by the claimant to the Committee made by the Social Security Administration,

(vi) if the determination is based on medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the relevant medical circumstances, or a statement that such explanation will be provided free of charge upon request,

(vii) either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination, or a statement that such rules, guidelines, protocols, standards, or other similar criteria of the Plan do not exist, and

(viii) a statement that the Participant or Beneficiary is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits.

16.6.3 If a claim for benefits is denied, a Participant, Beneficiary, or representative, may appeal the denied claim in writing within 180 days of receipt of the written notice of denial. The Participant or Beneficiary may submit any written comments, documents, records and any other information relating to the claim. Upon request, the Participant or Beneficiary will also have access to, and the right to obtain copies of, all documents, records and information relevant to the claim free of charge.

16.6.4 A full review of the information in the claim file and any new information submitted to support the appeal will be conducted. The claim decision will be made by a first review appeals committee appointed by the Employer. This committee will consist of individuals who were not involved in the initial benefit determination, nor will such individuals be subordinate to any person involved in the initial benefit determination. This review will not afford any deference to the initial benefit determination.

16.6.5 If the initial adverse decision was based in whole or in part on a medical judgment, the first review appeals committee will consult with a healthcare professional who has appropriate training and experience in the field of medicine involved in the medical judgment, was not consulted in the initial adverse benefit determination and is not a subordinate of the healthcare professional who was consulted in the initial adverse benefit determination.

16.6.6 Before an adverse benefit determination on review is issued, the first review appeals committee will provide the Participant or Beneficiary, free of charge, with any new or additional evidence considered, relied upon, or generated by the committee or other person making the benefit determination (or at the direction of the committee or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to give the Participant or Beneficiary a reasonable opportunity to respond prior to that date.

16.6.7 Before the first review appeals committee issues an adverse benefit determination on review based on a new or additional rationale, the committee will provide the Participant or Beneficiary, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to give the Participant or Beneficiary a reasonable opportunity to respond prior to that date.

16.6.8 The first review appeals committee will make a determination on an appealed claim within 45 days of the receipt of an appeal request. This period may be extended for an additional 45 days if the committee determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the committee expects to render a decision will be furnished to the Participant or Beneficiary within the initial 45-day period. However, if the period of time is extended due to a Participant's or Beneficiary's failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent until the date on which the Participant or Beneficiary responds to the request for additional information.

16.6.9 If the claim on appeal is denied in whole or in part, a Participant or Beneficiary will receive a written notification of the denial. The notice will follow the rules of 29 C.F.R. § 2560.503-1(o) for culturally and linguistically appropriate notices and will be written in a manner calculated to be understood by the claimant. The notice will include:

- (i) the specific reason(s) for the adverse determination,
- (ii) references to the specific Plan provisions on which the determination was based,
- (iii) a statement regarding the right to receive upon request and free of charge reasonable access to, and copies of, all records, documents and other information relevant to the benefit claim,
- (iv) a description of the first review appeals committee's review procedures and applicable time limits, including a statement of the right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review,

(v) a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (i) the views presented by the claimant to the committee of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (ii) the views of medical or vocational experts whose advice was obtained by or on behalf of the committee in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (iii) a disability determination regarding the claimant presented by the claimant to the committee made by the Social Security Administration,

(vi) if the determination is based on medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the relevant medical circumstances, or a statement that such explanation will be provided free of charge upon request, and

(vii) either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination, or a statement that such rules, guidelines, protocols, standards, or other similar criteria of the Plan do not exist.

16.6.10 If the appeal of the benefit claim denial is denied, a Participant, Beneficiary, or representative, may make a second appeal of the denial in writing to the Committee within 180 days of the receipt of the written notice of denial. The Participant or Beneficiary may submit with the second appeal any written comments, documents, records and any other information relating to the claim. Upon request, the Participant or Beneficiary will also have access to, and the right to obtain copies of, all documents, records and information relevant to the claim free of charge.

16.6.11 Upon receipt of the second appeal, a full review of the information in the claim file and any new information submitted to support the appeal will be conducted. The claim decision will be made by a second review appeals committee appointed by the Employer. This committee will consist of individuals who were not involved in the initial benefit determination or the first review appeals committee, nor will such individuals be subordinate to any person involved in the initial benefit or first appeal determination.

16.6.12 If the first appeal was based in whole or in part on a medical judgment, the second appeals review committee will consult with a healthcare professional who has appropriate training and experience in the field of medicine involved in the medical judgment, was not consulted in the initial adverse benefit determination nor in the first appeal and is not a subordinate of the healthcare professional(s) consulted in the initial adverse benefit determination and first appeal.

