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

Commission File Number 0-15572

FIRST BANCORP

(Exact Name of Registrant as Specified in its Charter)

North Carolina	56-1421916
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
300 SW Broad St., Southern Pines, North Carolina	28387
(Address of Principal Executive Offices)	(Zip Code)
(Registrant's telephone number, including area code)	(910)246-2500

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, No Par Value	FBNC	The Nasdaq Global Select Market

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 of 1933. ☒ 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 Securities Exchange Act of 1934. ☐ 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 Exchange Act 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

☒ Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer

☐ Smaller Reporting Company ☐ Emerging growth company

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

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

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

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

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

The aggregate market value of the Common Stock, no par value, held by non-affiliates of the registrant, based on the closing price of the Common Stock as of June 30, 2024 as reported by The NASDAQ Global Select Market, was approximately $1,267,573,000.

The number of shares of the registrant’s Common Stock outstanding on February 21, 2025 was 41,359,298.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s Proxy Statement to be filed pursuant to Regulation 14A are incorporated herein by reference into Part III.

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* Information called for by Part III (Items 10 through 14) is incorporated herein by reference to the Registrant's definitive Proxy Statement for the 2025 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission on or before April 30, 2025.

MD&A and Financial Statement References

In this Report: "2024 MD&A" and "2024 MD&A (Item 7)" generally refer to Management's Discussion and Analysis of Financial Condition and Results of Operations (inclusive of Glossary of Terms and Acronyms below), appearing in Item 7 within Part II of this Report; and, "2024 Financial Statements" and "2024 Financial Statements (Item 8)" generally refer to our Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Comprehensive Income (Loss), Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and the Notes to the Consolidated Financial Statements, all appearing in Item 8 within Part II of this Report.

Glossary of Terms and Acronyms
The following terms and acronyms may be used throughout this Report, with the exception of Item 8.

ACL	Allowance for credit losses	Federal Reserve	Board of Governors of the Federal Reserve System
AFS	Available for sale	FFCB	Federal Farm Credit Bank
AML	The Anti-Money Laundering Act of 2020	FFIEC	Federal Financial Institutions Examination Council
AOCI	Accumulated Other Comprehensive Income/Loss	FHLB	Federal Home Loan Bank
Annual Report or Report	Annual Report on Form 10-K	FHLMC	Federal Home Loan Mortgage Corporation
ASC	FASB Accounting Standards Codification	FINCEN	Financial Crimes Enforcement Network
ASC 326	FASB ASC Topic 326, Financial Instruments – Credit Losses	FNMA	Federal National Mortgage Association
ASC 350	FASB ASC Topic 350, Intangibles - Goodwill and Other	FOMC	Federal Open Market Committee
Asheville Savings	ASB Bancorp, Inc. and its subsidiary Asheville Savings Bank SSB	GAAP	Accounting principles generally accepted in the United States of America
ATM	Automated teller machine	GDP	Gross Domestic Product
AUC	Allowance for unfunded commitments	GLBA	Gramm-Leach-Bliley Act
Bank	First Bank	GNMA	Government National Mortgage Association
Basel III	Third Installment of the Basel Committee and Banking System Accords	GrandSouth	GrandSouth Bancorp and its subsidiary GrandSouth Bank
BHC Act	Bank Holding Company Act of 1956, as amended	GSE	U.S. government-sponsored enterprise
Board	Board of Directors of the Company or the Bank	HTM	Held to maturity
BOLI	Bank owned life insurance	LIBOR	London Interbank Offered Rate
BSA	Bank Secrecy Act	Magnolia Financial	Magnolia Financial, Inc.
CARES Act	Coronavirus Aid, Relief, and Economic Safety Act	MD&A	Management's Discussion and Analysis of Results of Operations and Financial Condition
Carolina Bank	Carolina Bank Holdings, Inc. and it subsidiary Carolina Bank	NASDAQ	National Association of Securities Dealers Automated Quotations Stock Market's Global System
CDARS	Certificate of Deposit Account Registry Service	NIM	Net interest margin
CECL	Current expected credit loss model	Non-PCD	Not Purchased Financial Assets with Credit Deterioration
CEO	Chief Executive Officer	NPA(s)	Nonperforming asset(s)
CET1	Common equity tier 1	NSF	Nonsufficient funds
CFPB	Consumer Financial Protection Bureau	OFAC	Treasury's Office of Foreign Asset Control
Commissioner	North Carolina Commissioner of Banks	Patriot Act	Uniting and Strengthening American by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism
Company	First Bancorp and its consolidated subsidiaries	PCD	Purchased Financial Assets with Credit Deterioration
CRA	Community Reinvestment Act of 1977	PPP	Paycheck Protection Program
CRE	Commercial real estate	SBA	United States Small Business Administration
DIF	Deposit Insurance Fund of the FDIC	SBA Complete	SBA Complete, Inc.
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act	SEC	Securities and Exchange Commission
EPS	Earnings per share	Select	Select Bancorp, Inc. and its subsidiary Select Bank & Trust Company
Exchange Act	Securities Exchange Act of 1934, as amended	TCE	Tangible common equity
FASB	Financial Accounting Standards Board	TDR	Troubled debt restructuring
FCA	Financial Conduct Authority	Treasury	United States Department of the Treasury
FDIC	Federal Deposit Insurance Corporation	We/us/our	First Bancorp and its consolidated subsidiaries
FDM	Financial Difficulty Modifications		

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995, which statements are inherently subject to risks and uncertainties. Forward-looking statements are statements that include projections, predictions, expectations or beliefs about future events or results or otherwise are not statements of historical fact and, further, are intended to speak only as of the date made. Such statements are often characterized by the use of qualifying words (and their derivatives) such as “expect,” “believe,” "anticipate," "intend,“ "estimate,” “plan,” “project,” or other qualifications concerning our opinions or judgments about future events. Our actual results may differ materially from those anticipated in any forward-looking statements, as they will depend on many factors about which we are unsure, including many factors which are beyond our control. Factors that could influence the accuracy of such forward-looking statements include, but are not limited to, the financial success or changing strategies of our customers, our level of success in integrating acquisitions, actions of government regulators, the level of market interest rates, and general economic conditions. For additional information about factors that could affect our actual results, see the “Risk Factors” section in Item 1A of this Report.

PART I

Item 1. Business

General Description

The Company is the fourth largest bank holding company headquartered in North Carolina. At December 31, 2024, the Company had total consolidated assets of $12.1 billion, total loans of $8.1 billion, total deposits of $10.5 billion, and shareholders’ equity of $1.4 billion. Our principal activity is the ownership and operation of the Bank, a state-chartered bank with its headquarters in Southern Pines, North Carolina, through which we engage in a full range of banking activities. Our principal executive offices are located at 300 SW Broad St., Southern Pines, North Carolina 28387, and our telephone number is (910) 246-2500.

The Company was incorporated in North Carolina on December 8, 1983 for the purpose of acquiring 100% of the outstanding common stock of the Bank through a stock-for-stock exchange. The Bank began banking operations in 1935 as the Bank of Montgomery, named for the county in which it operated. In 1985, its name was changed to First Bank and in September 2013, the Company and the Bank moved their headquarters and main offices to Southern Pines, North Carolina.

As of December 31, 2024, the Bank had two wholly-owned subsidiaries, Magnolia Financial and First Troy SPE, LLC. Magnolia Financial is a business financing company that offers accounts receivable financing and factoring, inventory financing, and purchase order financing throughout the southeastern United States. First Troy SPE, LLC is a holding entity for certain foreclosed properties. SBA Complete, which was in the process of dissolution as of December 31, 2024, was formerly a subsidiary of the Bank and specialized in providing consulting services for financial institutions across the country related to SBA loan origination and servicing.

The Company is the parent of a series of statutory business trusts organized for the purpose of issuing trust preferred debt securities that qualify as regulatory capital. For purposes of the discussion below, these statutory business trusts are not included in our consolidated financial statements as they are variable interest entities and the Company is not the primary beneficiary. See additional discussion below in Item 7 under the section entitled “Borrowings” and Note 1 to the consolidated financial statements.

Acquisitions

In January, 2023, we acquired GrandSouth, a community bank headquartered in Greenville, South Carolina with $1.2 billion in total assets, $1.0 billion in loans, and $1.1 billion in deposits. GrandSouth operated from eight branches located throughout South Carolina, all of which we have continued to operate. The acquisition accomplished the Company's strategic initiative to expand its presence in South Carolina, specifically in the high-growth markets of the state including Greenville, Charleston and Columbia.

Recent acquisitions include the following:

Name of Entity	Date of Acquisition	Assets Acquired
GrandSouth Bancorp	January, 2023	$1.2 billion
Select Bancorp, Inc.	October, 2021	$1.8 billion
Magnolia Financial, Inc.	September, 2020	$15.1 million
ASB Bancorp, Inc.	October, 2017	$0.8 billion
Carolina Bank Holdings, Inc.	March, 2017	$0.7 billion

Principal Business and Services We Provide

Lending Activities

We maintain a diversified loan portfolio by providing a broad range of commercial and retail lending services to business entities and individuals. We provide commercial business loans, commercial and residential real estate construction and mortgage loans, revolving lines of credit, letters of credit, and loans for personal uses, home improvement, and automobiles. Commercial real estate loans include loans secured by owner-occupied and non-owner occupied commercial buildings for improved commercial, office, retail, and warehouse and shopping center space. Through Magnolia Financial we provide accounts receivable financing and factoring, inventory financing, and purchase order financing. We also provide used car floor-plan financing through our CarBucks division. These lines of credit are typically offered to small used car dealers and are subject to traditional floor-plan administration procedures.

We generally do not buy loan participations or portions of national credits, but we may acquire balances subject to participation agreements through acquisition. The total of loan participations purchased at December 31, 2024 was nominal.

Because the majority of our customers are individuals and small- to medium-sized businesses, we do not believe that the loss of a single customer or group of customers would have a material adverse impact on the Bank. There are no seasonal factors that tend to have any material effect on the Bank's business. Because we operate primarily within North Carolina and South Carolina, the economic conditions of these areas could have a material impact on the Company. See additional discussion below in the section entitled "Market Area and Competition."

Credit Administration and Lending Policies

Conservative lending policies and procedures and appropriate underwriting standards are high priorities of the Bank. We seek to maintain a comprehensive lending policy that meets the credit needs of each of the communities served by the Bank, including low- and moderate-income customers, and to employ lending procedures and policies consistent with this approach. All loans are subject to our loan policy and financing guide, which are reviewed annually and updated as needed. Our lending policy requires, among other things, an analysis of the borrower's projected cash flow and ability to service the debt.

Individual lending authority is assigned by the Bank's Chief Credit Officer. Loans are approved under our loan policy, which provides that lending officers have sole authority to approve loans of various amounts commensurate with their seniority, experience and needs within the market. All requests for extensions of credit in excess of any individual lending officer's authority are reviewed by one of our regional credit officers, who can approve loans up to their respective lending authority of $10 million. When the request for approval exceeds the authority level of the regional credit officer, the request is then reviewed for approval by the Bank's Chief Credit Officer who has $25 million in lending authority. For loans in excess of this amount, the Chief Executive Officer, the President and the Chief Credit Officer have joint authority to approve loans up to the in-house limit of $150 million. The Board, generally through its Executive Loan Committee, approves loans in excess of the in-house limit. In addition, the Executive Loan Committee reviews and approves loans to executive officers, directors, and their affiliates and recommends those loans to the Board for its approval.

Our legal lending limit to any one borrower is approximately $213.6 million. All lending authorities are based on the borrower's total credit exposure, which is an aggregate of the Bank's lending relationship with the borrower either directly or indirectly through loan guarantees or other borrowing entities related to the borrower through ownership or other control relationship.

We continually monitor our loan portfolio to identify areas of concern and to enable us to take corrective action. Lending and credit administration officers and the Board meet periodically to review past due loans and portfolio quality, the status of large loans and certain other credit or economic related matters which may impact the risk in the portfolio. Individual lending officers are responsible for monitoring any changes in the financial status of borrowers and pursuing collection of early-stage past due amounts. For certain types of loans that exceed our established parameters of past due status, the Bank's Asset Resolution Group assumes the management of the loans, and in some cases we engage a third-party firm to assist in collection efforts. Loans that are serviced by others, such as certain residential mortgage loans, are monitored by the Bank's credit officers, although ultimate collection of past due amounts is the responsibility of the servicing agents.

The Bank has an internal loan review department that conducts on-going and targeted reviews of the Bank's loan portfolio and assesses the Bank's adherence to loan policies, risk grading, and accrual policies. Reports are generated for management based on these activities and findings are used to adjust risk grades as deemed appropriate. In addition, these reports are shared with the Board. The loan review department also provides training assistance to the Bank's training and credit administration departments.

To further assess the Bank's loan portfolio, in addition to the Bank's internal loan review department, we also contract with an independent consulting firm to perform independent assessments, including reviewing new loan originations meeting certain criteria and reviewing risk grades of existing credits meeting certain thresholds. The consulting firm's observations, comments, and risk grade recommendations, including variances with the Bank's risk grades, are shared with the Audit Committee of the Board and are considered by management in setting Bank policy, and in evaluating the adequacy of our ACL.

Loan Concentrations

Our commercial loan portfolio consists predominately of owner-occupied real estate and non-owner occupied income-producing real estate and land development loans, which are primarily secured by real estate located in North Carolina and South Carolina. In order to monitor the portfolio for possible concentrations, we categorize our CRE loans by regulatory categories, including multi-family, retail, warehouse, office, healthcare, hotel/motel, and other commercial real estate. As of December 31, 2024, the largest categories of CRE loans as a percentage of total loans were retail at approximately 14%, followed by office, of which non owner-occupied was approximately 6% and owner-occupied was approximately 3%, commercial at approximately 7% and warehouse at approximately 6%. These CRE categories are within management's guidelines as a percent of total capital. The loans within these categories are generally secured by real estate and are therefore susceptible to changes in real estate valuations and other market disruptions. The loans were originated using underwriting standards as set forth by management. Our loan policies are focused on the risk characteristics of the loan portfolio, including commercial real estate loans, in terms of loan approval and credit quality. It is the opinion of management that these loans do not pose any unusual risks and that adequate consideration has been given to the above loans in establishing the ACL.

Most of our business activity is with customers located within the markets where we have banking operations. The following table presents our total lending exposure in the counties with the largest percentage of our loan portfolio as of December 31, 2024 and 2023. These percentages represent the geographic location of the customer, which may or may not also be the location of the loan collateral.

	2024	2023
Wake County, North Carolina	9.7 %	10.1 %
New Hanover County, North Carolina	8.9 %	8.1 %
Mecklenburg County, North Carolina	7.8 %	7.6 %
Buncombe County, North Carolina	5.2 %	5.3 %
Guilford County, North Carolina	4.9 %	5.0 %

No other market (as defined by county) had total loans outstanding in excess of 5% of the total portfolio at either period presented. We have no significant concentrations in a few borrowers or in individual Metropolitan Statistical Areas. Therefore, while our exposure to credit risk is affected by changes in the economy within our markets, the risk is not significantly concentrated.

Investment Activities

Our investment policy is designed to maximize our income from funds not needed to meet loan demand in a manner consistent with appropriate liquidity and risk objectives. Pursuant to this policy, we may invest in U.S. government

bonds, GSEs, mortgage-backed securities, collateralized mortgage obligations, commercial mortgage-backed securities, state and municipal obligations, public housing authority bonds, and, to a limited extent, corporate bonds. Investments are subject to concentration and maturity limits to avoid unnecessary risks. We may also invest in time deposits with other financial institutions up to a defined limit.

Investments in our portfolio must satisfy certain quality criteria. In making investment decisions, we do not solely rely on credit ratings to determine the creditworthiness of an issuer of securities, but we use credit ratings in conjunction with other information when performing due diligence prior to the purchase of a security. Investments must be “investment-grade” as determined by a nationally recognized investment rating service. Securities rated below Moody’s BAA or Standard and Poor’s BBB generally will not be purchased. Securities rated below a single-A rating are periodically reviewed for creditworthiness. We may purchase non-rated municipal bonds only if the issues of bonds are located in our general market area and we determine these bonds have a credit risk no greater than the minimum ratings referred to above. We also are authorized by our Board to invest a portion of our securities portfolio in high quality corporate bonds, with the amount of such bonds not to exceed 15% of the entire securities portfolio. Prior to purchasing a corporate bond, the Bank’s management performs due diligence on the issuer of the bond, and the purchase is not made unless we believe that the purchase of the bond bears no more risk to the Bank than would an unsecured loan to the same company. On a periodic basis, as determined based on materiality and other relevant factors, we review the financial statements of the issuers of the corporate bonds that we own for any signs of deterioration so that we can take timely action if deemed necessary.

Our Chief Investment Officer implements the investment policy, monitors the investment portfolio, recommends portfolio strategies, and reports to the Bank’s Asset Liability Committee ("ALCO"), which also has oversight of the Bank's investment activities. ALCO generally meets at least quarterly and reviews investment activity, portfolio composition, portfolio tenure, and other elements as necessary to assess the overall position of the securities portfolio and risk of the portfolio relative to the overall balance sheet. In addition, reports of all purchases, sales, issuer calls, net profits or losses and market appreciation or depreciation of the securities portfolio are reviewed by the Board. Once a quarter, our interest rate risk exposure is evaluated by ALCO and a summary report is presented to the Board. A subset of the Bank's ALCO meets more regularly to evaluate a number of possible interest rate related activities. Each year, our written investment policy is reviewed by the Board and appropriate changes are made.

Deposits

We offer a full range of deposit accounts and services to both retail and commercial customers. These deposit accounts have a variety of interest rates and terms and consist of interest-bearing and noninterest-bearing accounts, including commercial and retail checking accounts, savings accounts, money market accounts, and time deposits, including various types of certificates of deposits and individual retirement accounts. The Bank is a member of the CDARS program, which gives our customers the ability to obtain FDIC insurance on deposits of up to $50 million, while continuing to work directly with their local First Bank deposit team.

Brokered deposits are deposits obtained by utilizing an outside broker that is paid a fee. The Bank utilizes brokered deposits to accomplish several purposes, such as acquiring a certain maturity and dollar amounts without repricing the deposits of the Bank’s current customers (which could increase or decrease the overall cost of deposit), and to help manage interest rate risk.

Other Funding Sources

The FHLB of Atlanta allows us to obtain advances through its credit program. These advances are secured by qualifying loans secured by real estate, including residential mortgage loans, home equity lines of credit and commercial real estate loans.

If appropriate, subordinated debentures or senior debt may be used to augment our funding sources. The availability of these funding sources is subject to broad economic conditions, regulation and investor assessment of our financial strength and, as such, the cost of funds may fluctuate significantly and/or the availability of such funds may be restricted, thus impacting our net interest income, our immediate liquidity and/or our access to additional liquidity. The proceeds of these issuances could be downstreamed to the Bank as common equity at the Bank level.

As additional sources of funding, we maintain credit arrangements with various other financial institutions to purchase federal funds and participate in the Federal Reserve's discount window borrowings program.

Other Services

We also offer credit cards, debit cards, letters of credit, safe deposit box rentals, and electronic funds transfer services, including wire transfers. In addition, to enhance the convenience of our customers, we provide internet banking, mobile banking and mobile check deposit, cash management, remote deposit capture, bank-by-phone capabilities, and ATMs across our branch network.

We offer various ancillary services as part of our commitment to customer service. Through a contractual relationship, we offer the placement of property and casualty insurance. We also provide non-FDIC insured investment and insurance products, including mutual funds, annuities, long-term care insurance, life insurance, and company retirement plans, as well as financial planning services through FB Wealth Management Services, our Investments Division.