16.6.13 Before the second appeals review committee issues a denial of the second claim appeal, the committee will provide the Participant or Beneficiary, free of charge, with any new or additional evidence considered, relied upon, or generated by the committee or other person making the benefit determination (or at the direction of the committee or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to give the Participant or Beneficiary a reasonable opportunity to respond prior to that date.

16.6.14 Before the second review appeals committee issues a denial of the second claim appeal based on a new or additional rationale, the committee will provide the Participant or Beneficiary, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to give the Participant or Beneficiary a reasonable opportunity to respond prior to that date.

16.6.15 The second appeals review committee will make a determination on the second claim appeal within 45 days of the receipt of the appeal request. This period may be extended for an additional 45 days if the committee determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the committee expects to render a decision will be furnished to the Participant or Beneficiary within the initial 45-day period. However, if the period of time is extended due to the Participant's or Beneficiary's failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent until the date on which the Participant or Beneficiary responds to the request for additional information.

16.6.16 If the claim on appeal is denied in whole or in part for a second time, the Participant or Beneficiary will receive a written notification of the denial. The notice will follow the rules of 29 C.F.R. § 2560.503-1(o) for culturally and linguistically appropriate notices and will be written in a manner calculated to be understood by the applicant. The notice will include the same information that was included in the first adverse determination letter and will identify the contractual limitations period that applies to the Participant's or Beneficiary's right to bring an action under section 502(a) of ERISA including the calendar date on which the contractual limitations period expires for the claim.

16.6.17 A claimant may not commence a judicial proceeding against any person, including the Committee, the Employer, the Board, the first or second appeals review committee(s), or any other person or committee, with respect to a claim for benefits without first exhausting the claims procedures set forth in the preceding paragraphs. No suit or legal action contesting in whole or in part any denial of benefits under the Plan shall be commenced later than the earlier of (i) the first anniversary of (A) the date of the notice of the Committee's final decision on appeal, or (B) if the claimant fails to request any level of administrative review within the timeframe permitted under this Section 16.6, the deadline for requesting the next level of administrative review, and (ii) the last date on which such legal action could be commenced under the applicable statute of limitations under ERISA (including, for this purpose, any applicable state statute of limitations that applies under ERISA to such legal action).

16.6.18 A claimant has the right to request a written explanation of any violation of these claims procedures. The Committee will provide an explanation within 10 days of the request.

## **Section 17. Miscellaneous Provisions**

17.1 Set off. The Employer may at any time offset a Participant's Deferred Compensation Account by an amount up to \$5,000 to collect the amount of any loan, cash advance, extension of other credit or other obligation of the Participant to the Employer that is then due and payable in accordance with the requirements of Section 409A of the Code.

17.2 Notices. Each Participant who is not in Service and each Beneficiary shall be responsible for furnishing the Committee or its designee with the current address, and direct deposit information if desired, for the mailing of notices and benefit payments. Any notice required or permitted to be given to such Participant or Beneficiary shall be deemed given if directed to such address and mailed by regular United States mail, first class, postage prepaid. If any benefit distribution is rejected or returned to the Employer, benefit payments will be suspended until the Participant or Beneficiary furnishes the proper information. This provision shall not be construed as requiring the mailing of any notice or notification otherwise permitted to be given by posting or by other publication.

17.3 Lost Distributees. A benefit shall be deemed forfeited if the Committee is unable to locate the Participant or Beneficiary to whom payment is due by the fifth anniversary of the date payment is to be made or commence; provided, that the deemed investment rate of return pursuant to Section 8.2 shall cease to be applied to the Participant's account following the first anniversary of such date; provided further, however, that such benefit shall be reinstated if a valid claim is made by or on behalf of the Participant or Beneficiary for all or part of the forfeited benefit. The Employer and Committee will be responsible for determining whether unclaimed property laws are applicable to forfeited benefits.

17.4 Reliance on Data. The Employer and the Committee shall have the right to rely on any data provided by the Participant or by any Beneficiary. Representations of such data shall be binding upon any party seeking to claim a benefit through a Participant, and the Employer and the Committee shall have no obligation to inquire into the accuracy of any representation made at any time by a Participant or Beneficiary.

17.5 Headings. The headings and subheadings of the Plan have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.

17.6 Continuation of Employment. The establishment of the Plan shall not be construed as conferring any legal or other rights upon any Employee or any persons for continuation of employment, nor shall it interfere with the right of the Employer to discharge any Employee without regard to the effect thereof under the Plan.

17.7 Merger or Consolidation; Assumption of Plan. No Employer shall consolidate or merge into or with another corporation or entity, or transfer all or substantially all of its assets to another corporation, partnership, trust or other entity (a "Successor Entity") unless such Successor Entity shall assume the rights, obligations and liabilities of the Employer under the Plan and upon such assumption, the Successor Entity shall become obligated to perform the terms and conditions of the Plan. Nothing herein shall prohibit the assumption of the obligations and liabilities of the Employer under the Plan by any Successor Entity.

17.8 Construction. The Employer shall designate in the Adoption Agreement the state or commonwealth according to whose laws the provisions of the Plan shall be construed and enforced, except to the extent that such laws are superseded by ERISA and the applicable requirements of the Code.

17.9 Taxes. The Employer or other payor may withhold a benefit payment under the Plan or a Participant's wages, or the Employer may reduce a Participant's Deferred Compensation Account balance, in order to meet any federal, state, or local or employment tax withholding obligations with respect to Plan benefits, as permitted under Section 409A of the Code. The Employer or other payor shall report Plan payments and other Plan-related information to the appropriate governmental agencies as required under applicable laws.

17.10 Administration Fees. Any Plan or Plan related fees related to the administration of the Plan shall be paid by the Employer.

17.11 Savings Clause. To the extent that any of the provisions of the Plan are found by a court of competent jurisdiction to be illegal, invalid, or unenforceable for any reason, such provision shall be deleted, and the balance of the Plan shall not be affected.

# ***First Community Bankshares, Inc.***

## ***Insider Trading Policy***

### **OVERVIEW**

This document sets forth the policy of First Community Bankshares, Inc. (the “Corporation”) regarding trading in the stock and other securities of the Corporation by Insiders (as defined below) and, where applicable, the disclosure of such transactions. This Policy also addresses trading of stock and other securities of other corporations where Material, Non-Public information is gained in the course of employment with the Corporation.

### **PURPOSE**

The purpose of this Policy is to promote compliance with applicable securities laws by the Corporation and all directors, officers, and employees thereof, as well as the directors, officers, and employees of its subsidiaries, in order to preserve the reputation and integrity of the Corporation and all persons affiliated with the Corporation.

### **PERSONS SUBJECT TO THE POLICY**

This Policy applies to all directors, officers and employees of the Corporation and its subsidiaries as well as the Corporation itself. The Corporation may also determine that other persons should be subject to this Policy, such as agents and advisors to the Corporation who have access to material nonpublic information. This Policy also applies Related Persons, as defined below.

### **TRANSACTIONS SUBJECT TO THE POLICY**

This Policy applies to purchases and sales of the securities of the Corporation (the “Corporation Securities”) and bona fide gifts of the Corporation Securities if the donor knows or has reason to believe that the recipient will likely sell the Corporation Securities soon after receiving them.

### **GENERAL OBJECTIVES**

Reserved.

### **STATEMENT OF NEED AND DEFINITION**

If a director, officer or any employee of the Corporation or subsidiary or any agent or advisor of the Corporation or subsidiary has Material, Nonpublic information (as defined below) relating to the Corporation, it is the Corporation’s policy that neither that person nor any Related Person (as defined below) may buy, sell, or gift securities of the Corporation (the “Corporation Securities”) or engage in any other action to take advantage of that information or enable others to do so. This Policy also applies to material, nonpublic information relating to any other corporation with publicly-traded securities, including customers or suppliers of the Corporation, obtained in the course of employment by or association with the Corporation.

### **SPECIFIC GOALS**

Reserved.

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## **POLICY ELEMENTS**

### **Board of Directors Responsibilities**

The Board of Directors of the Corporation (the "Board") shall have responsibility for final approval of this Policy and ensuring management has sufficient resources to carry out the directives of this Policy.

### **The Audit Compliance and Enterprise Risk Committee**

The Audit Compliance and Enterprise Risk Committee ("ACER") shall recommend changes to this Policy to the Board, as necessary.

### **Specific Management or Employee Responsibilities**

#### **GENERAL COUNSEL**

The General Counsel shall be responsible for the formation and implementation of this Policy and for providing reports on ongoing insider trading compliance matters, including any disciplinary actions, regarding the Policy to ACER, or the full Board of Directors, if requested, as necessary. General Counsel in consultation with the Chief Executive Officer and/or President may add or remove individuals from the attached lists as necessary.