Market Area and Competition

We are a community-oriented commercial bank offering a wide variety of financial services to meet the needs of the communities we serve. As of December 31, 2024, we conducted business from 113 branches, with 100 branch offices located across North Carolina and 13 branches in South Carolina.

Our branches and facilities are located in small- to medium-sized communities and in larger metropolitan areas with economies based primarily on a variety of industries, including services and manufacturing. Our branch footprint includes larger North Carolina cities, including Charlotte, Raleigh (Triangle region), Greensboro/Winston-Salem (Triad region), Asheville and Wilmington, and larger South Carolina cities including Greenville, Columbia and Charleston.

Our primary loan markets were previously presented in the Loan Concentrations section above. The following table presents the counties with the largest share of our deposit base as of December 31, 2024 and 2023. No other market area (as defined by county) comprises more than 5% of our deposit base at either period presented.

	2024	2023
Moore County, North Carolina	9.2 %	10.8 %
Buncombe County, North Carolina	7.2 %	7.2 %
Guilford County, North Carolina	4.8 %	5.0 %

We experience strong competition in all aspects of the businesses in which we engage, including both making loans and attracting deposits, from both bank and non-bank competitors. Broadly speaking, we compete with national banks, super-regional banks, smaller community banks, non-traditional internet-based banks, insurance companies and agencies, and other financial intermediaries and investment alternatives, including mortgage companies, credit card issuers, leasing companies, finance companies, credit unions, money market mutual funds, brokerage firms, governmental and corporate bond issuers, and other securities firms. In many cases, our competitors have substantially greater resources, including broader geographic markets, higher lending limits, and the ability to make greater use of large-scale advertising and promotions, and offer certain services that we are unable to provide to our customers. We attempt to compete successfully with our competitors, regardless of their size, by emphasizing customer service, responsiveness, local decision making, and establishing relationships with our customers, while continuing to provide a wide variety of services. Additionally, many non-bank competitors are not subject to the same regulatory oversight or capital requirements, which can provide them a competitive advantage in some instances, such as operational flexibility and lower cost structures.

We encounter strong pricing competition in providing our services, particularly in making loans and attracting deposits. Competition for deposits in our markets and for national brokered deposits is primarily based on the types of deposits offered and rate paid on the deposits. Given the current rate environment, we are continuing to experience pressure to increase deposit rates in order to retain existing deposits and attract new deposits. Continued strong competition also exists in all of the lending activities we emphasize. With banks of all sizes attempting to maximize yields on earning assets and growth of their balance sheets, the competition for high-quality loans remains strong. Accordingly, loan rates in our markets continue to be under competitive pressure.

We expect competition in the industry to remain high. Competition may further intensify as additional companies (both banks and non-banks) enter the markets where we conduct business, competitors combine to present more formidable challengers, and we enter mature markets consistent with our expansion strategy.

Human Capital Resources

At First Bank, we consider our associates to be one of our competitive advantages, and continued investment in human capital is a top priority for us. We have historically focused on building a rewarding work environment as we believe that valued and engaged associates lead to satisfied and active customers, which contributes to enriched shareholder value. We emphasize open and honest communication, collaboration, goal attainment, and personal and professional growth as the foundation to delivering high-quality service to one another and our customers. As of December 31, 2024, we had 1,345 full-time and 51 part-time associates, all of whom are employed by the Bank and the majority of whom are located in North Carolina and South Carolina.

Our human capital management strategy focuses on attracting, developing and retaining top quality talent regardless of sex, sexual orientation, gender identity, race, color, national origin, age, religion, or physical ability. We strive to identify and select the best candidates for all open positions based on the qualifying factors for each job. We are dedicated to providing a workplace for our associates that is inclusive, supportive, and free of any form of discrimination or harassment; rewarding and recognizing our team members based on their individual results and team performance; and recognizing and respecting all of the characteristics and differences that make each of our associates unique. Our workforce consists of approximately 73% females and 18% minorities. Of our officer population, 73% are female or minorities, while our executive management team consists of 27% female or minority executives.

In 2020, we formed a Diversity Council, which is chaired by our CEO and meets regularly. The Diversity Council is focused on providing feedback and recommending actions for improvement, as well as removing barriers that impede progress related to the following areas:

- Creating a work environment that demonstrates all views are respected and provides equal access to opportunities for growth and advancement;
- Ensuring all open positions have a diverse pool of candidates, and our job requirements align with our principles and the markets we serve; and
- Creating internal organizational learning opportunities in which associates may voluntarily participate to deepen and develop personal understanding of diversity and inclusion.

Our Board and its Compensation Committee provide oversight on human capital matters, including overall compensation philosophy, equity award programs, and succession planning. Our human resources and legal departments develop policies to support and manage our human capital management strategy, identify risks, and implement practices to mitigate those risks, under the oversight of the Board and its committees.

Maintaining and further enhancing our corporate culture is an important element of our Board's oversight of risk because our people are critical to the implementation of our corporate strategy. Our Board sets the "tone at the top" and holds senior management accountable for embodying, maintaining, and communicating our culture to associates. Our culture is guided by a philosophy we call "Our Promise to Service Excellence" ("Our Promise"). The principles of Our Promise are: Safety and Soundness, Knowledge and Accuracy, Courteous Service, and Convenience and Ease. All associates joining the Company, including those joining as a result of an acquisition, start their employment by participating in an orientation that focuses on learning about and embracing our culture.
We also seek to design careers with our Company that are fulfilling while fostering professional and personal growth with continuing education, on-the-job training, and development programs. In 2020, we launched our Leadership Development Program, which consists of three development tracks designed to instruct and enhance leadership skills at various levels of an associate's management experience. We believe that effective and meaningful leadership development will further elevate the Company and support us in continuing to attract and retain top talent as well as create a succession plan for future growth.

Providing associates with meaningful, competitive and supportive benefits to care for their lives and families is a top priority for the Company. We are proud to offer a comprehensive benefits package that includes medical, dental, vision and life insurance, paid time-off, 401(k) profit-sharing plan participation and an employee stock purchase plan. In 2024, the Company's 401(k) plan matched 100% of each employee's elective deferral amount, up to the first 4% of their contribution. The Company will pay a 2% non-elective employer contribution to each associate based on 2024 eligible 401(k) compensation to make up the difference from the 6% that the Company historically matched.

The Company's benefits programs also include an Employee Assistance Program which provides all associates a comprehensive and personalized process to meet their individual needs and support them through issues they may

be facing. The program provides unlimited phone access for information, resources, and referrals and provides sessions with a counselor for the associate and their family members.

Supervision and Regulation

As a bank holding company, we are subject to supervision, examination, and regulation by the Federal Reserve and the Commissioner. The Bank is also subject to supervision and examination by the Federal Reserve and the Commissioner.

The Company and the Bank are subject to extensive regulation under federal and state laws. The regulatory framework is designed to protect the banking system as a whole and not for the protection of our shareholders and creditors.

The applicable statutes and regulations, as well as related policies, continue to be subject to changes by Congress, state legislatures, and federal and state regulators. Changes in statutes, regulations, and polices applicable to Company and the Bank (including their interpretations or implementation) cannot be predicted and could have a material adverse impact on the business and operations of the Company and the Bank.

Since our total assets exceed $10.0 billion, under current banking regulations and as discussed further below, we are subject to heightened supervision and regulation.

The following is a general summary of the material aspects of certain statutes, regulations and policies applicable to us. This summary does not purport to be complete and is qualified by reference to the applicable statutes, regulations, and policies.

Supervision and Regulation of the Company

General. The BHC Act limits the business of a bank holding company to owning or controlling banks and engaging in other activities closely related to the business of banking. In addition, the Company also must file reports with, and provide additional information, to the Federal Reserve.

Holding Company Bank Ownership. The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before: (1) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of such shares; (2) acquiring all or substantially all of the assets of another bank or bank holding company; or (3) merging with another bank holding company.

Holding Company Control of Non-Banks. With some exceptions, the BHC Act prohibits a bank holding company from acquiring or retaining direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank or bank holding company, or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. The principal exceptions to these prohibitions involve certain non-bank activities that are deemed activities closely related to the business of banking or of managing or controlling banks under applicable law.

Transactions with Affiliates. Bank subsidiaries of a bank holding company are subject to restrictions imposed by the Federal Reserve Act on extensions of credit to the holding company or its subsidiaries, on investments in securities, and on the use of securities as collateral for loans to any borrower. The Dodd-Frank Act further extends the definition of an “affiliate” and treats credit exposure arising from derivative transactions, securities lending and borrowing transactions involving an affiliate as covered transactions under applicable regulations. It also expands the scope of covered transactions required to be collateralized, requires collateral to be maintained at all times for covered transactions required to be collateralized, and places limits on acceptable collateral. These restrictions may limit the Company’s ability to obtain funds from the Bank for its cash needs, including funds for payments of dividends, interest, and operational expenses.

Tying Arrangements. The Company is prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, sale or lease of property, or furnishing of services. For example, with certain exceptions, neither the Company nor the Bank may condition an extension of credit to a customer on either a requirement that the customer obtain additional services provided by the Company or the Bank, or an agreement by the customer to refrain from obtaining other services from a competitor.

Support of Bank Subsidiaries. Under Federal Reserve policy and the Dodd-Frank Act, the Company is required to act as a source of financial and managerial strength to the Bank. This means that the Company is required to commit, as necessary, capital and resources to support the Bank, including at times when the Company may not be in a financial position to provide such resources or when it may not be in the Company's or its shareholders' best interests to do so. Any capital loans a bank holding company makes to a bank subsidiary are subordinate to deposits and to certain other indebtedness of that subsidiary.

State Law Restrictions. As a North Carolina corporation, the Company is subject to certain limitations and restrictions under applicable North Carolina corporate laws. For example, those laws include limitations and restrictions relating to indemnification of directors, distributions to shareholders, transactions involving directors, officers, or interested shareholders, maintenance of books, records, and minutes, and observance of certain corporate formalities.

North Carolina Holding Company Laws. The Commissioner is empowered to regulate certain acquisitions of North Carolina banks and bank holding companies, issue cease and desist orders for violations of North Carolina banking laws, and promulgate rules necessary to effectuate the purposes of those laws.

Supervision and Regulation of the Bank

General. The Bank is a North Carolina state-chartered bank and is a member of the Federal Reserve. Federal banking regulations applicable to all depository financial institutions that, among other things, provide federal bank regulatory agencies with powers to prevent unsafe and unsound banking practices, restrict preferential loans by banks to their "insiders," require banks to keep information on loans to major shareholders and executive officers, and bar certain director and officer interlocks between financial institutions.

As a state-chartered bank, the Bank is subject to regulation by the Commissioner. The Commissioner has a wide range of regulatory authority over the activities and operations of the Bank, and the Commissioner's staff conducts periodic examinations of the Bank and its affiliates to ensure compliance with state banking laws and regulations and to assess the safety and soundness of the Bank. Among other things, the Commissioner regulates the merger of state-chartered banks, the payment of dividends, recordkeeping, types and amounts of loans and investments, the total of loans to one borrower and the establishment of branches. The Commissioner also has cease and desist powers over state-chartered banks for violations of state banking laws or regulations and for unsafe or unsound conduct that is likely to jeopardize the interest of depositors.

The Federal Reserve is authorized to approve mergers and assumptions of deposit liability transactions by member banks, and to prevent capital or surplus diminution in such transactions if the resulting, continuing, or assumed bank is an insured member bank. The Bank is a member of the Federal Reserve, and accordingly the Federal Reserve also conducts periodic examinations of the Bank to assess its safety and soundness and its compliance with banking laws and regulations, and it has the power to implement changes to, or restrictions on, the Bank's operations if it finds that a violation is occurring or is threatened.

Consumer Protection. The Bank is subject to a variety of federal and state consumer protection laws and regulations that govern its relationships and interactions with consumers, including those that impose certain disclosure requirements and that govern the manner in which the Bank takes deposits, makes and collect loans, and provides other services. In recent years, examination and enforcement by federal and state banking agencies for non-compliance with consumer protection laws and regulations have increased and become more intense. Failure to comply with these laws and regulations may subject the Bank to various penalties. Failure to comply with consumer protection requirements may also result in failure to obtain any required regulatory approval for merger or acquisition transactions we may wish to pursue.

Community Reinvestment. The CRA requires that, in connection with examinations of an applicable financial institution, federal bank regulators evaluate the record of those institutions in meeting the credit needs of local communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. A bank's community reinvestment record is also considered by the applicable banking agencies in evaluating mergers, acquisitions, and applications to open a branch or facility. In some cases, a bank's failure to comply with the CRA or the filing of CRA protests by interested parties during applicable comment periods can result in the denial or delay of such transactions.

Insider Credit Transactions. Banks are subject to certain restrictions on extensions of credit to executive officers, directors, principal shareholders, and their related interests. Extensions of credit (1) must be made on substantially the same terms (including interest rates and collateral) and follow credit underwriting procedures that are at least as stringent as those prevailing at the time for comparable transactions with persons not related to the lending bank; and (2) must not involve more than the normal risk of repayment or present other unfavorable features. Banks are also subject to certain lending limits and restrictions on overdrafts to insiders. A violation of these restrictions may result in the assessment of substantial civil monetary penalties, regulatory enforcement actions, and other regulatory sanctions. The Dodd-Frank Act and federal regulations place additional restrictions on loans to insiders and generally prohibit loans to executive officers other than for certain specified purposes.

Regulation of Management. Federal law sets forth circumstances under which officers or directors of a bank may be removed by the bank's federal supervisory agency, and generally prohibits management personnel of a bank from serving as directors or in other management positions of another financial institution whose assets exceed a specified amount or which has an office within a specified geographic area.

Safety and Soundness Standards. Certain non-capital safety and soundness standards also are imposed upon banks. These standards cover, among other things, internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, such other operational and managerial standards as the agency determines to be appropriate, and standards for asset quality, earnings, regulatory capital and liquidity. In addition, each bank must implement a comprehensive written information security program that includes administrative, technical, and physical safeguards appropriate to the institution's size and complexity and the nature and scope of its activities. The program must be designed to ensure the security and confidentiality of customer information, protect against unauthorized access to or use of such information, and ensure the proper disposal of customer and consumer information. A bank that fails to meet these standards may be required to submit a compliance plan or be subject to regulatory sanctions, including restrictions on growth.

Inspections. The Federal Reserve conducts periodic inspections of bank holding companies, such as the Company. In general, the objectives of this inspection program are to ascertain whether the financial strength of a bank holding company is maintained on an ongoing basis and to determine the effects or consequences of transactions between a bank holding company or its non-banking subsidiaries and its bank subsidiaries. The inspection type and frequency typically varies depending on asset size, complexity of the organization, and the bank holding company's rating at its last inspection.

Examinations. Banks are subject to periodic examinations by their primary regulators. In assessing a bank's condition, bank examinations have evolved from reliance on transaction testing to a risk-focused approach. These examinations are extensive and cover the entire breadth of the operations of a bank. Examinations alternate between the federal and state bank regulatory agencies, and in some cases they may occur on a combined schedule. The frequency of consumer compliance and CRA examinations is linked to the size of the institution and its compliance and CRA ratings of its most recent examinations. However, the examination authority of the Federal Reserve and the Commissioner allow examinations of supervised institutions as frequently as deemed necessary based on the condition of the institution or as a result of certain triggering events.

Dividends

A principal source of the Company's cash is from dividends received from the Bank, which are subject to regulation and limitation. As a general rule, regulatory authorities may prohibit banks from paying dividends in a manner that would constitute an unsafe or unsound banking practice. For example, paying dividends that deplete a bank's capital base to an inadequate level is typically deemed an unsafe and unsound banking practice. In addition, a bank may not pay cash dividends that would reduce the amount of its capital to less than minimum applicable regulatory capital requirements. North Carolina banking law also places limitations upon the payment of dividends by North Carolina banks.

Rules adopted in accordance with Basel III also impose limitations on the Bank's ability to pay dividends. In general, these rules limit the Bank's ability to pay dividends unless the Bank's common equity conservation buffer exceeds the minimum required capital ratio by at least 2.5% of risk-weighted assets.

The Federal Reserve has also issued a policy statement expressing the view that although no specific regulations restrict dividend payments by bank holding companies other than state corporate laws, a bank holding company should not pay cash dividends unless its earnings for the past year are sufficient to cover both the cash dividends

and a prospective rate of earnings retention that is consistent with the bank holding company's capital needs, asset quality, and overall financial condition. A bank holding company's ability to pay dividends may also be restricted if a subsidiary bank becomes under-capitalized. These various regulatory policies may affect the Company's and the Bank's ability to pay dividends or otherwise engage in capital distributions.

Dodd-Frank Act

General. The Dodd-Frank Act and its related regulations significantly changed the bank regulatory structure and affects the lending, deposit, investment, trading, and operating activities of banks and bank holding companies, including the Bank and the Company. Some of the provisions of the Dodd-Frank Act that impact the Company's and the Bank's business and operations are summarized below.

Corporate Governance. The Dodd-Frank Act requires publicly traded companies to provide their shareholders with a non-binding shareholder vote on executive compensation, a non-binding shareholder vote on the frequency of such vote, disclosure of "golden parachute" arrangements in connection with specified change in control transactions, and a non-binding shareholder vote on golden parachute arrangements in connection with these change in control transactions. The SEC has adopted rules mandated by the Dodd-Frank Act that require a public company to disclose the ratio of the compensation of its CEO to the median compensation of its employees and a comparison of executive compensation to the market performance of the Company's stock. These rules are intended to provide shareholders with information that they can use to evaluate executive compensation.

Consumer Financial Protection Bureau. The Dodd-Frank Act established the CFPB and empowered it to exercise broad rule making, supervision, and enforcement authority for a wide range of consumer protection laws. The Bank is subject to the direct supervision of the CFPB. The CFPB focuses on risks to consumers and compliance with federal consumer financial laws, the markets in which firms operate and risks to consumers posed by activities in those markets, depository institutions that offer a wide variety of consumer financial products and services, and non-depository companies that offer one or more consumer financial products or services.

The consumer financial laws administered by the CFPB apply to all banks and include, among other things, the authority to prohibit “unfair, deceptive or abusive” acts and practices. Abusive acts or practices are defined as those that materially interfere with a consumer’s ability to understand a term or condition of a consumer financial product or service or take unreasonable advantage of a consumer’s lack of financial savvy, inability to protect himself in the selection or use of consumer financial products or services, or reasonable reliance on a covered entity to act in the consumer’s interests. The CFPB can issue cease and desist orders against banks and other entities that violate Federal consumer financial laws. The CFPB also may institute a civil action against an entity in violation of those consumer financial laws in order to impose a civil penalty or injunction.

Interchange Fees. The Bank is subject to limitations on interchange fees under the Durbin Amendment to the Dodd-Frank Act (the "Durbin Amendment"). The Durbin Amendment rules establish a maximum permissible interchange fee for an electronic debt transaction equal to the sum of $0.21 per transaction and five basis points multiplied by the value of the transaction. The rules also allow for an upward adjustment of no more than $0.01 to an issuer’s debit card interchange fee if the issuer develops and implements policies and procedures reasonably designed to achieve certain fraud-prevention standards.

FDIC Insurance

As an FDIC insured depository institution, the Bank's deposits are insured up to applicable limits by the DIF which is generally $250,000. For this protection, each insured bank pays a quarterly statutory assessment and is subject to the rules and regulations of the FDIC.