#### **INSIDER TRADING OFFICER**

The General Counsel or their designee shall serve as the Insider Trading Officer. The Insider Trading Officer shall perform, or ensure performance of, the following:

- Pre-clearing all transactions involving Corporation Securities by Section 16 Insiders(as defined in the Designated Insider Addendum), and as otherwise necessary for other Insiders.
  - Assisting, as requested, in the preparation and filing of Section 16 reports (Forms 3, 4 and 5) for all Section 16 Insiders, and other applicable reports (whether filed by the Corporation or the individual).
  - Coordinating with the Corporation's designated recipient of copies of reports filed with the SEC by Section 16 Insiders under Section 16 of the Exchange Act and other reports required by applicable disclosure rules.
  - Ensuring that the Corporation will be able to comply with any securities law disclosure rules, either currently in force or that may be adopted in the future, that apply to the Corporation and relate to insider transactions involving Corporation stock. Performing periodic cross-checks of available materials, which may include Forms 3, 4 and 5, Form 144, officers' and directors' questionnaires and reports received from the Corporation's stock administrator and transfer agent, to determine trading activity by officers, directors and others who have, or may have, access to material nonpublic information.
  - Insuring that a current version of this Policy is available at all times on the Corporation's Investor Relations site.
  - Circulating this Policy to all employees and directors of the Corporation, on an annual basis, ensuring that this Policy is provided to new employees, and otherwise ensuring that appropriate education of affected individuals is accomplished.
  - Annually obtaining a signed acknowledgment of receipt of the Policy from all employees and directors and employees and directors of subsidiaries.
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- Quarterly announcing the ending of regular blackout periods and identifying and notifying all Insiders subject to any special blackout periods of the same.

### **Definitions**

#### **INSIDER**

Any person who possesses Material, Nonpublic information is considered an Insider as to that information. Insiders include Corporation and subsidiary directors, officers, employees, independent contractors and those persons in a special relationship with the Corporation, such as its auditors, consultants or attorneys. The definition of Insider is transaction specific; that is, an individual is an Insider with respect to each Material, Nonpublic item of which he or she is aware.

To avoid even the appearance of impropriety, additional restrictions on trading Corporation Securities apply to directors, executive officers, and certain employees who are assumed to regularly possess inside information (the “Designated Insiders”). These Designated Insiders are identified on Attachment A and must comply with the Designated Insiders Addendum to this Insider Trading Policy in addition to the general requirements contained in this Policy.

#### **MATERIAL INFORMATION**

The materiality of a fact depends on the circumstance. Accordingly, it is not possible to define all categories of Material information. However, information should be regarded as material if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security or where the fact is likely to have a significant effect on the market price of the security. Material information can be positive or negative and can relate to virtually any aspect of a corporation’s business or to any type of security – debt or equity.

While it may be difficult to determine whether particular information is material or not, there are some categories of information that are particularly sensitive and that should almost always be considered material. Examples include, but are not limited to:

- Unpublished financial results and projections (especially to the extent the Corporation’s own expectations regarding its future financial results differ from analysts’ expectations);
  - Corporate transactions, such as a merger or acquisition;
  - Significant changes in corporate objectives or policies likely to have a material financial impact;
  - A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
  - The establishment of a repurchase program for the Corporation Securities;
  - The existence of severe liquidity problems;
  - Gain or loss of a major customer or supplier likely to have a material financial impact;
  - Major changes to product offerings likely to have a material financial impact;
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- Changes in executive management;
- A significant cybersecurity incident;

Changes in the Corporation's independent registered public accounting; or firm or material accounting policies.

Again, the categories on this list are only to be used as examples. Many other types of information may be considered Material depending on the circumstances. If an Insider has any questions regarding whether information he or she possesses is material or not, that person should contact the Insider Trading Officer.

#### **NONPUBLIC INFORMATION**

Information about the Corporation is considered to be Nonpublic if it is known within the Corporation but not yet disclosed to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors. The Corporation generally discloses information to the public either via press release or in the regular quarterly and annual reports that the Corporation is required to file with the SEC. The circulation of rumors, even if accurate and reported in the media, no matter how widespread, does not constitute effective public dissemination.

In addition, even after a public announcement of Material information, a reasonable period of time must elapse in order for the market to react to the information. Accordingly, this Policy generally requires that, for information to be considered "public," it must have been publicly available, through press release or otherwise, for at least two full trading days unless the Corporation sets and communicates an alternative time period in certain instances. If an Insider has any questions regarding whether any information he or she possesses is Nonpublic, that person should contact the Insider Trading Officer.

#### **RELATED PERSON**

For purposes of this Policy, a Related Person is an Insider's spouse, minor children and anyone else living in their household; partnerships in which they are a general partner; closely held corporations and LLC's for which they are an officer, manager or member; trusts of which they are a trustee; estates of which they are an executor; and other equivalent legal entities that they control. Although an Insider's other family members, such as parents or siblings, are not automatically considered Related Persons (unless living in the same household), they may be a Tippee (as defined below) for securities laws purposes.

For purposes of this Policy, any transactions involving Corporation Securities in which Related Persons engage, or by family trusts, partnerships, foundations and similar entities over which Insiders or Related Parties have control, or whose assets held for the benefit of Insiders or Related Parties, are the same as transactions by the Insider. Insiders are responsible for making sure that such persons and entities do not engage in any transaction that would violate this Policy.

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## **General Rules**

The following are the general rules of the Corporation's Insider Trading Policy that apply to Insiders. Additional rules apply to Designated Insiders. It is very important that all directors, officers, and employees understand and follow these rules because any violation may subject the offender to disciplinary action by the Corporation (including termination of employment for cause) and civil and criminal penalties, including fines and imprisonment. This Policy is intended to assist in complying with laws against insider trading; however, it is each individual's responsibility to comply with said laws and exercise appropriate judgment in connection with any trade in Corporation Securities.

### **NON-DISCLOSURE OF MATERIAL NONPUBLIC INFORMATION**

Material, Nonpublic information must not be disclosed to anyone, except the persons within the Corporation or third-party agents of the Corporation (such as investment banking advisors and outside legal counsel) whose positions require them to know it, until such information has been publicly released by the Corporation.

### **PROHIBITED TRADING IN CORPORATION SECURITIES**

No person may place a purchase or sell order or recommend that another person place a purchase or sell order in Corporation Securities (including initial elections, changes in elections or reallocation of funds relating to 401(k) plan accounts) when he or she has knowledge of Material, Nonpublic information concerning the Corporation. Loans, pledges, gifts, charitable donations and other contributions of Corporation Securities are also subject to this Policy.

### **TWENTY-TWENTY HINDSIGHT**

If securities transactions ever become the subject of scrutiny, they are likely to be viewed after-the-fact with the benefit of hindsight. As a result, before engaging in any transaction an Insider should carefully consider how his or her transaction may be construed in hindsight. Again, in the event of any questions or uncertainties about the Policy, please consult the Insider Trading Officer or someone that he or she has delegated responsibility for advising of the Policy.

### **"TIPPING" INFORMATION TO OTHERS**

Insiders may be liable for communicating or tipping Material, Nonpublic information to any third party (a Tippee), not limited to just Related Persons. Further, insider trading violations are not limited to trading or tipping by Insiders. Persons other than Insiders also can be liable for insider trading, including Tippees who trade on Material, Nonpublic information tipped to them and individuals who trade on Material, Nonpublic information which has been misappropriated.

Tippees inherit an Insider's duties and are liable for trading on Material, Nonpublic information illegally tipped to them by an Insider. Similarly, just as Insiders are liable for the insider trading of their Tippees, so are Tippees who pass the information along to others who trade. In other words, a Tippee's liability for insider trading is no different from that of an Insider. Tippees can obtain Material, Nonpublic information by receiving overt tips from others or through, among other things, conversations at social, business or other gatherings.

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### **AVOID SPECULATION**

Insiders and their Related Persons should not engage in any transactions that suggest they are speculating in Corporation Securities (that is, trying to profit in short-term movements in the stock price). Accordingly, Insiders and their Related Persons may not trade in options, warrants, puts and calls or similar instruments on Corporation Securities or sell Corporation Securities “short,” or “sell against the box.” A short sale involves selling shares that an Insider does not own at a specified price with the expectation that the price will go down so that person may buy the shares at a lower price before he or she must deliver them. A sale against the box is a sale of securities that are owned but are not delivered within 20 days or deposited in the mail for delivery within 5 days after the sale. A sale against the box has the same effect as a short sale.

In addition, Insiders and their Related Persons may not hold Corporation Securities in margin accounts. Investing in Corporation Securities provides an opportunity to share in the future growth of the Corporation. Investment in the Corporation and sharing in the growth of the Corporation, however, does not mean short-range speculation based on fluctuations in the market. Such activities may put the personal gain of the Insider in conflict with the best interests of the Corporation and its stockholders. Anyone may, of course, in accordance with this Policy and other Corporation policies, exercise options granted to them by the Corporation.

#### Hedging Transactions

Note that many hedging transactions, such as “cashless” collars, forward sales, equity swaps and other similar or related arrangements, may indirectly involve a short sale. The Corporation discourages Insiders from engaging in such transactions and requires that any such transaction be carefully reviewed by the Insider Trading Officer prior to the Insider entering into it to determine whether the proposed transaction may be completed or would violate this Policy.