The FDIC insurance premium is based on an institution’s total assets minus its Tier 1 capital, and premiums are determined based on its capital, supervisory ratings, and other factors. Premium rates generally may increase if the DIF is strained due to the cost of bank failures and the number of troubled banks. In addition, if a bank experiences financial distress, operates in an unsafe or unsound manner, or is subject to a regulatory agreement or order, its deposit premiums may increase. The Dodd-Frank Act made banks with $10 billion or more in total assets responsible for increasing the DIF reserve ratio from 1.15% to 1.35% if necessary. Accordingly, the Bank's premiums may increase from time to time if the FDIC needs to increase assessments in order to replenish the fund and restore the DIF reserve ratio to 1.35%.

In December 2023, the FDIC approved a final rule implementing a special assessment to replenish the DIF reserve ratio. Based upon the terms of the special assessment, the Bank was not required to pay at the increased assessment rate.

Legislative and Regulatory Guidance and Developments

Regulatory Capital Requirement under Basel III. The Company and the Bank are subject to the Basel III regulatory capital rules that became fully phased-in as of January 1, 2019.

Under Basel III, CET1 is comprised of common stock and related surplus, plus retained earnings, and is reduced by goodwill and other intangible assets, net of associated deferred tax liabilities. Tier I capital is comprised of CET1 capital plus additional elements, such as trust preferred securities, which the Company includes in Tier 1 capital. Total capital is comprised of Tier I capital plus certain adjustments, the largest of which for the Company and the Bank is the ACL. Risk-weighted assets refer to the on- and off-balance sheet exposures of the Company and the Bank, adjusted for their related risk levels using formulas set forth in Federal Reserve regulations.

The Basel III capital rules include a "capital conservation buffer," composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall. The Company and the Bank are required to maintain the following minimum capital ratios:

- 4.5% CET1 to risk-weighted assets, plus the capital conservation buffer, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7.0%;
- 6.0% Tier I capital to risk-weighted assets, plus the capital conservation buffer, effectively resulting in a minimum Tier I capital ratio of at least 8.5%;
- 8.0% total capital to risk-weighted assets, plus the capital conservation buffer, effectively resulting in a minimum total capital ratio of at least 10.5%; and
- 4.0%% Tier I leverage ratio.

In addition to the minimum capital requirements described above, the regulatory framework for prompt corrective action also contains specific capital guidelines for a bank's classification as "well capitalized." The current specific guidelines are as follows:

- CET1 Capital Ratio of at least 6.5%;
- Tier I Capital Ratio of at least 8.0%;
- Total Capital Ratio of at least 10.0%; and a
- Leverage Ratio of at least 5.0%.

If a bank falls below "well capitalized" status in any of these four ratios, it must ask for FDIC permission to originate or renew brokered deposits.

Financial Privacy and Cybersecurity. The federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services.

Under various policy statements, financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. Additionally, management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption, and maintenance of the institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if

the institution or its critical service providers fall victim to this type of cyber-attack. The Company has multiple information security programs that reflect the requirements of this guidance. If, however, we fail to observe the regulatory guidance in the future, we could be subject to various regulatory sanctions, including financial penalties.

In November 2021, the federal banking regulators adopted a regulation that, among other things, requires a banking organization to notify its primary federal regulators as soon as possible and within 36 hours after identifying a “computer-security incident” that the banking organization believes in good faith is reasonably likely to 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 stock price, or pose a threat to the financial stability of the U.S.

In July, 2023, the SEC adopted new cybersecurity disclosure rules for public companies that require disclosure regarding cybersecurity risk management (including the role of the Board in overseeing cybersecurity risks, management’s role and expertise in assessing and managing cybersecurity risks, and processes for assessing, identifying and managing cybersecurity risks) in annual reports. These new cybersecurity disclosure rules also require the disclosure of material cybersecurity incidents in a Form 8-K, generally within four days of determining an incident is material. Refer to Item 1A, “Risk Factors,” and Item 1C, "Cybersecurity," for additional disclosures related to cybersecurity.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ an in-depth, layered, defensive approach that leverages people, processes, and technology to manage and maintain cybersecurity controls. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of our defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date we have not detected a significant compromise, the risks of significant data loss or any material financial losses related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats. Additional discussion of our cybersecurity risk management process and strategy are contained in Item 1C. of this Report.

Anti-Money Laundering and the USA Patriot Act. The BSA requires all financial institutions to establish a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism; sets forth various recordkeeping and reporting requirements (such as reporting suspicious activities that might signal criminal activity); and mandates certain due diligence procedures and "know your customer" documentation. The Patriot Act substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations on financial institutions; creating new crimes and penalties; and expanding the extra-territorial jurisdiction of the United States. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must use enhanced due diligence procedures in their dealings with certain types of high-risk customers and implement a written customer identification program. Financial institutions must take certain steps to assist government agencies in detecting and preventing money laundering and report certain types of suspicious transactions. Regulatory authorities routinely examine financial institutions for compliance with these obligations, and failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious financial, legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

The AML, which amended the BSA, is intended to be a comprehensive reform and modernization of the United States 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; and 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 United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals, and others which are administered by OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences, including causing applicable

bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

Community Reinvestment Act. In October 2023, the Federal Reserve, FDIC, and OCC issued a final rule to amend their regulations implementing the CRA. The rule materially revises the current CRA framework, including the assessment areas in which a bank is evaluated to include activities associated with online and mobile banking, the tests used to evaluate the bank in its assessment areas, new methods of calculating credit for lending, investment and service activities, and additional data collection and reporting requirements. The rule is expected to result in a significant increase in the thresholds for large banks to receive "Outstanding" ratings in the future. Most of the provisions become applicable on January 1, 2026. Reporting of the collected data will not be required until 2027.

Incentive Compensation. In June 2010, the federal bank regulatory agencies issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of financial institutions are not detrimental to the safety and soundness of such institutions by encouraging excessive risk-taking. This guidance covers all employees who have the ability to materially affect the risk profile of a financial institution, either individually or as part of a group, and is based upon the key principles that a financial institution's incentive compensation arrangements should (1) provide incentives that do not encourage risk-taking beyond the institution'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 financial institution's board of directors.

As required by the Dodd-Frank Act, U.S. banking agencies have jointly issued comprehensive regulations or guidance designed to ensure that incentive compensation policies do not undermine the safety and soundness of banking organizations by encouraging teammates to take imprudent risks. This guidance significantly affects the amount, form, and context of incentive compensation that may be provided to teammates and could negatively affect the Company's ability to compete for talent relative to non-banking companies. The SEC finalized its incentive compensation clawback rule which may result in additional costs and restrictions on the form of the Company's incentive compensation.

Federal Securities Laws. The common stock of the Company is registered with the SEC under the Exchange Act and the Company is subject to the reporting, information disclosure, proxy solicitation, insider trading limits and other requirements imposed on public companies by the SEC under the Exchange Act. This includes limits on sales of stock by certain insiders and the filing of insider ownership reports with the SEC. The SEC and NASDAQ have adopted regulations under the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act that apply to the Company as a NASDAQ-traded, public company, which seek to improve corporate governance, provide enhanced penalties for financial reporting improprieties and improve the reliability of disclosures in SEC filings.

Digital Asset Regulation

Although the federal banking agencies have not developed formal regulations governing the digital asset activities of banking organizations, the supervisory framework dictates that, in order to effectively identify and manage digital asset-related risks and obtain supervisory non-objection to the proposed engagement in digital asset activities, banking organizations must implement appropriate risk management practices, including with respect to board and management oversight, policies and procedures, risk assessments, internal controls and monitoring.

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 governing the Company and the Bank 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 enactment of the proposed legislation could impact the regulatory structure under which we operate and may significantly increase costs, impede the efficiency of internal business processes, require an increase in regulatory capital, require modifications to business strategy, and limit the ability to pursue business opportunities in an efficient manner, or otherwise adversely affect our operations and financial condition.

Available Information

We maintain a corporate internet site at www.LocalFirstBank.com, which contains a link within the "Investor Relations" section of the site to each of our filings with the SEC, including our annual reports on Form 10-K, as well as our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These filings are available, free of charge, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. These filings can also be accessed at the SEC's website located at www.sec.gov. Information included on our internet site is not incorporated by reference into this Report.

Item 1A. Risk Factors

In addition to other information contained in this Report that may affect us, the risk factors described below, as well as any cautionary language in this Report, provide examples of risks, uncertainties, and events that could have a material adverse effect on our business, including our operating results and financial condition. In addition to the risks and uncertainties described below, other risks and uncertainties not currently known to us, or that we currently deem to be immaterial, also may materially or adversely affect our business, financial condition, and results of operations. The value or market price of our common stock could decline due to any of these identified or other unidentified risks.

Risks Related to Our Business

Changes and instability in economic conditions, geopolitical matters and financial markets, including a contraction of economic activity including a possible recession, could adversely impact our business, results of operations and financial condition.

Our success is impacted, to a certain extent by global, domestic and local economic and political conditions, as well as governmental monetary policies. More specifically, the local economic conditions of the Carolinas and the specific markets in which we operate have a significant impact on the demand for our products and services, as well as the ability of our customers to repay loans to us. Conditions such as changes in interest rates, money supply, levels of employment and other factors beyond our control may have a negative impact on economic activity. A deterioration in economic conditions, including an economic recession, may adversely affect our asset quality, deposit levels and loan demand and, therefore, our earnings. In particular, interest rates are highly sensitive to many factors that are beyond our control, including global, domestic and local economic conditions and the policies of various governmental and regulatory agencies and, specifically, the Federal Reserve. Throughout 2022 and 2023, the FOMC raised the target range for the federal funds rate on eleven separate occasions. Beginning in September 2024, the FOMC began to lower the target range for the federal funds rate. As of December 31, 2024, the target range was 4.25% to 4.50%. In January 2025, the FOMC maintained the target range for the federal funds rate. Although economic forecasts vary, the FOMC has indicated an expectation of two 25 basis point rate cuts during 2025. Some economists are projecting that, due to changes in fiscal and economic policies, including tariffs, US economic activity may slow or decrease in 2025. Economic weakness or persistent inflation could lead to decreased business and consumer confidence and weaker-than-anticipated spending, thereby leading to possible adverse impacts to our business including asset quality, deposit levels, loan demand and results of operations.

We also face credit risk arising from economic and geopolitical conditions, among other forms of risk. As we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral, which, in turn, can adversely affect the value of our loan and investment portfolios. CRE values continue to fluctuate and the outlook for CRE remains dependent on the broader economic environment and, specifically, how major subsectors respond to ongoing economic and behavioral developments. Some economic indicators suggest that CRE prices remain high relative to fundamentals and US market delinquency rates are elevated. Credit performance over is susceptible to economic and market forces. Instability and uncertainty in the commercial and residential real estate markets, as well as in the broader commercial and retail credit markets, could have a material adverse effect on our financial condition and results of operations. Additionally, inflation risk can have an adverse impact on our customers ability to repay their loans. Our customers may be affected by inflation pressures and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their cash flows and their ability to repay their loans to us.

Lending activities involve substantial credit risk.

We offer a variety of loan products, including residential mortgage, consumer, construction, and commercial loans, with a majority of our portfolio consisting of commercial and industrial loans and commercial loans secured by commercial real estate. Most of our commercial business and commercial real estate loans are made to small business or middle-market customers. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities and have a heightened vulnerability to economic conditions. Additionally, these loans may increase concentration risk as to industry or collateral securing our loans. Future growth or acquisitions of banks with a portfolio composition different from ours could cause our portfolio mix to change.

Lending generally involves various degrees of risk pending on the facts and circumstances of the loan and borrower. If general economic conditions in the market areas in which we operate negatively impact this customer sector, our results of operations and financial condition may be adversely affected. Further, the deterioration of borrowers' businesses may hinder their ability to repay their loans with the Company, which could have a material adverse effect on our financial condition and results of operations. Risk of loan defaults is unavoidable in the banking industry. We attempt to limit exposure to this risk by monitoring carefully the amount of loans in specific industries and by exercising prudent lending practices. However, the risk that substantial credit losses could result in reduced earnings or losses cannot be eliminated.

Our ACL may not be adequate to cover actual losses.

CECL requires that credit deterioration is reflected in the income statement in the period of origination or acquisition of a loan, with changes in expected credit losses due to further credit deterioration or improvement reflected in the periods in which the expectation changes. CECL also requires significant management judgment that is supported by models, assumptions, and data elements which may be subjective in nature or, as in the case of macroeconomic forecasts, be volatile from period to period. These factors involve model risk and are complex and could impact the Company's results of operations and capital levels, particularly in times of economic uncertainty or other unforeseen circumstances.

CECL requires a high degree of judgment related to risk characteristics, asset classification, loss drivers, impact of historical loss data and other factors to develop an estimate of expected lifetime losses. The CECL methodology also may result in perceived small changes to future forecasts having a disproportionate impact on the ACL and resulting provision for loan losses from period to period.

Because of the extensive use of estimates and assumptions, our actual loan losses could differ, possibly significantly, from our estimate and it is possible that the ACL will need to be increased for changes in economic forecasts, credit deterioration, or regulatory feedback. An increase in the ACL could materially and adversely affect our earnings, profitability and capital levels.

We are subject to interest rate risk, which could negatively impact earnings.

Net interest income is the most significant component of our earnings. Our net interest income results from the difference between the yields we earn on our interest-earning assets, primarily loans and investments, and the rates that we pay on our interest-bearing liabilities, primarily deposits and borrowings. When interest rates change, the yields we earn on our interest-earning assets and the rates we pay on our interest-bearing liabilities do not necessarily move in tandem with each other because of the difference between their maturities and repricing characteristics and which can negatively impact 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 and, in particular, the Federal Reserve. Changes in monetary policy, including changes in interest rates, influence not only the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, but such changes could also affect (i) our ability to originate loans and obtain deposits; (ii) the fair value of our financial assets and liabilities; and (iii) the average duration of our mortgage portfolio and other interest-earning assets. In January 2022, due to elevated levels of inflation and corresponding pressure to raise interest rates, the Federal Reserve announced after several periods of historically low federal funds rates and yields on Treasury notes that it would be slowing the pace of its bond purchasing and increasing the target range for the federal funds rate over time. Therefore, the FOMC increased the target range eleven times throughout 2022 and 2023. In the latter months of 2024, due to lower, more consistent inflation levels, the Federal Reserve lowered its federal funds target rate by 100 basis points. As of

December 31, 2024, the target range for the federal funds rate was 4.25% - 4.50%. It remains uncertain whether then FOMC will further decrease the federal funds rate to attain a monetary policy appropriate to keep inflation at normalized levels, leave the rate at its current level for a lengthy period of time or if it will resume increasing the target range.

Although not necessarily expected in 2025, if the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, would generally be adversely affected. Earnings could also be adversely affected if the interest rates received on our loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations, and any related economic downturn, especially domestically and in the markets in which we operate, may adversely affect our asset quality, deposit levels, loan demand and results of operations. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet.

Our financial instruments expose us to certain market risks, including changing interest rates, and may increase the volatility of AOCI and total equity.

We hold certain financial instruments measured at fair value, primarily our AFS investments securities. For those financial instruments measured at fair value, we are required to recognize the changes in the fair value of such instruments in AOCI each quarter which impacts our total equity. Fair value can be affected by a variety of factors, many of which are beyond our control, including our credit position, interest rate volatility, capital markets volatility, and other economic factors. Accordingly, the application of fair value accounting for our AFS securities may cause AOCI and total equity to be more volatile than would be suggested by our underlying performance.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. We rely on a number of different sources in order to meet our potential liquidity demands. Our primary sources of liquidity are increases in deposit accounts, cash flows from loan payments, and our securities portfolio. Borrowings also provide us with a source of funds to meet liquidity demands. An inability to raise funds through from these or other sources could have a substantial negative effect on our liquidity.

Our access to funding sources in amounts adequate to finance our activities, or on terms which are acceptable to us, could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include adverse regulatory action against us or a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of the recent turmoil faced by banking organizations or deterioration in credit markets.

The proportion of our deposit account balances that exceed FDIC insurance limits may expose the Bank to enhanced liquidity risk in times of financial distress.

In its assessment of the larger bank failures that occurred in the first and second quarters of 2023, the FDIC concluded that a significant contributing factor to the failures of the institutions was the proportion of the deposits held by each institution that exceeded FDIC insurance limits. Uninsured deposits historically have been viewed by the FDIC as less stable than insured deposits. In July 2023, the federal banking agencies issued an interagency policy statement to underscore the importance of robust liquidity risk management and contingency funding planning. In the policy statement, the regulators noted that banks should maintain actionable contingency funding plans that take into account a range of possible stress scenarios, assess the stability of their funding and maintain a broad range of funding sources, ensure that collateral is available for borrowing, and review and revise contingency funding plans periodically and more frequently as market conditions and strategic initiatives change.

If a significant portion of our deposits were to be withdrawn within a short period of time such that additional sources of funding would be required to meet withdrawal demands, the Bank may be unable to obtain funding at favorable terms, which may have an adverse effect on our net interest margin. Moreover, obtaining adequate funding to meet our deposit obligations may be more challenging during periods of elevated prevailing interest rates, such as the present period. Our ability to attract depositors during a time of actual or perceived distress or instability in the

marketplace may be limited. Further, interest rates paid for borrowings generally exceed the interest rates paid on deposits. This spread may be exacerbated by higher prevailing interest rates. In addition, because our AFS investment securities lose value when interest rates rise, after-tax proceeds resulting from the sale of such assets may be diminished during periods when interest rates are elevated. For additional information regarding uninsured deposits and liquidity, see Deposits and Liquidity sections of 2024 MD&A Item 7 following.

Cybersecurity incidents or other disruptions of communications or information systems could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.

Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to information technology systems to sophisticated and targeted measures, known as advanced persistent threats, directed at us and/or our third party service providers. While we have experienced, and expect to continue to experience, these types of threats and incidents, none of them to date have been material to the Company. Although we employ comprehensive measures to prevent, detect, address, and mitigate these threats (including access controls, employee training, data encryption, vulnerability assessments, continuous monitoring of our networks and systems and maintenance of backup and protective systems), cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information (our own or that of third parties) and the disruption of our business operations. Any successful cyberattack may subject us to regulatory investigations, litigation (including class action litigation) or enforcement, or require the payment of regulatory fines or penalties or undertaking costly remediation efforts with respect to third parties affected by a cybersecurity incident, all or any of which could adversely affect our business, financial condition or results of operations and damage our reputation. In addition, we cannot guarantee that any costs and liabilities incurred in relation to an attack or incident will be covered by our existing insurance policies or that applicable insurance will be available to us in the future on economically reasonable terms or at all.

We rely heavily on communications and information systems to conduct our business. Our daily operations depend on the operational effectiveness of our technology. Any failure, interruption, or breach in security of our computer systems or outside vendor technology could result in failures or disruptions in general ledger, deposit, loan, customer relationship management, and other systems leading to inaccurate financial records. While we have disaster recovery and other policies and procedures designed to prevent or limit the effect of any failure, interruption, or security breach of our information systems, there can be no assurance that any such failures, interruptions, or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions, or security breaches of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our results of operations.

In addition, the Bank provides its customers the ability to bank online and through mobile banking. The secure transmission of confidential information over the internet is a critical element of online and mobile banking. While we use qualified third party vendors to test and audit our network, our network could become vulnerable to unauthorized access, computer viruses, phishing schemes, and other security issues. The Bank may be required to spend significant capital and other resources to alleviate problems caused by security breaches or computer viruses. To the extent that the Bank's activities or the activities of its customers involve the storage and transmission of confidential information, security breaches and viruses could expose the Bank to claims, litigation, and other potential liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in the Bank's systems and could adversely affect its reputation and its ability to generate deposits.

We rely on certain external vendors.

We are reliant upon certain external vendors to provide products and services necessary to maintain our day-to-day operations. We outsource the processing of our core data system, as well as other systems such as online banking, to third party vendors. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with applicable contractual arrangements or service level agreements. We maintain a system of policies and procedures designed to monitor vendor risks including, among other things, changes in the vendor's organizational structure, financial condition, and support for existing products and services. While we believe these policies and procedures help to mitigate risk, and our vendors are not the sole source of service, the failure of an external vendor to perform in accordance with applicable contractual arrangements or the service level agreements

could be disruptive to our operations, which could have a material adverse impact on our business and its financial condition and results of operations. Additionally, if our third party vendors encounter difficulties or if we have difficulty in communicating with such third party, it will significantly affect our ability to adequately process and account for customer transactions, which would significantly affect our business operations.

Information security risks for financial institutions continue to increase in part because of new technologies, the increased use of the internet and telecommunications technologies (including mobile devices and cloud computing) to conduct financial and other business transactions, political activism, and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others.

We rely on computer systems, hardware, software, technology infrastructure and online sites and networks for both internal and external operations that are critical to our business. Operational risk related to cyberattacks is increasing as cyberattacks evolve and have a greater and more pervasive economic impact. In addition to cyberattacks or other security breaches involving the theft of sensitive and confidential information, hackers have engaged in attacks against financial institutions designed to disrupt key business services, such as customer-facing web sites. Critical infrastructure sectors, including financial services, increasingly have been the targets of cyberattacks, including attacks emanating from foreign countries. Cyberattacks involving financial institutions, including distributed denial of service attacks designed to disrupt external customer-facing services, nation state cyberattacks and ransomware attacks designed to deny organizations access to key internal resources or systems or other critical data, as well as targeted social engineering and phishing email and text message attacks designed to allow unauthorized persons to obtain access to an institution's information systems and data or that of its customers, are becoming more common and increasingly sophisticated. Further, threat actors are increasingly seeking to target vulnerabilities in software systems (including bugs, vulnerabilities in third-party systems or software and technical misconfigurations in hardware and software) and weak authentication controls used by large numbers of banking organizations in order to conduct malicious cyber activities. These types of attacks have resulted in increased supply chain and third-party risk. Because the methods of cyberattacks change frequently or, in some cases, are not recognized until launch, we are not able to anticipate or implement effective preventive measures against all possible security breaches and the probability of a successful attack cannot be predicted. Although we employ detection and response mechanisms designed to contain and mitigate security incidents, early detection may be thwarted by persistent sophisticated attacks and malware designed to avoid detection. Our inability to prevent, detect, and respond to cyberattacks may lead to reputational damage, litigation with third parties, and increased cybersecurity protection and remediation costs, which in turn could materially adversely affect our results of operations.

In the normal course of business, we process large volumes of transactions involving millions of dollars. If our internal controls fail to work as expected, we could experience significant losses.

We process large volumes of transactions on a daily basis involving millions of dollars and are exposed to numerous types of operational risk, including the risk of fraud by persons inside or outside the Company, the execution of unauthorized transactions by employees, errors relating to transaction processing and systems, and breaches of the internal control system and compliance requirements. This risk also includes potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards.

As part of these transactions, we settle funds on behalf of financial institutions, other businesses and consumers and receive funds from clients, card issuers, payment networks and consumers on a daily basis for a variety of transaction types. Transactions we facilitate include wire transfers, debit card, credit card and electronic bill payment transactions, supporting consumers, financial institutions and other businesses. These payment activities rely upon the technology infrastructure that facilitates the verification of activity with counterparties and the facilitation of the payment. If the continuity of our operations or integrity of our processing were compromised, this could result in a financial loss to us due to a failure in payment facilitation. In addition, we may issue credit to consumers, financial institutions or other businesses as part of the funds settlement. A default on this credit by a counterparty could result in a financial loss to us.

We establish and maintain systems of internal operational controls that provide us with timely and accurate information about our level of operational risk. These systems have been designed to manage operational risk at appropriate, cost-effective levels. Procedures exist that are designed to ensure that policies relating to conduct, ethics, and business practices are followed. We continually monitor and improve our internal controls, data

processing systems, and corporate-wide processes and procedures, but there can be no assurance that future losses will not occur.

We are subject to extensive regulation, which could have an adverse effect on our operations.

The Bank is subject to extensive regulation and supervision by the Commissioner and the Federal Reserve. This regulation and supervision is intended primarily to enhance the safe and sound operation of the Bank and for the protection of the DIF and our depositors and borrowers, rather than for holders of our equity securities and creditors. In the past, our business has been materially affected by these regulations. This trend is likely to continue in the future.

Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on operations, the classification of our assets, and the determination of the level of ACL. Changes in the regulations that apply to us, or changes in our compliance with regulations, could have a material impact on our operations.

The BSA, the Patriot Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. The FINCEN, established by the Treasury to administer the BSA, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as with the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the OFAC. Federal and state bank regulators also focus on compliance with BSA and AML regulations. If our policies, procedures, and systems are deemed deficient or the policies, procedures, and systems of the financial institutions that we have already acquired or may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans, which would negatively impact our business, financial condition, and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing also could have serious reputational consequences for us.

Federal and state fair lending laws and regulations, such as the Equal Credit Opportunity Act and the Fair Housing Act, impose nondiscriminatory lending requirements on financial institutions. The Department of Justice, the CFPB, and other federal and state agencies are responsible for enforcing these laws and regulations. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. A successful challenge to our performance under the fair lending laws and regulations could adversely impact our CRA rating and result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on or delays in approving merger and acquisition activity, and restrictions on expansion activity, which could negatively impact our reputation, business, financial condition, and results of operations.

We might be required to raise additional capital in the future, but that capital may not be available or may not be available on terms acceptable to us when it is needed.

We are required to maintain adequate capital levels to support our operations. In the future, we might need to raise additional capital to support growth, absorb loan losses, or meet more stringent capital requirements. Our ability to raise additional capital will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, we cannot be certain of our ability to raise additional capital in the future if needed or on terms acceptable to us. If we cannot raise additional capital when needed, our ability to conduct our business could be materially impaired.

Consumers may decide not to use banks or specifically our Company to complete their financial transactions.

Technology and other changes are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds, or general-purpose reloadable prepaid cards. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those

deposits. The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on our financial condition and results of operations.

Additionally, we face substantial competition in all areas of our operations from a variety of different competitors, both within and beyond our principal markets, many of which are larger and may have more financial resources. Such competitors primarily include national, regional, and internet banks within the various markets in which we operate. We also face competition from many other types of financial institutions, including, without limitation, thrifts, credit unions, finance companies, brokerage firms, insurance companies, and other financial intermediaries, such as online lenders and banks.

As customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Banks, securities firms, and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting), and merchant banking. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than we can.

Our ability to compete successfully depends on a number of factors, including, among other things:

- the ability to develop, maintain, and build upon long-term customer relationships based on top quality service, high ethical standards, and safe, sound assets;
- the ability to expand our market position;
- the scope, relevance, and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations.

Negative public opinion regarding our Company and the financial services industry in general, could damage our reputation and adversely impact our earnings.

Reputation risk, or the risk to our business, earnings, and capital from negative public opinion regarding our Company and the financial services industry in general, is inherent in our business. Negative public opinion can result from actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to keep and attract clients and employees and can expose us to litigation and regulatory action. Although we have taken steps to minimize reputation risk in dealing with our clients and communities, this risk always will be present given the nature of our business. In addition, the financial stability of other financial institutions could adversely impact our ability to engage in routine funding transactions. Defaults by, or even rumors or questions about one or more financials institutions can lead to market-wide liquidity challenges and could lead to losses or defaults by us or by other institutions.

Failure to keep pace with technological change could adversely affect our business.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

New lines of business or new products and services may subject us to additional risk.

From time to time, we may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. We may invest significant time and resources in these efforts. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business and/or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business and/or new products or services could have a material adverse effect on our business and, in turn, our financial condition and results of operations.

Our reported financial results are impacted by management's selection of accounting methods and certain assumptions and estimates.

Our accounting policies and methods are fundamental to the way we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management's judgment of the most appropriate manner to report our financial condition and results. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet may result in reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting our financial condition and results. They require management to make difficult, subjective, or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting estimates include: the allowance for credit losses; business combinations, and goodwill and other intangible assets.

Our internal controls may be ineffective.

Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the controls are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations, and financial condition.

We may not be able to attract and retain skilled employees, adversely affecting our business.

The success of our business is highly dependent on the talents and efforts of our employees. Additionally, relationships between our key employees and the customers with whom they maintain relationships contribute to our success. Therefore, our success depends on our ability to attract and retain skilled people. Competition for the best people can be intense, and we may not be able to hire or retain sufficiently qualified people. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business because of their skills, knowledge of our markets, years of industry experience, and/or the difficulty of promptly finding qualified replacement personnel. The loss of business if the customers were to follow that employee to a competitor or otherwise choose to transition to another financial services provider could adversely impact our business. While we believe we have strong relationships with our key personnel, there is no guarantee that all of our key personnel will remain with our organization.

We may be adversely affected by risks associated with potential and completed acquisitions.

As part of our growth strategy, 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, negotiations may take place and future mergers or acquisitions involving cash, debt, or equity securities may occur at any time. We seek merger and acquisition partners that are culturally similar, have experienced management, and possess either significant market presence or have potential for improved profitability through financial management, economies of scale, or expanded services.

Acquiring other financial institutions, financial services companies, or branches involves potential adverse impact to our financial results and various other risks commonly associated with acquisitions, including, among other things:

- Incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, and with integrating acquired businesses, resulting in the diversion of resources from the operation of our existing businesses;
- Acquisitions may also be subject to various regulatory approvals. If we fail to receive the appropriate regulatory approvals, we will not be able to consummate acquisitions that we believe are in our best interests;
- Difficulty in estimating the value of target companies or assets and in evaluating credit, operations, management, and market risks associated with those companies or assets;
- Payment of a premium over book and market values that may dilute our tangible book value and earnings per share in the short and long term;
- Potential exposure to unknown or contingent liabilities of the target company, including, without limitation, liabilities for regulatory and compliance issues;
- Exposure to potential asset quality issues of the target company;
- Difficulties, inefficiencies or cost overruns associated with the integration of the operations, personnel, technologies, services, and products of acquired companies with ours. Further, expected revenue and/or operational synergies and cost savings associated with pending or recently completed acquisitions may not be fully realized or realized within the expected time frame;
- Inability to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits;
- Potential disruption to our business; and
- The possible loss of key employees and customers of the target company.

Failure to successfully integrate the entities we acquire into our existing operations could increase our operating costs significantly and have a material adverse effect on our business, financial condition, and results of operations.

If the goodwill that we recorded in connection with a business acquisition becomes impaired, it could have a significant negative impact on our profitability.

Goodwill represents the amount of consideration exchanged over the fair value of net assets we acquired in the purchase of another business. We review goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate the carrying value of the asset might be impaired. At December 31, 2024, our goodwill totaled $478.8 million. While we have recorded no impairment charges since we initially recorded the goodwill, there can be no assurance that our future evaluations of goodwill will not result in findings of impairment and related write-downs, which may have a material adverse effect on our financial condition and results of operations.

We are subject to losses due to errors, omissions, or fraudulent behavior by our employees, clients, counterparties, or other third parties.

We are exposed to many types of operational risk, including the risk of fraud by employees and third parties, clerical recordkeeping errors, and transactional errors. Our business is dependent on our employees as well as third-party service providers to process a large number of increasingly complex transactions. We could be materially and adversely affected if employees, clients, counterparties, or other third parties caused an operational breakdown or failure, either as a result of human error, fraudulent manipulation, or purposeful damage to any of our operations or systems.

In deciding whether to extend credit or to enter into other transactions with clients and counterparties, we may rely on information furnished to us by or on behalf of clients and counterparties, including financial statements and other financial information, which we do not independently verify. We also may rely on representations of clients and

counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. Our financial condition and results of operations could be negatively affected to the extent we rely on financial statements that do not comply with GAAP or are materially misleading, any of which could be caused by errors, omissions, or fraudulent behavior by our employees, clients, counterparties, or other third parties.

Risks Related to Our Common Stock

An investment in our common stock is not an insured deposit.

Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC or by any other public or private entity. An investment in our common stock is inherently risky for the reasons described in this "Risk Factors" section and elsewhere in this Report and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you may lose some or all of your investment.

Common stock is equity and is subordinate to our existing and future indebtedness and effectively subordinated to all the indebtedness and other non-common equity claims against our subsidiaries.

Shares of our common stock are equity interests in the Company and do not constitute indebtedness. As such, shares of the common stock rank junior to all of our indebtedness and to other non-equity claims against us and our assets available to satisfy claims against us, including our liquidation. Upon liquidation, lenders and holders of our debt securities, would receive distributions of our available assets prior to holders of our common stock.

There can be no assurance that we will continue to pay cash dividends.

Although we have historically paid cash dividends on our common stock, there is no assurance that we will continue to pay cash dividends. Future payment of cash dividends, if any, will be at the discretion of our Board and will be dependent upon our financial condition, results of operations, capital requirements, economic conditions, and such other factors as the board may deem relevant.

Future sales of our stock by our shareholders or the perception that those sales could occur may cause our stock price to decline.

Although our common stock is listed for trading on the NASDAQ Global Select Market under the symbol “FBNC,” the trading volume in our common stock is lower 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 comparatively lower trading volume of our common stock relative to larger institutions, significant sales of our common stock or other volatility in our shares in the public market could cause the trading price of our common stock to decline or to be lower than it otherwise might be in the absence of those sales or perceptions.

We may issue additional shares of stock or equity derivative securities that will dilute the percentage ownership interest of existing shareholders and may dilute the book value per share of our common stock and adversely affect the terms on which we may obtain additional capital.

Subject to applicable NASDAQ rules, our Board generally has the authority, without action by or vote of the shareholders, to issue all or part of any authorized but unissued shares of stock for any corporate purpose, including issuances of equity-based incentives under or outside of our equity compensation plans, issuances of equity in business combination transactions, and issuances of equity to raise additional capital to support growth or to otherwise strengthen our balance sheet. Any issuance of additional shares of stock or equity derivative securities will dilute the percentage ownership interest of our shareholders and may dilute the book value per share of our common stock.

We may make future acquisitions, which could dilute current shareholders’ stock ownership and expose us to additional risks.

In accordance with our strategic plan, we evaluate opportunities to acquire other financial institutions, financial services companies and branch locations. Such transactions could have a material effect on our operating results and financial condition, including short- and long-term liquidity, and could require us to issue a significant number of

shares of common stock or other securities and/or to use a substantial amount of cash, other liquid assets, and/or incur debt.

Our acquisition activities could involve a number of additional risks, some of which are described in more detail elsewhere in this Report and include: the possibility that expected benefits may not materialize in the timeframe expected or at all, or may be more costly to achieve; using inaccurate estimates and judgments to evaluate credit, operations, management, and market risks with respect to the target company or assets; incurring the time and expense required to integrate the operations and personnel of the combined businesses; the possibility that we will be unable to successfully implement integration strategies due to challenges associated with integrating complex systems, technology, banking offices, and other assets of the acquired company in a manner that minimizes any adverse effect on customers, suppliers, employees, and other constituencies; the possibility of regulatory approval for the acquisition being delayed, impeded, restrictively conditioned or denied due to existing or new regulatory issues surrounding the Company, the target company, the assets acquired or the proposed combined entity; and losing key employees and customers as a result of an acquisition that is poorly received.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy
The Company recognizes the security of our banking operations is critical to protecting our customers, maintaining our reputation and preserving the value of the Company. The Board, primarily through its Risk Committee, provides direction and oversight of the enterprise-wide risk management framework of the Company, and cybersecurity represents a component of the Company's overall approach to enterprise-wide risk management. The Company's Information Security Program establishes policies and procedures for the measurement of the effectiveness and efficiency of information security controls related to both design and operations. The Company leverages the following guidelines and frameworks to develop and maintain its Information Security Program: FFIEC Information Security IT Examination Handbook, FFIEC Business Continuity Management IT Examination Handbook, FFIEC Cybersecurity Assessment Tool, and GLBA 501(b). In general, the Company addresses cybersecurity risks through a comprehensive, cross-functional approach that is focused on confidentiality, security and availability of the information that the Company collects and stores by identifying, preventing, and mitigating cybersecurity threats and effectively responding to cyber threats when they occur.

As one of the elements of the Company's overall enterprise-wide risk management approach, our Information Security Program is focused on the following key areas:

- Security Operation and Governance: The Board has delegated to senior management responsibility for the Information Security Program which is managed through the IT Steering Committee, which maintains alignment and appropriate insight regarding information security activities.
- Collaborative Approach: The Company has implemented a cross-functional approach to identifying, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures that provide for the prompt escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner.
- Security Competencies: The Information Security department oversees a program of security competencies and tools designed to protect the confidentiality, integrity, and availability of our data. These assets represent a blend of various management (e.g., policies), operational (e.g., standards and processes), and technical controls (e.g., tools and configurations).
- Incident Response Plan: The Company has a contracted with a third-party to provides continual security monitoring 24 hours per day, seven days per week, where resources actively deliver threat analysis, vulnerability management, intrusion detection, and intrusion hunting. The Company's Incident Response Plan helps reduce the risks related to security incidents by providing guidelines on responding to incidents.
- Third-Party Risk Management: Management of the Company's third parties, including vendors and service providers, is conducted through a risk-based approach and the level of due diligence is driven from risk factors established by our Risk Management program. The process provides awareness and collaboration

across internal teams including, but not limited to, Information Technology, Information Security and Business Continuity. In addition to ongoing monitoring of select vendors, a review is conducted on new or significantly changed third parties, applications, and technology to ensure that systems and third parties meet certain baseline requirements. This process is used to identify and monitor risks in vendor arrangements and assists management in establishing appropriate risk responses.

- Security Awareness and Education: The Company provides annual, mandatory training for personnel regarding security awareness as a means to equip the Company's personnel with the understanding of how to properly use and protect the computing resources entrusted to them, and to communicate the Company's information security policies, standards, processes and practices.

The Company leverages regular assessments to identify current and potential threats and vulnerabilities within the Company's environment. Technical vulnerabilities are identified using automated vulnerability scanning tools, penetration testing, and system management tools, whereas non-technical vulnerabilities are identified via process or procedural reviews. The Company conducts a variety of assessments throughout the year, both internally and through third parties. Vulnerability assessment and penetration tests are performed on a regular basis to provide the Company with an unbiased view of its environment and controls. Vulnerabilities identified during these assessments are inventoried in a centralized tracking system and reported to management on a regular basis. A multi-step approach is applied to identify, report and remediate these vulnerabilities, and the Company adjusts its information security policies, standards, processes and practices as necessary based on the information provided by these assessments. The results of key assessments are reported in summary to the Board annually.

Governance

The Risk Committee of the Board provides direction and oversight of the enterprise-wide risk management framework of the Company, including the management of risks arising from cybersecurity threats. The Risk Committee receives periodic presentations which include updates on cybersecurity risks, including the threat environment, evolving standards, projects and initiatives, vulnerability assessments, third-party and independent reviews, technological trends and information security considerations arising with respect to the Company's peers and third parties. The Risk Committee also receives information regarding any cybersecurity incident that meets established reporting thresholds, as well as ongoing updates regarding any such incident until it has been addressed. The full Board receives reports from the Risk Committee related to information cybersecurity.