### **TRADING IN OTHER SECURITIES**

No director, officer or employee may place purchase or sell orders or recommend that another person place a purchase or sell order in the securities of another corporation if the person learns of Material, Nonpublic information about the other corporation in the course of his/her employment with the Corporation.

### **PRE-CLEARANCE PROCEDURES**

If an Insider is unsure about whether information he or she possess would qualify as Material, Nonpublic information and whether that person therefore should refrain from trading in the Corporation’s stock, the Insider should pre-clear any transactions involving Corporation stock that he or she intends to engage in with the Insider Trading Officer. The

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Insider Trading Officer is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction. If a person seeks pre-clearance and permission to engage in the transaction is denied, then he or she should refrain from initiating any transaction in Corporation Securities, and should not inform any other person of the restriction.

#### **SPECIAL BLACKOUT PERIODS**

Designated Insiders are subject to reoccurring regular blackout periods as described in the Designated Insider Addendum. In addition to the regularly-scheduled blackout periods, the Corporation may from time to time designate other periods as special blackout periods (for example, if there is some development with the Corporation's business that merits a suspension of trading by certain Corporation and/or subsidiary employees and directors). The Corporation will notify those Insiders who it believes to be in possession of the triggering Material, Non-Public Information of the special blackout. These Insiders must not trade until they have been specifically notified that such special blackout has been lifted. If the Corporation informs an Insider that the Corporation has implemented a special blackout period, the Insider shall not disclose the existence of the special blackout period or the fact that trading has been suspended to anyone (including other Corporation or subsidiary employees) other than Related Persons of the Insider who would also be prohibited from trading. Provided, however, that Insiders may discuss special blackout periods with other Insiders and Related Persons who are also subject to the special blackout period.

#### **INDIVIDUAL RESPONSIBILITY**

The responsibility for determining whether an individual is in possession of Material, Nonpublic Information rests with that individual, and any action on the part of the Corporation, the Insider Trading Officer or any other employee or director pursuant to this Policy does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. Persons subject to this Policy could be subject to severe legal penalties and disciplinary action by the Corporation for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading "Potential Criminal and Civil Liability and/or Disciplinary Action".

#### **Exceptions to the General Policies**

There are certain limited exceptions to this policy. Specifically, there are exceptions for (1) certain family trusts and other entities having an independent professional trustee; (2) certain purchases of Corporation Securities from the Corporation or sales of Corporation Securities to the Corporation under employee stock option and stock repurchase plans; and (3) certain blind trusts and pre-arranged trading programs. However, before proceeding with any transaction involving Corporation Securities pursuant to one of these exceptions, please pre-clear the activity through the Insider Trading Officer.

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**Application of Policy after Termination of an Insider's Employment**

If an Insider's employment terminates at a time when they possess Material, Nonpublic information about the Corporation or its business partners, the prohibition on trading on such information continues until such information is absorbed by the market following public announcement of it by the Corporation or another authorized party, or until such time as the information is no longer Material. If an Insider has questions as to whether he or she possess Material, Nonpublic information after that person has left the employ of the Corporation, he or she should direct questions to the Insider Trading Officer.

**Potential Criminal and Civil Liability and/or Disciplinary Action**

The penalties for "insider trading" include civil fines of up to three (3) times the profit gained or loss avoided, and criminal fines of up to One Million Dollars (\$1,000,000.00) for each violation and a term of imprisonment up to ten years. An Insider can also be liable for improper transactions in the Corporation's securities by any person to whom such Insider has disclosed Material, Nonpublic information or made recommendations on the basis of such information ("Tippee Liability"). The SEC has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges, and the National Association of Securities Dealers (NASD) use sophisticated electronic surveillance techniques to uncover insider trading.

**CONCLUSION**

Reserved.

**Approved by ACER Committee: January 23, 2024 (in Parent Board)**

**Approved by First Community Bankshares, Inc. Board of Directors: January 23, 2024**

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## ***First Community Bankshares, Inc. Insider Trading Policy Designated Insider Addendum***

The Corporation's general Insider Trading Policy is incorporated herein by reference.

The following additional policies and restrictions (the "Additional Policies") apply to Designated Insiders, including executive officers, directors and certain other officers, and employees, as designated from time to time and listed on Attachment A. If a Designated Insider violates these rules, he or she may be subject to disciplinary action by the Corporation (including termination of employment for cause). In addition, the Designated Insider could be in violation of applicable securities laws and subject to civil and criminal penalties, including fines and imprisonment. Persons subject to these Additional Policies are also subject to the general policies described in the overall Insider Trading Policy. In the event of a conflict between the overall Insider Trading Policy and this Addendum, the more restrictive requirement shall apply.