Our Chief Operating Officer ("COO"), works collaboratively across the Company to implement a program designed to protect the Company's information systems from cybersecurity threats and to promptly respond to any cybersecurity incidents in accordance with the Company's Incident Response Plans, including an assessment of the potential materiality of any cybersecurity incident. To facilitate the success of the Company's cybersecurity risk management program, multidisciplinary teams throughout the Company are deployed to address cybersecurity threats and to respond to cybersecurity incidents. Through ongoing communications with these teams, the COO, Information Security, and Risk Management teams monitor the prevention, detection, mitigation and remediation of cybersecurity threats and incidents in real time, and report such threats and incidents to the Corporate Crisis Management Team and ultimately the Board when appropriate. We believe our Board and management, including the Chief Operating Officer, have the appropriate expertise, background, and depth of experience to manage risks arising from cybersecurity threats, including applicable knowledge gained through industry experience, internal and external training, and periodic discussions with consultants and peers with applicable knowledge and expertise. In addition, members of our management hold varying levels of relevant cybersecurity certifications.

To our knowledge, neither cybersecurity threats, nor the results including as a result of any previous cybersecurity incidents have materially affected the Company, including its business strategy, results of operations or financial condition. With regard to the possible impact of future cybersecurity threats or incidents, see Item 1A, Risk Factors - *Risks Related to Out Business*.

Item 2. Properties

The main offices of the Company and the Bank are located in a building in Southern Pines, North Carolina that is owned by the Bank. The building houses corporate, accounting, and administrative facilities. The Bank's operational departments, including accounting functions, information technology operations, loan operations, and deposit operations, are primarily housed in buildings in Greensboro, North Carolina; Dunn, North Carolina; Fletcher, North Carolina; and Troy, North Carolina, which are owned by the Bank. At December 31, 2024, the Company operated 113 bank branches. The Company owned all of its bank branch premises except 13 branch offices for which the

land and buildings are leased and nine branch offices for which the land is leased but the building is owned. The Bank also leases several other office locations for administrative functions. There are no options to purchase or lease additional properties. The Company considers its facilities adequate to meet current needs and believes that lease renewals or replacement properties can be acquired as necessary to meet future needs.

Item 3. Legal Proceedings

Various legal proceedings may arise in the ordinary course of business and may be pending or threatened against the Company and its subsidiaries. Neither the Company nor any of its subsidiaries is involved in any pending legal proceedings that management believes are material to the Company or its consolidated financial position. If an exposure were to be identified, it is the Company's policy to establish and accrue appropriate reserves during the accounting period in which a loss is deemed to be probable and the amount is determinable.

Item 4. Mine Safety Disclosure

Not applicable.

PART II

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

Our common stock trades on NASDAQ under the trading symbol "FBNC." Tables have been included in Item 7 under the heading, "Selected Financial Information," which provide historic information on the market price for the Company's common stock. As of February 21, 2025, there were approximately 3,490 shareholders of record and another approximately 21,528 shareholders whose stock is held in "street name."

The tables in Item 7 under "Selected Financial Information" section also include information regarding cash dividends declared per share of common stock for the periods presented. For each quarter in 2024, we declared a cash dividend of $0.22 per common share. For the foreseeable future, it is our current intention to continue to pay regular cash dividends on a quarterly basis. However, our ability to pay future cash dividends can be restricted or eliminated by regulatory authorities.

Securities authorized for issuance under equity compensation plans

Refer to "Additional Information Regarding the Registrant's Equity Compensation Plans" in Item 12.

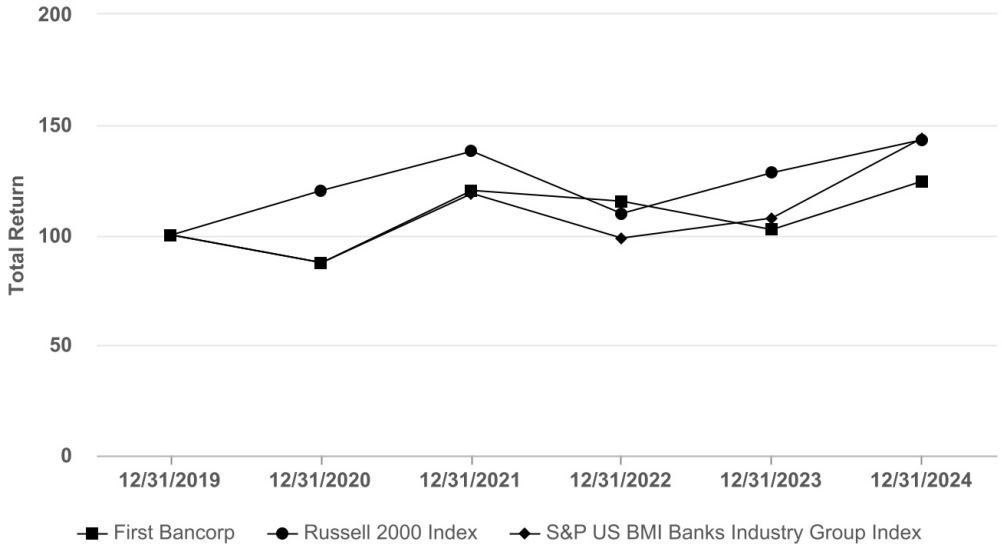
Issuer Purchases of Equity Securities

Beginning in January 2024 and continuing through 2025, the Board of Directors of the Company has authorized the repurchase of up to $40 million in shares of the Company's common stock in private transactions and open market purchases. Any such repurchases would be made pursuant to a plan approved by and containing provisions about the timing, purchase prices and quantities purchased determined by management in its discretion. No repurchases of any shares of the Company's common stock were made in 2024 or in 2025 through the date of this Annual Report in Form 10-K.

Performance Graph

The performance graph shown below compares the Company's cumulative total return to shareholders for the five-year period commencing December 31, 2019 and ending December 31, 2024, with the cumulative total return of the Russell 2000 Index (reflecting overall stock market performance of small-capitalization companies), and the S&P U.S. BMI Banks Industry Group Index, as constructed by S & P Global (reflecting performance in broad market banking industry stocks). The graph and table assume that $100 was invested on December 31, 2019 in each of the Company's common stock, the Russell 2000 Index, and the S&P U.S. BMI Banks Industry Group Index, and that all dividends were reinvested.

First Bancorp Comparison of Five-Year Total Return Performances [1]
Five Years Ended December 31, 2024



	Total Return Index Values [1] December 31,					
	2019	2020	2021	2022	2023	2024
First Bancorp	$ 100.00	$ 87.28	$ 120.15	$ 115.15	$ 102.20	$ 124.28
Russell 2000 Index	100.00	119.96	137.74	109.59	128.14	142.93
S&P US BMI Banks Industry Group Index	$ 100.00	$ 87.24	$ 118.61	$ 98.38	$ 107.32	$ 143.68

(1) Total return indices were provided from an independent source, S&P Global Market Intelligence, New York, New York, and assume initial investment of $100 on December 31, 2019, reinvestment of dividends, and changes in market values. Total return index numerical values used in this example are for illustrative purposes only.

Item 6. Reserved.

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

This MD&A is intended to assist readers in understanding our results of operations and changes in financial position for the past three years. It should be read in conjunction with the consolidated financial statements and accompanying notes included in Item 8 of this Report. This discussion may contain forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those anticipated in forward-looking statements as a result of various factors.

Overview and 2024 Highlights

The Company is a bank holding company headquartered in Southern Pines, North Carolina. We provide diversified financial services primarily though the Bank, our principal subsidiary, including commercial and consumer banking services, mortgage lending, SBA lending, accounts receivable financing, and investment advisory services. As of December 31, 2024, the Bank had a 113 branch network in North Carolina and South Carolina and 1,371 full-time equivalent employees. We have grown organically as well as through strategic acquisitions as discussed previously in "Recent Developments and Acquisitions".

2024 Financial Highlights:

- Return on average assets was 0.63% for the year ended December 31, 2024, as compared to 0.87% for the prior year. Return on average common equity of 5.38% was reported for the year ended December 31, 2024, as compared to 8.05% for the prior year.
- Our total assets at December 31, 2024 were $12.1 billion, a 0.3% increase from a year earlier.
- Total loans outstanding contracted by $0.1 billion, or 0.7%, during the year. Loans totaled $8.1 billion at December 31, 2024.
- Credit quality continued to be strong with the NPA to total assets ratio at 0.39% as of December 31, 2024, as compared to 0.37% at December 31, 2023. Net charge offs as a percentage of average loans were 0.07% for 2024, as compared to 0.08% for the prior year.
- Capital remained strong with a total CET1 ratio of 14.35%, up from 13.20% for the prior year, and total risk-based capital ratio of 16.63% as of December 31, 2024, an increase from 15.54% for the prior year.
- We earned net income of $76.2 million, or $1.84 diluted EPS, during 2024 compared to net income of $104.1 million, or $2.53 diluted EPS, in 2023. As noted below, 2024 results were dampened by a $13 million provision related to potential exposures from Hurricane Helene and a $36.8 million securities loss transaction that took place during the fourth quarter of 2024. See the following for discussion of changes to net income:
    - Net interest income for 2024 decreased $14.6 million, or 4.2%, driven by increased interest expense offset by higher interest income. The NIM on a tax-equivalent basis was 2.91% for 2024, a decrease of 15 basis points from the prior year. Despite the growth in average earning assets, the market-driven increase in rates on liabilities in the first half of 2024 occurred at a more rapid pace than the increase in yields on assets which resulted in the reduction in NIM for 2024.
    - Total interest income increased $30.3 million in 2024 as compared to 2023, driven by higher interest income on loans of $22.3 million related to a combination of higher volumes of average balances and increased yields. Interest income on other interest-earning assets, primarily overnight funds, increased $12.8 million, primarily the result of higher volumes.
    - The 2024 increase in interest expense of $44.9 million was driven by higher market rates in late 2023 and the first half of 2024 which resulted in repricing of our deposits and a corresponding $57.2 million increase in interest expense, especially in money market accounts which accounted for $47.9 million of the increase. Offsetting the increase in interest expense on deposits was a reduction in interest expense on borrowings, which fell $12.4 million, primarily a result of lower average balances of borrowings outstanding.
    - Provision for credit losses for 2024 of $16.4 million was down from $17.8 million in 2023 due primarily to the initial provision established for acquired non-PCD loans of $12.2 million in 2023,

lower organic loan growth in 2024 and generally positive updated economic forecasts, which are a key driver in the Company's CECL model as discussed further in the "Provision for Loan Losses" section below, and a reduction in the level of unfunded commitments. This was partially offset by the $13 million provision related to potential exposure from Hurricane Helene in 2024.

- Noninterest income declined $39.4 million in 2024, which resulted primarily from the $38.0 million securities loss, $36.8 million of which was related to a securities loss-earnback transaction that took place in the fourth quarter of 2024. Refer to "Noninterest Income" section below for further discussion.
- Noninterest expense decreased $18.8 million in 2024, primarily related to the GrandSouth acquisition completed January 1, 2023, which resulted in merger and acquisition expense of $13.7 million in 2023. In 2024, the Company actively managed headcount and applied additional expense controls. Refer to "Noninterest Expense" section below for further discussion.
- Income tax expense was down $5.9 million from the prior year relative to lower pre-tax income. The 2024 effective tax rate of 22.3% was up from the prior year as the result of incremental state tax-related expenses recorded in 2024 relating to prior years.

Current Economic Conditions

Recent economic activity has shown resilience with generally positive domestic results, low unemployment and increased demand for goods and services. While inflationary pressures continue, monetary policy actions taken by the Federal Reserve over the last three years have resulted in a lower inflation rate in 2024. A mix of positive and negative economic indicators remained present at the end of 2024 and there continues to be some uncertainty in economic conditions, and as such, we could be subject to ongoing risks, which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations.

Our financial position and results of operations are susceptible, among other factors, to the ability of our loan customers to meet their loan obligations to us, the availability of our workforce, the availability of our vendors, and the volatility in the value of assets held by us or securing our loans. We have not realized significant negative impact on our loan portfolio or asset quality to date as a result of the current economic conditions. However, the economic pressures and uncertainties, increased consumer demand and recent volatility in both short-term and long-term interest rates have resulted in, and may continue to result in, specific changes in consumer and business spending and borrowing habits, given the current and expected interest rate environment, which could make it difficult to grow assets and income.

The extent to which the current economic conditions have a further impact on our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including actions taken by governmental authorities in response to inflationary trends and recessionary risks.

Critical Accounting Estimates

The accounting principles we follow and our methods of applying these principles conform with GAAP and with general practices followed by the banking industry. Certain policies inherently have a greater reliance on the use of estimates, assumptions, or judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported. We have identified the determination of our ACL and related Allowance for Unfunded Commitments, as well as business combinations, related fair value measurements and goodwill determination to be the accounting areas that require the most subjective or complex judgments, estimates, and assumptions, and where changes in those judgments, estimates, and assumptions (based on new or additional information, changes in the economic climate and/or market interest rates, etc.) could have a significant effect on our financial statements. See the "Allowance for Credit Losses, Allowance for Unfunded Commitments, and Loan Loss Experience" discussion in the Financial Condition section of Management's Discussion and Analysis.

Our most significant accounting policies are presented in Note 1 to the accompanying consolidated financial statements. These policies, along with the disclosures presented in the other notes to the consolidated financial statements and in this MD&A, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined.

Allowance for Credit Losses on Loans and Allowance for Unfunded Commitments

While management uses the best information available to establish the ACL, future adjustments to the ACL and methodology may be necessary if economic or other conditions differ substantially from the assumptions used in making the estimates. We perform periodic and systematic detailed reviews of the loan portfolio to identify trends and to assess the overall collectability of the portfolio. We believe the accounting estimate related to the ACL is a “critical accounting estimate” as: (1) changes in it can materially affect the provision for loan losses and net income; (2) it requires management to predict borrowers’ likelihood or capacity to repay, including evaluation of inherently uncertain future economic conditions; (3) the value of underlying collateral must be estimated on collateral-dependent loans; (4) prepayment activity must be projected to estimate the life of loans that often are shorter than contractual terms; and (5) it requires estimation of a reasonable and supportable forecast period for credit losses. Accordingly, this is a highly subjective process and requires significant judgment since it is difficult to evaluate current and future economic conditions in relation to an overall credit cycle and estimate the timing and extent of loss events that are expected to occur prior to end of a loan’s estimated life.

Our ACL is assessed at each quarterly balance sheet date and adjustments are recorded in the provision for loan losses on the consolidated statements of income. There are many factors affecting the ACL, some of which are quantitative, while others require qualitative judgment. There are both internal factors (i.e., loan balances, historical loss rates, credit quality, the contractual lives of loans), external factors (i.e., economic conditions such as trends in housing prices, interest rates, GDP, inflation, and unemployment), and assumptions of probability of default and loss given default by loan category, that can impact the ACL estimate. One of the most significant assumptions is the macroeconomic scenario forecasts that determine the economic variables utilized in the ACL model. Due to the inherent uncertainty in the macroeconomic forecasts, we evaluate a baseline scenario quarterly, as well as upside or downside macroeconomic scenarios to assess the most reasonable scenario based on review of the variable forecasts for each scenario, comparison to expectations, and sensitivity of variations in each scenario.

The most significant variable in the economic forecasts is the national unemployment rate (which has remained relatively stable), and changes in unemployment forecasts can have significant impact to the estimated ACL. Other economic variables include national GDP, the national commercial real estate pricing index and the national home price index. We use the national unemployment rate in all of our models regardless of the loan portfolio type, and we use a second economic variable in each cohort model depending on the loan portfolio type. The ACL quantitative estimate is sensitive to changes in the economic variable forecasts during the twelve-month reasonable and supportable forecast period with a straight-line reversion over the next three years to long-term average loss factors. There have been no changes to the reasonable and supportable period or reversion period in any year presented.

Although management believes its process for determining the ACL adequately considers all the factors that could potentially result in credit losses, the process includes subjective elements and is susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provision for loan losses could be required that could adversely affect our earnings or financial position in future periods.

PCD loans represent assets that are acquired with evidence of more than insignificant credit quality deterioration since origination at the acquisition date. At acquisition, the allowance on PCD assets is booked directly to the ACL. Any subsequent changes in the ACL on PCD assets is recorded through the provision for loan losses on the consolidated statements of income.

We believe that the ACL is adequate to absorb the expected life of loan credit losses on the portfolio of loans as of the balance sheet date. Actual losses incurred may differ materially from our estimates. For example, inflationary pressures and recessionary concerns leading to macroeconomic economic deterioration, higher unemployment and declines in real estate and other asset valuations could affect our loss experience and assumptions utilized in our model.

We estimate expected credit losses on unfunded commitments to extend credit over the contractual period in which we are exposed to credit risk on the underlying commitments, unless the obligation is unconditionally cancellable. The allowance for off-balance sheet credit exposures, which is included in "Other liabilities" on the consolidated balance sheets, is adjusted for as an increase or decrease to the provision for unfunded commitments. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The methodology is based on a loss rate approach that starts with the probability of funding based on historical experience. Similar to the methodology discussed above

related to the loans receivable portfolio, adjustments are made to the historical losses for current conditions and reasonable and supportable forecasts.

Additional information on the loan portfolio and ACL can be found in the sections of this Item 7 titled “Nonperforming Assets” and “Allowance for Credit Losses and Loan Loss Experience” below.

Business Combinations and Goodwill

We believe that the accounting for business combinations, goodwill, and other intangible assets also involves a higher degree of judgment than most other significant accounting policies. Pursuant to applicable accounting guidance, we recognize assets acquired, including identified intangible assets, and the liabilities assumed in acquisitions at their fair values as of the acquisition date, with the related transaction costs expensed in the period incurred. Specified items such as acquired operating lease assets and liabilities as lessee, employee benefit plans, and income-tax related balances are recognized in accordance with accounting guidance that results in measurements that may differ from fair value. Determining the fair value of assets acquired and liabilities assumed often involves estimates based on internal or third-party valuations which include appraisals, discounted cash flow analysis, or other valuation techniques that may include estimates of attrition, inflation, asset growth rates, discount rates, credit risk, multiples of earnings, or other relevant factors. The determination of fair value may require us to make point-in-time estimates about discount rates, future expected cash flows, market conditions, and other future events that can be volatile in nature and challenging to assess. While we use the best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement.

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. The estimated useful lives are periodically reviewed for reasonableness and have generally been estimated to have a life ranging from seven to ten years, with an accelerated rate of amortization. We review identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our policy is that an impairment loss is recognized, equal to the difference between the asset’s carrying amount and its fair value, if the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Estimating future cash flows involves the use of multiple estimates and assumptions, such as those listed above.

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. The ACL for non-PCD assets is recognized as provision expense in the same reporting period as the business combination. Estimated loan losses for acquired loans are determined using methodologies and applying estimates and assumptions that were described previously in the Allowance for Credit Losses on Loans and Allowance for Unfunded Commitments section above.

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.

Similarly, premiums or discounts on acquired debt are accreted or amortized to interest expense over their remaining lives. Actual accretion or amortization of premiums and discounts from a business acquisition may differ materially from our estimates impacting our operating results.

We believe that the accounting for goodwill also involves a higher degree of judgment than most other significant accounting policies. 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 estimated fair

value of the liabilities assumed. Goodwill has an indefinite useful life and is evaluated for impairment annually or more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value.

ASC 350-10 establishes standards for an impairment assessment of goodwill. At each reporting date between annual goodwill impairment tests, we consider potential indicators of impairment. Generally, absent potential impairment indicators, we perform an annual assessment of whether the events and circumstances resulted in it being more likely than not that the fair value of any reporting unit was less than its carrying value. Impairment indicators considered include the condition of the economy and banking industry; government intervention and regulatory updates; the impact of recent events to financial performance and cost factors of the reporting unit; performance of the Company's stock, and other relevant events. During 2024 there were no triggers warranting interim impairment assessments and for the 2024 annual assessment, we concluded that it was more likely than not that the fair value exceeded its carrying value. At December 31, 2024, we had $478.8 million of goodwill.

Recent Accounting Standards and Pronouncements

For information relating to recent accounting standards and pronouncements, see Note 1 to our consolidated financial statements entitled "Summary of Significant Accounting Policies."

RESULTS OF OPERATIONS

The following discussion reviews the results of operations and key drivers to change in the results of 2024 as compared to 2023. For a description of our results of operations for 2023 as compared to 2022, refer to the "Overview and 2023 Highlights," Results of Operations," and "Analysis of Financial Condition and Changes in Financial Condition" sections of Item 7 in our 2023 Form 10-K.

Net Interest Income

Net interest income is our largest source of revenue and is the difference between the interest earned on interest-earning assets (generally loans and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (generally deposits and borrowed funds). Changes in the net interest income are the result of changes in volume and the net interest spread which affects NIM. Volume refers to the average dollar levels of interest-earning assets and interest-bearing liabilities. Net interest spread refers to the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities. NIM refers to net interest income divided by average interest-earning assets and is influenced by the level and relative mix of interest-earning assets and interest-bearing liabilities. Net interest income is also influenced by external factors such as local economic conditions, competition for loans and deposits, and market interest rates.

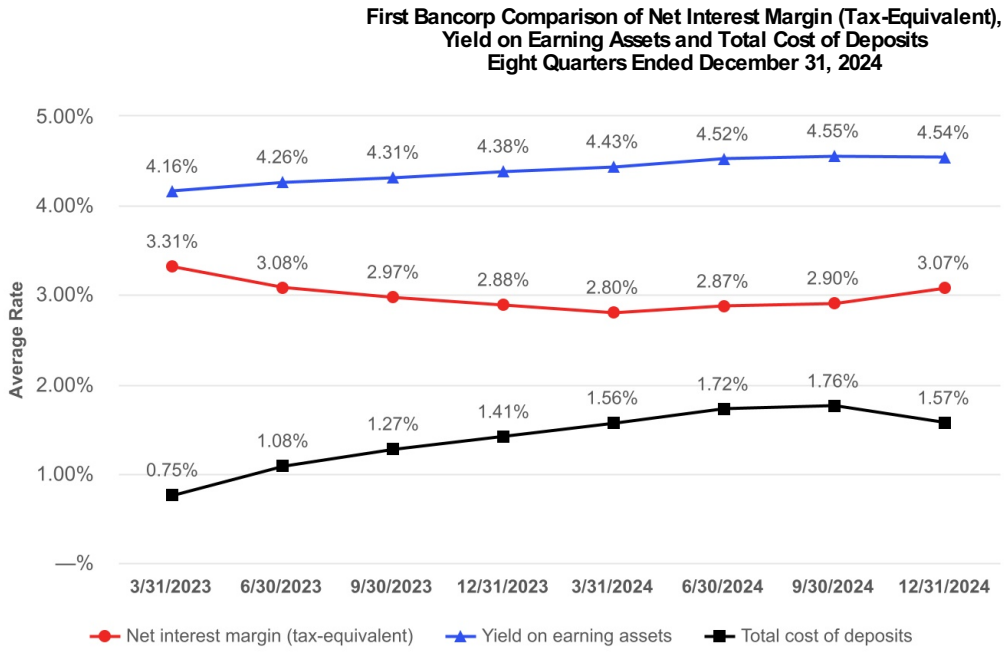
Net interest income amounted to $332.3 million in 2024, a decrease of $14.6 million, or 4.2%, from $346.8 million in 2023. The decrease was primarily due to the increase in rates on interest-bearing deposits, specifically money market accounts, partially offset by lower interest expense on borrowings, a result of lower average balances on borrowings. Partially offsetting the increased interest expense was increased interest income, primarily the result of higher average balances on interest-bearing assets. Within interest-bearing assets, interest income was positively impacted by growth in the average balances of loans and other interest-earning assets, primarily overnight funds, partially offset by lower average balances on taxable securities.

In line with the lower net interest income related to the increase in the cost of interest-bearing liabilities was the compression of our NIM which, on a tax-equivalent basis, declined to 2.91% in 2024 from 3.06% in 2023. For internal purposes, we evaluate our NIM on a tax-equivalent basis by adding the tax benefit realized from tax-exempt loans and securities to reported interest income, then dividing by total average earning assets. We believe that analysis of NIM on a tax-equivalent basis is useful and appropriate because it allows a comparison of net interest in different periods without taking into account the different mix of taxable versus non-taxable loans and investments that may have existed during those periods. The following is a reconciliation of reported net interest income to tax-

equivalent net interest income and the resulting NIM as reported and on a tax-equivalent basis.

	Year ended December 31,		
($ in thousands)	2024	2023	2022
Net interest income, as reported	$ 332,273	$ 346,843	$ 325,015
Tax-equivalent adjustment	2,983	2,694	2,780
Net interest income, tax-equivalent	$ 335,256	$ 349,537	$ 327,795
Net interest margin, as reported	2.89 %	3.03 %	3.25 %
Net interest margin, tax-equivalent	2.91 %	3.06 %	3.28 %

Our total cost of deposits has been more impacted by the FOMC's changes in short term rates than the yield on our interest-earning assets. The target federal funds rate peaked at 5.50% in July 2023 and remained there until beginning to decrease in September 2024, falling a total of 100 basis points by the end of 2024, helping to increase our NIM (tax-equivalent) to 3.07% in the fourth quarter of 2024. As shown in the chart below, our NIM (tax-equivalent) has grown 27 basis points since its recent low for the first quarter of 2024. This NIM (tax-equivalent) expansion is the result of our yield on interest-earning assets continuing to earn at higher rates, increasing 11 basis points during the same period, while our total cost of deposits peaked in the third quarter of 2024, declining to 1.57% for the fourth quarter of 2024.



Our NIM for all periods presented below benefited from the net accretion income arising from purchase accounting premiums/discounts associated with acquisitions. Presented in the table below is the amount of accretion which increased net interest income in each year presented.

	Year ended December 31,		
($ in thousands)	2024	2023	2022
Interest income – increased by accretion of loan discount on acquired loans	$ 8,938	$ 11,507	$ 5,621
Total interest income impact	8,938	11,507	5,621
Interest expense – (increased) reduced by (discount accretion) premium amortization of deposits	(826)	(3,101)	593
Interest expense – increased by discount accretion of borrowings	(767)	(842)	(254)
Total net interest expense impact	(1,593)	(3,943)	339
Impact on net interest income	$ 7,345	$ 7,564	$ 5,960

The most significant component of the purchase accounting adjustments in each year was loan discount accretion on purchased loans. Generally, the level of loan discount accretion will decline each year after an acquisition due to the natural reduction in the outstanding balance of acquired loans. Alternately, levels of accretion will increase as a result of acquisitions and related additions to loan discounts on acquired portfolios which are accreted to income as experienced in 2023 with the GrandSouth acquisition.

At December 31, 2024 and 2023, unaccreted loan discount on purchased loans amounted to $15.1 million and $24.0 million, respectively. The GrandSouth acquired portfolio comprises the majority of the remaining unaccreted loan discount at December 31, 2024.

The following table presents the major components of the net interest income and NIM.

Average Balances and Net Interest Income Analysis

	Year Ended December 31,								
	2024			2023			2022		
($ in thousands)	Average Volume	Interest Earned or Paid	Avg. Rate	Average Volume	Interest Earned or Paid	Avg. Rate	Average Volume	Interest Earned or Paid	Avg. Rate
Assets									
Loans [1] [2]	$ 8,046,681	$ 441,181	5.48 %	$ 7,902,628	$ 418,853	5.30 %	$ 6,293,319	$ 278,188	4.42 %
Taxable securities	2,608,494	47,510	1.82 %	2,920,040	52,276	1.79 %	3,059,683	53,536	1.75 %
Non-taxable securities	291,520	4,466	1.53 %	296,287	4,485	1.51 %	296,803	4,387	1.48 %
Short-term investments, primarily interest-bearing cash	561,886	26,083	4.64 %	314,537	13,330	4.24 %	339,437	5,007	1.48 %
Total interest-earning assets	11,508,581	519,240	4.51 %	11,433,492	488,944	4.28 %	9,989,242	341,118	3.41 %
Cash and due from banks	84,997			93,182			104,374		
Premises and equipment	147,916			151,980			135,163		
Other assets	393,001			354,379			327,993		
Total assets	$ 12,134,495			$ 12,033,033			$ 10,556,772		
Liabilities and Equity									
Interest-bearing checking	$ 1,395,856	$ 9,910	0.71 %	$ 1,457,272	$ 6,192	0.42 %	$ 1,545,573	$ 1,219	0.08 %
Money market deposits	4,039,999	126,531	3.13 %	3,355,992	78,643	2.34 %	2,515,897	5,610	0.22 %
Savings deposits	564,473	1,209	0.21 %	668,730	1,024	0.15 %	739,681	459	0.06 %
Other time deposits	666,868	20,429	3.06 %	737,330	19,023	2.58 %	551,852	2,541	0.46 %
Time deposits >$250,000	373,851	14,006	3.75 %	343,669	9,984	2.90 %	287,194	1,520	0.53 %
Total interest-bearing deposits	7,041,047	172,085	2.44 %	6,562,993	114,866	1.75 %	5,640,197	11,349	0.20 %
Short-term borrowings	137,692	7,116	5.17 %	374,254	19,289	5.15 %	52,273	1,828	3.50 %
Long-term borrowings	95,275	7,766	8.15 %	99,858	7,946	7.96 %	65,531	2,926	4.46 %
Total interest-bearing liabilities	7,274,014	186,967	2.57 %	7,037,105	142,101	2.02 %	5,758,001	16,103	0.28 %
Noninterest-bearing checking	3,367,035			3,613,973			3,643,330		
Total sources of funds	10,641,049		1.76 %	10,651,078		1.33 %	9,401,331		0.17 %
Other liabilities	76,985			88,870			58,056		
Shareholders' equity	1,416,461			1,293,085			1,097,385		
Total liabilities and shareholders' equity	$ 12,134,495			$ 12,033,033			$ 10,556,772		
Net yield on interest-earning assets and net interest income		$ 332,273	2.89 %		$ 346,843	3.03 %		$ 325,015	3.25 %
Net yield on interest-earning assets and net interest income – tax-equivalent [3]		$ 335,256	2.91 %		$ 349,537	3.06 %		$ 327,795	3.28 %
Interest rate spread			1.94 %			2.26 %			3.13 %
Average prime rate			8.31 %			8.20 %			4.86 %

(1) Average loans include nonaccruing loans, the effect of which is to lower the average rate shown. Interest earned includes recognized net loan fees, including late fees, prepayment fees, and deferred loan (cost)/fee amortization, in the amounts of $(1.1) million, $0.5 million, and $3.1 million for 2024, 2023, and 2022, respectively.
(2) Includes accretion of discount on acquired loans of $8.9 million, $11.5 million, and $5.6 million in 2024, 2023, and 2022, respectively.
(3) Includes tax-equivalent adjustments of $3.0 million, $2.7 million and $2.8 million in 2024, 2023, and 2022, respectively, to reflect the federal and state tax benefit that we receive related to tax-exempt securities and tax-exempt loans, which carry interest rates lower than similar taxable investments/loans due to their tax exempt status. This amount has been computed assuming a 23% tax rate and is reduced by the related nondeductible portion of interest expense.

The following table presents additional detail regarding the estimated impact that changes in loan and deposit volumes and changes in the interest rates we earned/paid had on our net interest income in 2024 and 2023.

Volume and Rate Variance Analysis

	Year Ended December 31, 2024			Year Ended December 31, 2023		
	Change Attributable to			Change Attributable to		
($ in thousands)	Changes in Volumes	Changes in Rates	Total Increase (Decrease)	Changes in Volumes	Changes in Rates	Total Increase (Decrease)
Interest income:						
Loans	$ 7,767	$ 14,561	$ 22,328	$ 78,177	$ 62,464	$ 140,641
Taxable securities	(5,626)	860	(4,766)	(2,472)	1,212	(1,260)
Non-taxable securities	(73)	54	(19)	(8)	106	98
Other interest-earning assets, primarily overnight funds	10,982	1,771	12,753	(711)	9,034	8,323
Total interest income	13,050	17,246	30,296	74,986	72,816	147,802
Interest expense:						
Interest bearing checking accounts	(348)	4,066	3,718	(223)	5,196	4,973
Money market accounts	18,726	29,162	47,888	10,780	62,253	73,033
Savings accounts	(192)	377	185	(77)	642	565
Other time	(2,479)	3,885	1,406	4,244	12,238	16,482
Time deposits >$250,000	1,004	3,018	4,022	970	7,494	8,464
Total interest-bearing deposits	16,711	40,508	57,219	15,694	87,823	103,517
Short-term borrowings	(12,208)	35	(12,173)	13,950	3,531	17,481
Long-term borrowings	(369)	189	(180)	2,112	2,888	5,000
Total interest expense	4,134	40,732	44,866	31,756	94,242	125,998
Net interest income	$ 8,916	$ (23,486)	$ (14,570)	$ 43,230	$ (21,426)	$ 21,804

Note - Changes attributable to both volume and rate are allocated equally between rate and volume variances.

Overall, as demonstrated in the above table, net interest income contracted $14.6 million in 2024. Higher rates on interest-bearing liabilities were partially offset by higher rates on interest-earning assets and higher earning asset volumes.

- For 2024, higher market rates contributed to an additional $14.6 million of loan interest income while higher loan volume resulted in a $7.8 million increase in interest income. Variable rate loans comprised approximately 23% of the loan portfolio at December 31, 2024, and, accordingly, the magnitude of the immediate yield impact we experience from each rate change is limited.
- Decreases in the overall volume of average investment securities, partially offset by higher yields on the portfolio, resulted in decreased interest income of $4.8 million in 2024.
- Higher volumes on other interest-earning assets (primarily interest-bearing cash balances) along with higher yields resulted in an increase in interest income of $12.8 million for the year.
- The increase of $57.2 million in interest expense on deposits was driven by higher rates on accounts as we repriced deposits during late 2023 and the start of 2024 in response to the market increases and to retain and grow deposits to meet our funding needs, combined with higher volumes, primarily in money market deposit accounts.
- Lower levels of borrowings, historically short-term FHLB advances to fund loan demand and deposit fluctuations, contributed $12.6 million to the decrease in borrowings interest expense, which, in total, decreased $12.4 million in 2024.

Provision for Credit Losses and Provision for Unfunded Commitments

The provision for credit losses is comprised of the provision for loan losses and the provision for unfunded commitments. The provision recorded in each period represents the amount required such that the total ACL reflects the current estimate of life of loan credit losses in the loan portfolio and the allowance for unfunded commitments

reflects the current expected losses on unfunded loan commitments that are expected to result in outstanding loan balances. Our estimate of credit losses is determined using a complex model that relies on reasonable and supportable forecasts and historical loss information to determine the balance of the ACL and allowance for unfunded commitments. The allowance for unfunded commitments is included in "Other liabilities" in the consolidated balance sheets.

The provision for loan losses was $18.8 million in 2024 and $19.8 million in 2023. The amount of provision recorded in each period was the amount required such that the total ACL reflected the appropriate balance as determined under the CECL model. The primary contributor to the lower provision in 2024 was the initial provision established for acquired non-PCD loans of $12.2 million recorded in 2023 as a result of the acquisition of GrandSouth. The provision for loan losses for 2024 included $13 million related to potential credit exposure from Hurricane Helene. We subscribe to a third-party service which provides quarterly macroeconomic scenarios for the United States economy. For 2024, we continue to utilize the baseline forecast, which incorporates an equal probability of the United States economy performing better or worse than the projection. The economic forecasts throughout the year have exhibited general stability of the economy demonstrated in relatively low unemployment rates, solid GDP, relatively stable consumer and producer price indices, and mixed results for real estate price indices for commercial and residential properties. These improving economic projections translated to lower forecasted losses in our loan portfolio and, thus a lower estimated ACL, exclusive of portfolio growth and the reserves related to Hurricane Helene.

Also under the CECL method, in 2024 we recorded a reduction in the provision for unfunded commitments of $2.3 million compared to a reduction of $1.9 million for 2023. Changes in the level of provision each year are generally related to fluctuations in the level of available credit lines and updated loss drivers.

Within the portions of Western North and South Carolina that were significantly impacted by Hurricane Helene, the Company identified borrowers with approximately $744 million of loans outstanding as of December 31, 2024. The Company continues to update analyses to identify impacts from the storm and has applied increased reserve rates based upon severe economic factors to the loans in the path of Helene. Additionally, the Company continues to evaluate the largest commercial loans in that population and applied incremental reserves to those loans that were suspected of having higher potential property damage or economic impact from the storm. The incremental reserve for potential exposure from Hurricane Helene was $13.0 million and added 16 basis points to the Allowance for Credit Losses as of December 31, 2024.

Additional discussion of the CECL method and our asset quality and credit metrics, which impact our provision for credit losses, is provided in the "Nonperforming Assets" and "Allowance for Credit Losses and Loan Loss Experience" sections following.

Noninterest Income

Our noninterest income amounted to $17.9 million in 2024, $57.3 million in 2023, and $67.8 million in 2022.

The decreased noninterest income for the year ended December 31, 2024 as compared to the same period in 2023 is a result of "Securities losses, net" in 2024 and lower "Other income, net," partially offset by increased "SBA loan sale gains." Details of the more significant components of noninterest income are presented in the table below. For the year ended December 31, 2024, the change in "Other income, net" was related to the timing of the recognition of gain and loss from other investment activity, which does not include AFS or HTM securities.

Noninterest Income

($ in thousands)	Year Ended December 31, 2024	2023	2022
Service charges on deposit accounts	$ 16,620	$ 16,800	$ 15,368
Other service charges and fees - bankcard and interchange income, net	9,306	9,319	14,996
Other service charges - other	12,961	12,766	11,292
Presold mortgage loan fees and gains on sale	2,292	1,613	2,102
Commissions from sales of financial products	5,270	5,503	5,195
SBA loan sale gains	3,630	2,489	5,076
Bank-owned life insurance ("BOLI") income	4,773	4,350	3,847
Securities losses, net	(37,981)	—	—
Other gains, net	1,028	4,465	9,948
Total noninterest income	$ 17,899	$ 57,305	$ 67,824

Service charges on deposit accounts decreased $0.2 million, or 1.1%, in 2024 as compared to 2023.

Other service charges and fees - bankcard interchange income, net represents interchange income from debit and credit card transactions, net of associated interchange expense and amounted to $9.3 million in 2024, a 0.1% decrease from the $9.3 million in 2023.

Other service charges - other includes items such as ATM charges, wire transfer fees, safety deposit box rentals, fees from sales of personalized checks, and check cashing fees. Also included in this category are SBA guarantee servicing fees and related servicing rights amortization which fluctuate based on the volume of and prepayment speeds on SBA loans serviced for others. The increase in this item in 2024 was of $0.2 million, or 1.5%.

Securities losses, net was $38.0 million in 2024. Of this balance, $36.8 million related to a securities loss-earnback transaction from the fourth quarter in which the Company sold $283.8 million of AFS securities bearing 1.62% at a loss of approximately $36.8 million and a purchased a total of $494.9 million in AFS securities bearing 5.21%.