### **POLICY ELEMENTS**

#### **Standard Blackout Periods**

During the closing of each fiscal quarter and until public disclosure of the financial results for that quarter, Designated Insiders are likely to possess Material, Nonpublic information about the expected financial results for the quarter. Even if such Designated Insiders do not actually possess any such information, any trades by them during that period may give the appearance that they are trading on inside information. Accordingly, the Corporation has designated a regularly scheduled quarterly "Blackout Period" on trading beginning with the **fifteenth (15<sup>th</sup>) day of the last month of each quarter** and ending at the **close of the second full trading day** after disclosure of the quarter's financial results.

#### **Special Blackout Periods**

From time to time, an event may occur that is material to the Corporation and is known by only a few directors, officers and/or employees such as a pending merger, acquisition or other transaction. So long as the event remains Material and Nonpublic, the persons designated by the Insider Trading Officer may not engage in transactions in Corporation Securities. In addition, the Corporation's financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the Insider Trading Officer, designated persons should refrain from engaging in transactions in Corporation Securities even sooner than the quarterly standard Blackout Period described above. In that situation, the Insider Trading Officer may notify these persons that they should not trade in the Corporation's Securities, without disclosing the reason for the restriction.

#### **Designated Insiders and Related Persons are prohibited from trading during Blackout Periods.**

Designated Insiders are responsible for knowing when the Corporation's quarterly blackout periods commence and will be notified when they end. If a Designated Insider has been informed that the Corporation has implemented a special blackout period, that person shall not disclose the existence of the special blackout period or the fact that trading has been suspended to anyone (including other Corporation or subsidiary employees) other than Related Persons of the Designated Insider who would also be prohibited from trading. Provided, however, that Insiders may discuss special blackout periods with other Insiders and Related Persons who are also subject to the special blackout period. The imposition of a special blackout period should be considered Material, Nonpublic information. All "limit" orders or other pending trading orders made by Designated Insiders and their Related Persons in place during a black-out period must be cancelled (unless the orders were made pursuant to an approved Rule 10b5-1(c) trading program as described below under the heading "Rule 10b5-1 Plans").

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**Hedging or Derivative Transactions Involving Corporation Stock**

Designated Insiders may not engage in hedging or derivative transactions, such as “cashless” collars, forward contracts, equity swaps or other similar or related transactions.

**Section 16 Insider**

Certain officers of the Corporation, executive officers, members of the Corporation’s Board of Directors (“Section 16 Insiders”) and 10% stockholders must also conduct their transactions in Corporation stock in a manner designed to comply with the “short-swing” trading rules of Section 16(b) of the Securities Exchange Act of 1934. The practical effect of these provisions is that officers and directors who purchase and sell, or sell and purchase, Corporation securities within a six-month period must disgorge all profits to the Corporation whether or not they had any Material, Nonpublic information at the time of the transactions. Section 16 Insiders are listed on Attachment B.

Section 16 Insiders are also subject to additional reporting requirements. Federal securities laws require Section 16 Insiders to publicly report transactions in Corporation stock, including dispositions via bona fide gifts, on Forms 3, 4 and 5 under Section 16, Form 144 with respect to restricted and control securities, and, in certain cases, Schedules 13D and 13G. **The due date for Section 16 Insiders to file Forms 3 and 4 is two (2) business days after the transaction has been executed.** The Corporation takes these reporting requirements very seriously and requires that all persons subject to public reporting of Corporation stock transactions adhere to the rules applicable to these forms. Where issues arise as to whether reporting is technically required (particularly issues that turn on facts specific to the transaction and the individuals involved, or on unsettled issues of law), the Corporation encourages its insiders to choose to comply with the spirit and not the letter of the law – in other words, to err on the side of fully and promptly reporting the transaction even if not technically required to do so. In addition, where the Corporation is required to report transactions by individuals, the Corporation expects full and timely cooperation by the individual.