Other gains, net amounted to a net gain of $1.0 million for 2024. For 2022, the balance consisted primarily of death benefits realized on BOLI policies which were nominal in 2023 and 2024. The decline from 2023 to 2024 was primarily driven by SBA consulting fees, which declined from $2.6 million in 2022 to $0.3 million in 2024 as the Company ceased offering these services in early 2024.

Noninterest Expenses

Total noninterest expenses totaled $235.6 million, $254.4 million, and $195.2 million, for 2024, 2023, and 2022, respectively.

The primary contributors to the $18.8 million decrease for the year ended December 31, 2024 as compared to the same period in 2023 were the $13.7 million of "Merger and acquisition expenses" recorded in 2023 and the $1.9 million decrease in "Non-credit losses." For the year ended December 31, 2024, there was an overall effort by management to actively control headcount and expenses.

The following table presents the primary components of noninterest expense.

Noninterest Expenses

	Year Ended December 31,		
($ in thousands)	2024	2023	2022
Salaries incentives and commissions expense	$ 113,853	$ 114,377	$ 96,321
Employee benefit expense	26,169	25,474	21,397
Total personnel expense	140,022	139,851	117,718
Occupancy and equipment expense	19,984	20,990	18,604
Credit card rewards and other bankcard expenses	6,572	5,288	1,653
Telephone and data lines	3,390	3,960	3,631
Software licenses and other software costs	7,691	8,717	6,064
Data processing expense	8,916	8,733	7,535
Professional fees	6,207	5,409	4,350
Advertising and marketing	3,416	4,055	3,032
Non-credit losses	2,830	4,766	2,730
FDIC insurance costs	6,559	6,982	2,913
Corporate insurance costs	2,302	2,275	1,975
Merger and acquisition expenses	—	13,695	5,072
Intangibles amortization expense	6,604	8,003	3,684
Foreclosed property (gains) losses, net	(245)	(150)	(372)
Other operating expenses	21,359	21,805	16,631
Total noninterest expense	$ 235,607	$ 254,379	$ 195,220

Noninterest expenses decreased 7.4% from 2023 to 2024. The decrease was driven by the merger and acquisition expenses of $13.7 million recorded in 2023 related to the acquisition of GrandSouth along with other elevated expenses from the acquisition.

Non-credit losses decreased $1.9 million as compared to the prior year driven by the implementation of additional measures to detect and prevent losses that led to a decrease in check fraud losses for 2024. Impacting noninterest expense in 2023 were increases for software costs related to the GrandSouth acquisition, including the transition of new customers. These costs did not continue in 2024. Occupancy and equipment expense in 2023 included elevated expenses related to building repairs and maintenance.

Offsetting the previously discussed decreases in noninterest expenses, was the increase in credit card rewards and other bankcard expenses, which were related to higher volumes of customer accounts and transactions.

Income Taxes

We recorded income tax expense of $21.9 million in 2024, $27.8 million in 2023, and $38.3 million in 2022. Our effective tax rates were at 22.3% for 2024, 21.1% for 2023, and 20.7% for 2022. The slight increase in effective tax rate for 2023 was attributable primarily to merger and acquisition expenses recorded resulting in non-deductible adjustments for tax purposes. The higher effective tax rate for 2024 was attributable primarily to incremental state tax-related expense related to prior years, changes in state tax income apportionment, and the negative impact of decreasing deferred tax assets related to the North Carolina corporate income tax reduction effective January 1, 2025 and for future years.

ANALYSIS OF FINANCIAL CONDITION AND CHANGES IN FINANCIAL CONDITION

Loans

The loan portfolio is the largest category of our earning assets and is comprised of commercial loans, real estate mortgage loans, real estate construction loans, and consumer loans. The majority of our loan portfolio is within our North Carolina and South Carolina market areas. We also have a portfolio of SBA loans that have been made on a nationwide basis. The diversity of the economic bases of our market areas has historically provided a stable lending environment.

Total loans amounted to $8.1 billion at December 31, 2024, a decrease of $55.4 million, or 0.7%, from December 31, 2023. The following table provides a summary of the loan portfolio composition at each of the past five year ends.

Loan Portfolio Composition

	As of December 31,									
	2024		2023		2022		2021		2020	
($ in thousands)	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans
Commercial and industrial	$ 919,690	11 %	$ 905,862	11 %	$ 641,941	9 %	$ 648,997	11 %	$ 782,549	17 %
Construction, development & other land loans	647,167	8 %	992,980	12 %	934,176	14 %	828,549	13 %	570,672	12 %
Commercial real estate - owner occupied	1,248,812	16 %	1,259,022	16 %	1,036,270	16 %	991,775	16 %	754,570	16 %
Commercial real estate - non owner occupied	2,625,554	33 %	2,528,060	31 %	2,123,811	32 %	1,813,849	31 %	1,096,781	23 %
Multi-family real estate	506,407	6 %	421,376	5 %	350,180	5 %	389,113	6 %	197,852	4 %
Residential 1-4 family real estate	1,729,322	21 %	1,639,469	20 %	1,195,785	18 %	1,021,966	17 %	972,378	21 %
Home equity loans/lines of credit	345,883	4 %	335,068	4 %	323,726	5 %	331,932	5 %	306,256	6 %
Consumer loans	70,653	1 %	68,443	1 %	60,659	1 %	57,238	1 %	53,955	1 %
Loans, gross	8,093,488	100 %	8,150,280	100 %	6,666,548	100 %	6,083,419	100 %	4,735,013	100 %
Unamortized net deferred loan (fees) costs	1,188		(178)		(1,403)		(1,704)		(3,698)	
Total loans	$ 8,094,676		$ 8,150,102		$ 6,665,145		$ 6,081,715		$ 4,731,315	

The majority of our loan portfolio over the years has been real estate mortgage loans, including commercial and residential mortgages. All loan categories secured by real estate, including construction and land loans, have historically ranged from approximately 82% to 90% of the loan portfolio. Except for construction, land development, and other land loans, the majority of our real estate loans are personal and commercial loans where cash flow from the borrower's occupation or business is the primary repayment source, with the real estate pledged providing a secondary repayment source.

The largest component of our portfolio is non-owner occupied commercial real estate loans, followed by residential 1-4 family real estate and owner occupied commercial real estate loans. As demonstrated in the table above, while there have been some variations in the relative percentage of each loan category to the total portfolio over the years, the nature of our portfolio has not changed drastically from the prior year or the historical averages. The higher percentage for commercial and industrial loan category in 2020 was an anomaly related to PPP loans made under the provisions of the CARES Act, which were forgiven in accordance with the PPP loan provisions starting in late 2020 and through early 2022.

A summary of scheduled loan maturities, based on contractual maturity dates, over certain time periods is presented below, with fixed rate loans and adjustable rate loans shown separately.

Loan Maturities

	As of December 31, 2024									
	Due within one year		Due after one year but within five years		Due after five years but within fifteen years		Due after fifteen years		Total	
($ in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Variable Rate Loans:										
Commercial and industrial	$ 177,351	6.62 %	$ 70,703	7.58 %	$ 45,046	9.66 %	$ 320	9.58 %	$ 293,420	7.32 %
Construction, development & other land loans	182,083	7.99 %	138,902	7.29 %	32,610	6.92 %	3,827	9.89 %	357,422	7.64 %
Commercial real estate - owner occupied	23,692	7.38 %	60,821	7.25 %	21,316	6.90 %	59,217	8.94 %	165,046	7.83 %
Commercial real estate - non owner occupied	22,683	7.30 %	185,679	6.88 %	54,385	6.30 %	14,323	9.03 %	277,070	6.91 %
Multi-family real estate	1,233	7.87 %	8,392	6.77 %	22,814	6.77 %	—	— %	32,439	6.81 %
Residential 1-4 family real estate	6,561	7.65 %	42,352	7.32 %	30,691	6.99 %	333,083	4.65 %	412,687	5.15 %
Home equity loans/lines of credit	11,578	7.83 %	39,435	7.34 %	283,341	7.62 %	—	— %	334,354	7.60 %
Consumer loans	3,216	8.78 %	7,759	10.65 %	—	— %	868	9.71 %	11,843	10.07 %
Total at variable rates	428,397	7.35 %	554,043	7.18 %	490,203	7.51 %	411,638	5.48 %	1,884,281	6.95 %
Fixed Rate Loans:										
Commercial and industrial	137,763	17.33 %	257,657	5.24 %	129,741	3.61 %	91,816	2.94 %	616,977	7.26 %
Construction, development & other land loans	83,778	6.66 %	124,710	5.33 %	81,035	5.28 %	132	6.00 %	289,655	5.70 %
Commercial real estate - owner occupied	69,754	4.28 %	592,382	4.85 %	412,179	4.34 %	84	8.50 %	1,074,399	4.62 %
Commercial real estate - non owner occupied	184,222	4.30 %	1,597,228	4.41 %	566,576	4.09 %	172	6.50 %	2,348,198	4.33 %
Multi-family real estate	31,732	5.18 %	260,406	4.00 %	181,830	4.22 %	—	— %	473,968	4.17 %
Residential 1-4 family real estate	32,722	4.45 %	311,714	4.99 %	135,223	4.59 %	827,565	3.93 %	1,307,224	4.26 %
Home equity loans/lines of credit	2,058	5.97 %	5,061	6.62 %	2,161	4.91 %	454	5.50 %	9,734	6.05 %
Consumer loans	965	6.78 %	48,635	8.58 %	6,593	8.23 %	2,268	16.78 %	58,461	8.83 %
Total at fixed rates	542,994	8.03 %	3,197,793	4.65 %	1,515,338	4.26 %	922,491	3.86 %	6,178,616	4.75 %
Subtotal	971,391	7.73 %	3,751,836	5.01 %	2,005,541	5.05 %	1,334,129	4.36 %	8,062,897	5.27 %
Nonaccrual loans	31,779		—		—		—		31,779	
Total loans	$ 1,003,170		$ 3,751,836		$ 2,005,541		$ 1,334,129		$ 8,094,676	

Note: The above table is based on contractual scheduled maturities. Early repayment of loans or renewals at maturity are not considered in this table.

Approximately 12% of our accruing loans outstanding at December 31, 2024 mature within one year and 59% of total loans mature within five years. As of December 31, 2024, the percentages of variable rate loans and fixed rate loans as compared to total performing loans were 23% and 77%, respectively. During 2024, the Company continued to focus on shifting more loans to variable rates as the mix was 19% variable and 81% fixed at December 31, 2023. While fixed rate loans present market interest rate risk, we measure our interest rate risk closely. Refer to additional discussion in the section “Interest Rate Risk” below.

The Company’s loan portfolio is not concentrated in loans to any single borrower or to a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions.

In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries, and geographic regions, the Company monitors exposure to credit risk that could arise from potential concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g. principal deferral periods, loans with initial interest-only periods, etc.), and loans with high loan-to-value ratios. Additionally, there are industry practices that could subject the Company to increased credit risk should economic conditions change over the course of a loan’s life. For example, the Bank makes variable rate loans and fixed rate principal-amortizing loans with maturities prior to the loan being fully paid (i.e. balloon payment loans). These loans are underwritten and monitored to manage the associated risks. The Company has determined that there is no concentration of credit risk associated with its lending policies or practices.

Most of our business activity is with customers located within the markets where we have banking operations. Therefore, our exposure to credit risk is significantly affected by changes in the economy within our markets. Approximately 88% of our loan portfolio is secured by real estate and is therefore susceptible to changes in real estate valuations.

The following tables provides a summary of the outstanding balances of the commercial real estate-owner occupied, commercial real estate-non owner occupied and multi-family real estate loan portfolio compositions at December 31, 2024 by geographic region.

Region				
($ in thousands)	Commercial real estate - owner occupied	Commercial real estate - non owner occupied	Multi-family real estate	Total
Charlotte, NC	$ 79,605	$ 429,889	$ 55,139	$ 564,633
Piedmont Triad, NC	103,071	266,487	24,056	393,614
Research Triangle, NC	105,488	358,053	45,276	508,817
Wilmington, NC	121,805	233,196	76,481	431,482
Asheville, NC	62,520	204,189	18,698	285,407
Other areas in NC	476,594	664,105	186,496	1,327,195
Greenville-Spartanburg, SC	65,824	79,395	2,743	147,962
Columbia, SC	10,645	37,535	7,282	55,462
Charleston, SC	64,469	109,007	56,981	230,457
Other areas in SC	80,264	140,394	17,093	237,751
Other states	78,527	103,304	16,162	197,993
Total	$ 1,248,812	$ 2,625,554	$ 506,407	$ 4,380,773

As noted above and described in the Item 1. Business section, we do not have concentrations geographically or by CRE category.

Nonperforming Assets

NPAs include nonaccrual loans, modifications to borrowers in financial distress, loans past due 90 or more days and still accruing interest, foreclosed real estate and, prior to the adoption of ASU 2022-02, accruing TDRs.

Nonaccrual loans are loans on which interest income is no longer being recognized or accrued because management has determined that the collection of interest is doubtful. Placing loans on nonaccrual status negatively impacts earnings because (1) interest accrued but unpaid as of the date a loan is placed on nonaccrual status is reversed and deducted from interest income; (2) future accruals of interest income are not recognized until it becomes probable that both principal and interest will be paid; and (3) principal charged-off, if appropriate, may necessitate additional provisions for loan losses that are charged against earnings. As a matter of policy, we generally place all loans that are past due 90 or more days on nonaccrual basis. There were no accruing loans that were past due 90 or more days at December 31, 2024 and December 31, 2023.

In some cases, where borrowers are experiencing financial difficulties, loans may be restructured to provide terms significantly different from the originally contracted terms.

The following table summarizes our NPAs at the dates indicated.

Nonperforming Assets

	As of December 31,				
($ in thousands)	2024	2023	2022	2021	2020
Nonperforming assets					
Nonaccrual loans	$ 31,779	$ 32,208	$ 28,514	$ 34,696	$ 35,076
Modifications to borrowers in financial distress	10,173	11,719	—	—	—
TDRs - accruing	—	—	9,121	13,866	9,497
Accruing loans >90 days past due	—	—	—	1,004	—
Total nonperforming loans	41,952	43,927	37,635	49,566	44,573
Foreclosed real estate	4,965	862	658	3,071	2,424
Total nonperforming assets	$ 46,917	$ 44,789	$ 38,293	$ 52,637	$ 46,997
Allowance for credit losses	$ 122,572	$ 109,853	$ 90,967	$ 78,789	$ 52,388
Total Loans	8,094,676	8,150,102	6,665,145	6,081,715	4,731,315
Asset Quality Ratios					
Nonaccrual loans to total loans	0.39 %	0.40 %	0.43 %	0.57 %	0.74 %
Nonperforming loans to total loans	0.52 %	0.54 %	0.56 %	0.82 %	0.94 %
Nonperforming assets to total loans and foreclosed real estate	0.58 %	0.55 %	0.57 %	0.87 %	0.99 %
Nonperforming assets to total assets	0.39 %	0.37 %	0.36 %	0.50 %	0.64 %
Allowance for credit losses to total loans	1.51 %	1.35 %	1.36 %	1.30 %	1.11 %
Allowance for credit losses to nonaccrual loans	385.70 %	341.07 %	319.03 %	227.08 %	149.36 %
Allowance for credit losses to nonperforming loans	292.17 %	250.08 %	241.71 %	158.96 %	117.53 %

Our asset quality continues to be strong as demonstrated by stable or improving trends in all ratios as presented in the table above. Our total nonperforming loans to total loans was 0.52% at December 31, 2024, while our total NPA ratio was 0.39% at that date. Additional discussion of the credit quality classification status of our loans is contained in Note 4 to our consolidated financial statements.

"Commercial and industrial" is the largest category of nonaccrual loans, at $9.8 million, or 30.9% of total nonaccrual loans, followed by "Residential 1-4 family real estate" at $9.5 million, or 29.9% of total nonaccrual loans and "Commercial real estate - owner occupied" at $9.4 million, or 29.5% of total nonaccrual loans.

As of December 31, 2024, SBA loans accounted for approximately $15.5 million of our nonaccrual loans, or 11.4%, of the total SBA portfolio, and carried guarantees from the SBA totaling $7.4 million. This is compared to $18.2 million, or 12.7%, of the SBA portfolio at December 31, 2023. We continue to closely monitor the SBA loan portfolio and give it appropriate consideration when evaluating the adequacy of the ACL as those loans are generally considered inherently more risky than other loans in our portfolio. Refer to additional discussion of the ACL below.

As shown in Note 4 to the consolidated financial statements, our accruing past due loans (30 or more days) totaled $38.0 million at December 31, 2024, with the majority (52.8%) being in the residential 1-4 family real estate category.

We classify loans as “special mention” when there is a defined weakness or weaknesses that jeopardize the repayment by the borrower and there is a distinct possibility that we could sustain some loss if the deficiency is not corrected. Performing special mention loans, which are still accruing interest, totaled $37.1 million and $44.1 million as of December 31, 2024 and 2023, respectively. In addition, loans that are in the risk category of "classified" which are still accruing interest totaled $34.0 million at December 31, 2024 and $22.0 million at December 31, 2023. These loans have a risk of further deterioration and potential loss to the Bank.

Total foreclosed real estate amounted to $5.0 million at December 31, 2024, compared to $0.9 million in 2023. Nine properties were added to foreclosed real estate during 2024 and we completed the sale of five properties during the year. Two of the 2024 additions were within the population that sold in 2024.

Allowance for Credit Losses, Allowance for Unfunded Commitments, and Loan Loss Experience

The total ACL amounted to $122.6 million at December 31, 2024 compared to $109.9 million at December 31, 2023. Fluctuations in the ACL are based on loan mix and growth, changes in the levels of nonperforming loans, economic forecasts impacting loss drivers, other assumptions and inputs to the CECL model, and as occurred in 2023, adjustments for acquired loan portfolios. As discussed previously in the "Provision for Credit Losses and Provision for Unfunded Commitments" section, much of the change to the level of ACL during the year ended December 31, 2024 resulted from the provision of $13.0 million related to potential impact from Hurricane Helene. The ACL as a percent of loans at December 31, 2024 was 1.51%, 16 basis points of which was attributable to the potential impact from Hurricane Helene.

Within the portions of Western North and South Carolina that were significantly impacted by Hurricane Helene, the Company identified borrowers with approximately $744 million of loans outstanding. The following is a summary of the categories of those loans outstanding as of December 31, 2024:

($ in thousands)	Balance
Commercial and industrial	$ 10,543
Construction, development & other land loans	24,891
Commercial real estate - owner occupied	96,412
Commercial real estate - non owner occupied	287,076
Multi-family real estate	25,424
Residential 1-4 family real estate	262,166
Home equity loans/lines of credit	37,472
Consumer loans	—
Total	$ 743,984

The Company continues to update analyses to identify impacts from the storm and has applied increased reserve rates based upon severe economic factors to the loans in the path of Helene. Additionally, the Company continues to evaluate the largest commercial loans in that population and applied incremental reserves to those loans that were suspected of having higher potential property damage or economic impact from the storm.

The ACL reflects our estimate of life of loan expected credit losses that will result from the inability of our borrowers to make required loan payments. We use systematic methodologies to determine the ACL for loans and the allowance for certain off-balance-sheet credit exposures. The ACL is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loan portfolio.