**Pre-Clearance Requirements**

Section 16 Insiders, listed on Attachment B, **must refrain from trading** in Corporation Securities, even during a Trading Window, **unless** they first comply with the Corporation’s pre-clearance procedures. To pre-clear a transaction, Section 16 Insiders must get the approval of the Insider Trading Officer before they enter into the transaction. In pre-clearing a trade, in addition to reviewing the substance of the proposed trade, the Insider Trading Officer may consider whether it will be possible for both the individual and the Corporation to comply with any applicable public reporting requirements. Section 16 Insiders should contact the Insider Trading Officer **at least 3 days** before they intend to engage in any transaction to allow enough time for pre-clearance procedures. If relying on the Corporation to make any filings with the SEC, including without limitation a Form 4, Section 16 Insiders should provide all details relative to the transaction to the

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Controller and the Insider Trading Officer within 24 hours of the consummation of the transaction. Designated Insiders should also pre-clear any time they are unsure about the status of the trading window or have questions about whether information they possess constitutes Material, Nonpublic Information.

**Purchases and Sales Prohibited During Period Surrounding Adoption of Share Repurchase Plan**

Section 16 Insiders are prohibited from purchasing or selling the Corporation Securities within 4 business days before or 4 business days after the Corporation's announcement of a Corporation repurchase plan or program or the announcement of an increase in the number of Corporation Securities that may be repurchased under an existing repurchase plan or program. '

**Rule 10b5-1 Plans**

Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, provides an affirmative defense from insider trading liability under Rule 10b-5. In order to be eligible to rely on this affirmative defense, a person subject to the Insider Trading Policy and these Additional Policies must enter into a Rule 10b5-1 plan when the person is not in possession of Material, Nonpublic information (a "Rule 10b5-1 Plan") and the Rule 10b5-1 Plan is approved by the Insider Trading Officer as set forth below.

The Corporation is required to disclose in its periodic filings with the SEC whether any Section 16 Insider has adopted, modified or terminated (i) a Rule 10b5-1 Plan (which is a plan that meets all of the requirements in Rule 10b5-1(c)) or (ii) a "non-Rule 10b5-1 trading arrangement". A non-Rule 10b5-1 trading arrangement is a written trading arrangement that complies with the old Rule 10b5-1 affirmative defense (circa 2000-2022) but does not comply with the new affirmative defense conditions in Rule 10b5-1(c) (such as the cooling off periods and the director and officer certifications). Any Rule 10b5-1 Plan or non-Rule 10b5-1 trading arrangement must be submitted to the Insider Trading Officer **for approval 5 days prior to the entry into, modification of or termination of such plan or arrangement**. During the pre-approval process, the Insider Trading Officer will obtain information regarding the plan to allow the Corporation to disclose the material terms of such plan in its periodic filing with the SEC.

**Exceptions to Additional Rules and Restrictions for Emergency, Hardship or Other Special Circumstances**

In order to respond to emergency, hardship or other special circumstances, exceptions to the prohibition against trading during Black-Out Periods will require the approval of the President and Chief Executive Officer of First Community Bankshares, Inc.

**Application of Additional Rules and Restrictions After Employment Terminates**

If a Designated Insider is subject to the black-out periods imposed by this Policy and his or her employment terminates during a black-out period (or if he or she otherwise leaves employment while in possession of material nonpublic information), that Designated Insider will continue to be subject to this Policy, and specifically to the ongoing prohibition against trading, until the black-out period ends (or otherwise until the close of the second full trading day following public announcement of the material nonpublic information).

**Approved by ACER Committee: January 23, 2024 (in Parent Board)**

**Approved by First Community Bankshares, Inc. Board of Directors: January 23, 2024**

SUBSIDIARIES OF THE REGISTRANT

Title

State of Incorporation

First Community Bank

Virginia

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement Nos. 333-183057 (as amended), 333-63865 (as amended) and 333-270322 on Form S-8 of First Community Bankshares, Inc. of our report dated March 7, 2025, relating to the consolidated financial statements and effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended December 31, 2024 and 2023.

/s/ Crowe LLP

Washington, DC  
March 7, 2025

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement (No. 333-183057) on Form S-8, in the Registration Statement (No. 333-63865, as amended), and in Registration Statement (No. 333-270322, as amended) on Form S-8 of First Community Bankshares, Inc. of our report dated February 22, 2023, relating to the consolidated financial statements of First Community Bankshares, Inc. appearing in this Annual Report on Form 10-K of First Community Bankshares, Inc.

/s/ Elliott Davis, PLLC

Charlotte, North Carolina  
March 7, 2025

## CERTIFICATION

I, William P. Stafford, II, certify that:

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

Date: March 7, 2025

/s/ William P. Stafford, II

William P. Stafford, II  
Chief Executive Officer

## CERTIFICATION

I, David D. Brown, certify that:

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

Date: March 7, 2025

/s/ David D. Brown

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David D. Brown  
Chief Financial Officer