We consider the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the loan portfolio. Our estimate of the ACL involves a high degree of judgment. Therefore, the process for determining expected credit losses may result in a range of expected credit losses. The ACL is calculated using collectively evaluated pools for loans with similar risk characteristics applying the DCF method. When a loan no longer shares similar risk characteristics with its segment, the loan is evaluated on an individual basis applying a DCF or asset approach for collateral-dependent loans. Refer also to the discussion of the critical estimates utilized in the ACL in the prior section, Critical Accounting Estimates, and refer to Note 1 of the consolidated financial statements for a discussion of our CECL methodology used to determine the ACL.

Our assessment of the ACL involves uncertainty and judgment and is subject to change in future periods. The amount of any changes could be significant if the assessment of loan quality or collateral values changes substantially with respect to one or more loan relationships or portfolios or if there is a significant change in the reasonable and supportable forecast used to model our expected credit losses. The allocation of the ACL as presented in the following table is based on reasonable and supportable forecasts, historical data, subjective judgment, and estimates and therefore, may not be predictive of the specific amounts or loan categories in which charge-offs may ultimately occur. In addition, bank regulatory authorities, as part of their periodic examination of the

Bank, may require adjustments to the provision for loan losses in future periods if, in their opinion, the results of their review warrant such additions.

The following table sets forth the allocation of the ACL by loan category at the dates indicated. However, the ACL is available to absorb losses in any and all categories.

Allocation of the Allowance for Credit Losses

	As of December 31,									
($ in thousands)	2024	% of Loan Category	2023	% of Loan Category	2022	% of Loan Category	2021	% of Loan Category	2020	% of Loan Category
Commercial and industrial	$ 19,474	2.12 %	$ 21,227	2.34 %	$ 17,718	2.76 %	$ 16,249	2.50 %	$ 11,316	1.45 %
Construction, development & other land loans	9,314	1.44 %	13,940	1.40 %	15,128	1.62 %	16,519	1.99 %	5,355	0.94 %
Commercial real estate - owner occupied	19,380	1.55 %	18,218	1.45 %	14,972	1.44 %	12,317	1.24 %	10,608	1.41 %
Commercial real estate - non owner occupied	27,768	1.06 %	24,916	0.99 %	22,780	1.07 %	16,789	0.93 %	11,465	1.05 %
Multi-family real estate	5,476	1.08 %	3,825	0.91 %	2,957	0.84 %	1,236	0.32 %	1,530	0.77 %
Residential 1-4 family real estate	33,552	1.94 %	21,396	1.31 %	11,354	0.95 %	8,686	0.85 %	8,048	0.83 %
Home equity loans/lines of credit	4,111	1.19 %	3,339	1.00 %	3,158	0.98 %	4,337	1.31 %	2,375	0.78 %
Consumer loans	3,497	4.95 %	2,992	4.37 %	2,900	4.78 %	2,656	4.64 %	1,478	2.74 %
Total allocated	122,572		109,853		90,967		78,789		52,175	
Unallocated	—	n/a	—	n/a	—	n/a	—	n/a	213	n/a
Total	$ 122,572	1.51 %	$ 109,853	1.35 %	$ 90,967	1.36 %	$ 78,789	1.30 %	$ 52,388	1.11 %

Note: "% of Loan Category" represents the ACL as a percent of the respective total loan categories presented previously in the Loan Portfolio Composition table.
n/a - not applicable

For the years indicated, the following table summarized our net loss experience by loan category and key ratios demonstrating the asset quality trends over the most recent five years.

Loan Ratios, Loss and Recovery Experience

	As of December 31,				
($ in thousands)	2024	2023	2022	2021	2020
Loans outstanding at end of year	$ 8,094,676	$ 8,150,102	$ 6,665,145	$ 6,081,715	$ 4,731,315
Average amount of loans outstanding	8,046,681	7,902,628	6,293,280	5,018,391	4,702,743
Allowance for credit losses, at end of year	122,572	109,853	90,967	78,789	52,388
Net loan (charge-offs) recoveries					
Commercial and industrial	$ (4,915)	$ (6,965)	$ (1,763)	$ (1,978)	$ (4,863)
Construction, development & other land loans	150	250	480	703	1,501
Commercial real estate - owner occupied	(187)	321	477	(212)	(335)
Commercial real estate - non owner occupied	(355)	502	432	(1,562)	(24)
Multi-family real estate	—	13	11	12	12
Residential 1-4 family real estate	292	373	17	488	276
Home equity loans/lines of credit	270	(211)	557	178	(37)
Consumer loans	(1,287)	(757)	(633)	(309)	(579)
Total net charge-offs	$ (6,032)	$ (6,474)	$ (422)	$ (2,680)	$ (4,049)
Average loans					
Commercial and industrial	$ 877,989	$ 865,043	$ 619,480	$ 700,557	$ 707,976
Construction, development & other land loans	810,564	1,053,422	857,880	619,928	615,717
Commercial real estate - owner occupied	1,239,411	1,224,284	1,012,275	812,764	776,166
Commercial real estate - non owner occupied	2,552,146	2,464,389	1,968,944	1,322,685	1,012,182
Multi-family real estate	466,588	402,814	357,491	256,396	193,415
Residential 1-4 family real estate	1,696,449	1,482,941	1,091,788	951,573	1,028,334
Home equity loans/lines of credit	331,995	341,778	326,592	300,291	316,593
Consumer loans	71,539	67,957	58,830	54,197	52,360
Total average loans	$ 8,046,681	$ 7,902,628	$ 6,293,280	$ 5,018,391	$ 4,702,743
Ratios					
Allowance for credit losses as a percent of loans at end of year	1.51 %	1.35 %	1.36 %	1.30 %	1.11 %
Allowance for credit losses as a multiple of net charge-offs	20.32	16.97	215.56	29.40	12.94
Provision for loan losses as a percent of net charge-offs	310.86 %	305.07 %	2,985.78 %	358.62%	865.37%
Recoveries of loans previously charged-off as a percent of loans charged-off	37.08 %	36.37 %	90.55 %	64.75 %	52.38 %
Total net charge-offs as a percent of average loans	(0.07 %)	(0.08 %)	(0.01 %)	(0.05 %)	(0.09 %)
Net (charge-offs) recoveries by loan category as a percent of average loans:					
Commercial and industrial	(0.56 %)	(0.81 %)	(0.28 %)	(0.28 %)	(0.69 %)
Construction, development & other land loans	0.02 %	0.02 %	0.06 %	0.11 %	0.24 %
Commercial real estate - owner occupied	(0.02 %)	0.03 %	0.05 %	(0.03 %)	(0.04 %)
Commercial real estate - non owner occupied	(0.01 %)	0.02 %	0.02 %	(0.12 %)	— %
Multi-family real estate	— %	— %	— %	— %	0.01 %
Residential 1-4 family real estate	0.02 %	0.03 %	— %	0.05 %	0.03 %
Home equity loans/lines of credit	0.08 %	(0.06 %)	0.17 %	0.06 %	(0.01 %)
Consumer loans	(1.80 %)	(1.11 %)	(1.08 %)	(0.57 %)	(1.11 %)

Securities

Our securities portfolio and the breakout of AFS and HTM securities is presented in the following table.

Securities Portfolio Composition

($ in thousands)	As of December 31, 2024	2023	2022
Securities available for sale:			
US Treasury securities	$ 120,581	$ 172,570	$ 168,758
Government-sponsored enterprise securities	9,614	60,266	57,456
Mortgage-backed securities	1,897,175	1,937,784	2,045,000
Corporate bonds	15,692	18,759	43,279
Total securities available for sale	2,043,062	2,189,379	2,314,493
Securities held to maturity:			
Mortgage-backed securities	9,198	12,085	15,150
State and local governments	510,800	521,593	526,550
Total securities held to maturity	519,998	533,678	541,700
Total securities	$ 2,563,060	$ 2,723,057	$ 2,856,193
Average total securities during year, at amortized cost	$ 2,900,014	$ 3,216,327	$ 3,356,486

The decrease in securities for the year ended December 31, 2024 was primarily due to regular principal repayments received on mortgage-backed securities as well as maturities of other securities. Generally, we invested cash flows from amortizing investments in interest bearing cash deposits. During 2024, we sold $426.7 million of securities, with a weighted average yield of 1.93%, at a loss of $41.5 million and we purchased $495.0 million of securities, with a weighted average yield of 5.21%. Partially offsetting this loss was a $4.5 million gain on the sale of the Class B shares of Visa, Inc. stock. Also impacting the change in balances of AFS securities was the improvement in unrealized loss on AFS securities which was $368.1 million at December 31, 2024 as compared to $400.7 million at December 31, 2023.

The composition of the investment securities portfolio reflects our investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of income. The investment portfolio also provides a balance to interest rate risk and credit risk in other categories of the balance sheet while providing a vehicle for the investment of available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits. Essentially all of our mortgage-backed securities, which include both AFS and HTM securities, are issued by GSEs or GNMA, and are traded in liquid secondary markets. These securities are recorded on the balance sheet at fair value for the AFS portfolio and at cost for the HTM portfolio.

The table below presents the composition, tax equivalent yields, and remaining maturities of our securities as of December 31, 2024. For more information about these securities, including gross unrealized gains and losses by type of security and securities pledged, see Note 3 to the consolidated financial statements.

Securities Portfolio Maturity Schedule

($ in thousands)	US Treasury securities	Government & govt.-sponsored enterprise securities	Mortgage-backed securities [1]	Corporate debt securities	Total	Weighted Average Yield [2]
Securities available for sale						
Remaining maturity:						
One year or less	$ —	$ —	$ 451	$ —	$ 451	2.56 %
After one through five years	81,944	—	500,416	—	582,360	4.16 %
After five through ten years	38,637	9,614	1,220,972	15,692	1,284,915	1.97 %
After ten years	—	—	175,336	—	175,336	2.48 %
Fair Value	$ 120,581	$ 9,614	$ 1,897,175	$ 15,692	$ 2,043,062	
Amortized cost	$ 121,051	$ 11,961	$ 2,261,924	$ 16,181	$ 2,411,117	2.41 %
Weighted-average yield [2]	4.28 %	1.32 %	2.30 %	4.22 %	2.41 %	
Weighted average maturity years	4.84	6.64	6.78	4.99	6.64	

	Mortgage-backed securities [1]	State and local governments	Total	Weighted Average Yield [2]
Securities held to maturity				
Remaining maturity:				
One year or less	$ —	$ —	$ —	— %
After one through five years	9,198	5,638	14,836	2.67 %
After five through ten years	—	186,842	186,842	1.98 %
After ten years	—	318,320	318,320	2.12 %
Amortized cost	$ 9,198	$ 510,800	$ 519,998	
Fair value	$ 8,739	$ 419,832	$ 428,571	2.09 %
Weighted-average yield [2]	2.47 %	2.08 %	2.09 %	
Weighted average maturity years	2.37	9.71	9.60	

(1) Mortgage-backed securities are shown maturing in the periods consistent with their estimated lives based on expected prepayment speeds.
(2) Yields have been computed using coupon interest, adding discount accretion or subtracting premium amortization, as appropriate, on a ratable basis over the life of each security. Weighted average yield for each maturity range has been computed on a fully taxable-equivalent basis using the amortized cost of each security in that range. Yields on tax-exempt investments have been adjusted to a taxable equivalent basis using a 23.35% tax rate.

Nearly all of our $1.9 billion in AFS mortgage-backed securities at December 31, 2024 were issued by the FHLMC, FNMA, GNMA, or the SBA, each of which is a government agency or a GSE and guarantees the repayment of the securities. Included in this total are private-label commerical mortgage-backed securities of $0.7 million. Mortgage-backed securities vary in their repayment in correlation with the underlying pools of mortgage loans.

At December 31, 2024, we held $520.0 million in securities classified as HTM, which are carried at amortized cost. These securities had fair values that were lower than their carrying values by $91.4 million at December 31, 2024. Approximately $9.2 million of the HTM securities were mortgage-backed securities that have been issued by either the FHLMC or FNMA. The remaining $510.8 million in HTM securities were comprised almost entirely of highly-rated municipal bonds issued by state and local governments throughout the nation. We have no significant concentration of bond holdings from one state or local government entity, with the single largest exposure to any one entity being $8.9 million. We have evaluated any unrealized losses on individual securities at each year end and determined them to be of a temporary nature and caused by fluctuations in market interest rates, not by concerns about the ability of the issuers to meet their obligations.

Deposits

Deposits represent the primary funding source for our loans and investments. Total deposits amounted to $10.5 billion at December 31, 2024, an increase of $498.9 million, or 5.0%, from December 31, 2023. Deposit growth for the year was entirely organic as there were no acquisitions during 2024. Accounting for most of the growth during 2024, retail deposits grew $501.9 million, or 5.0%, from the prior year end. Brokered deposits ended 2024 at $9.6 million. We continue to have a diversified and granular deposit base which has remained a stable source of funding. At December 31, 2024, noninterest-bearing deposits accounted for 32% of total deposits. This contributes to our low cost of funds.

The table below presents our historical deposit mix which continues to be predominately transaction and non-time deposit accounts. As demonstrated in the below table, total time deposits have declined to 8% of total deposits at December 31, 2024 from 13% at December 31, 2020. Such a shift in mix is beneficial for us, as non-time deposit accounts generally carry lower interest rates compared to time deposits and we are able to reprice these deposit categories as market rates move over time. Approximately 97% of our time deposits mature within one year.

Deposit Composition

	As of December 31,									
	2024		2023		2022		2021		2020	
($ in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Noninterest-bearing checking accounts	$ 3,367,624	32 %	$ 3,379,876	34 %	$ 3,566,003	39 %	$ 3,348,622	37 %	$ 2,210,012	35 %
Interest-bearing checking accounts	1,398,395	13 %	1,411,142	14 %	1,514,166	16 %	1,593,231	17 %	1,172,022	19 %
Money market accounts	4,285,405	41 %	3,653,506	36 %	2,416,146	26 %	2,562,283	28 %	1,581,364	25 %
Savings accounts	542,133	5 %	608,380	6 %	728,641	8 %	708,054	8 %	519,266	8 %
Other time deposits	566,514	5 %	610,887	6 %	464,343	5 %	547,669	6 %	415,269	7 %
Time deposits >$250,000	360,854	4 %	355,209	4 %	276,319	3 %	357,355	4 %	355,441	6 %
Total customer deposits	10,520,925	100 %	10,019,000	100 %	8,965,618	97 %	9,117,214	100 %	6,253,374	100 %
Brokered Deposits	9,600	—%	12,599	—%	261,911	3 %	7,415	—%	20,222	—%
Total deposits	$ 10,530,525	100 %	$ 10,031,599	100 %	$ 9,227,529	100 %	$ 9,124,629	100 %	$ 6,273,596	100 %

While our customer deposits have remained fairly stable, there continues to be competition for deposits by both in-market and out-of-market competitors. We routinely engage in activities designed to grow and retain deposits, including emphasizing relationship banking to new and existing customers where borrowers are encouraged to maintain deposit accounts with us; pricing deposits at rate levels that will attract and/or retain deposits; and continually working to identify and introduce new products that will attract customers or enhance our appeal as a primary provider of financial services.

The table below presents maturities of time deposits which are individually greater than the FDIC insurance limit of $250,000 as of December 31, 2024.

	As of December 31, 2024				
($ in thousands)	3 Months or Less	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 Months	Total
Time deposits greater than the FDIC insurance limit of $250,000	$ 183,946	$ 98,753	$ 68,152	$ 10,003	$ 360,854

As shown above, time deposits in excess of $250,000 totaled $360.9 million at December 31, 2024. On an individual account basis, there was a total of $185.0 million which was in excess of $250,000. This assessment of time deposit accounts does not evaluate total deposit relationships, account ownership types or other factors for determining the actual uninsured balances by customer.

As of December 31, 2024 and December 31, 2023, the estimated uninsured deposits we held totaled approximately $4.1 billion and $3.7 billion, respectively. As of December 31, 2024 and December 31, 2023, respectively, our insured were $6.4 billion, or 61.0% of total deposits, and $6.3 billion or 63.3% of total deposits. When coupled with deposits collateralized by investment securities with balances totaling $690.5 million and $820.9 million as of December 31, 2024 and December 31, 2023, respectively, approximately 67.6% and 71.5% of our total deposits were insured or collateralized as December 31, 2024 and December 31, 2023, respectively.

We do not take deposits through foreign offices. Deposits at December 31, 2024 from foreign depositors were nominal.

Borrowings

Although not the case as of December 31, 2024, we have historically utilized short-term borrowings to provide balance sheet liquidity and to fund imbalances in our loan growth compared to our deposit growth. In addition, we have long-term debt in the form of trust preferred securities and subordinated debentures and have the availability to borrow from the FHLB or FRB.

Total borrowings at December 31, 2024 decreased $538.3 million from the prior year end. Redemptions of FHLB advances comprised $280.0 million of the decrease and redemptions of FRB borrowings under the Bank Term Funding Program comprised $249.0 million of the decrease. During the year, the Company redeemed $10.0 million of subordinated debentures.

Our borrowings outstanding as of the dates presented were as follows:

($ in thousands)	December 31, 2024	December 31, 2023
FHLB advances	$ 802	$ 280,851
FRB borrowings	—	249,000
Trust preferred capital issuances	77,324	77,324
Subordinated debentures	18,000	28,000
	96,126	635,175
Unamortized discounts on acquired borrowings	(4,250)	(5,017)
	$ 91,876	$ 630,158

As noted in the table above, at December 31, 2024, we had $77.3 million of borrowings structured as trust preferred capital securities which qualify as Tier I capital for regulatory capital adequacy requirements. The Company issued $46.4 million of these securities with the balance assumed from acquisitions. The $18.0 million of unsecured subordinated debentures are borrowings issued by GrandSouth which we acquired and which qualify as Tier II capital for regulatory capital adequacy requirements.

At December 31, 2024, the Company had several sources of readily available borrowing capacity:

- An existing borrowing capacity with the FHLB of approximately $1.4 billion which can be structured as either short-term or long-term borrowings, depending on the particular funding or liquidity need, and is secured by a blanket lien on most of our real estate loan portfolio, select investment securities, and our FHLB stock (of which $0.8 million and $280.9 million were outstanding at December 31, 2024 and December 31, 2023, respectively).
- Federal funds lines with several correspondent banks totaling $265.0 million which provide for overnight unsecured federal funds purchased (of which none were outstanding at December 31, 2024 and December 31, 2023); and,
- A line of credit with the Federal Reserve through its discount window borrowing program of approximately $767.4 million which is secured by a blanket lien on a portion of our commercial and consumer loan portfolio (excluding real estate loans) and specific investment securities. All of this line was available at both December 31, 2024 and December 31, 2023.

Refer to Note 9 to the consolidated financial statements for additional discussion of our borrowings.

Liquidity, Commitments, and Contingencies

Our liquidity is determined by our ability to convert assets to cash or to acquire alternative sources of funds to meet the needs of our customers who are withdrawing or borrowing funds, and our ability to maintain required reserve levels, pay expenses, and operate the Company on an ongoing basis. Our primary liquidity sources are net income from operations, cash and due from banks, federal funds sold, and other short-term investments. Our securities portfolio has a high percentage of amortizing mortgage-backed securities generating monthly cash flows. In addition, the portfolio is comprised almost entirely of readily marketable securities, which could also be sold to provide cash. We also maintain available lines of credit from the FHLB and the Federal Reserve, as well as federal funds lines from several correspondent banks which are summarized below.

At December 31, 2024, the Company had several sources of readily available borrowing capacity as described above in the Borrowings section.

Liquidity is evaluated as both on-balance sheet (primarily cash and cash-equivalents, unpledged securities, and other marketable assets) and off-balance sheet (readily available lines of credit or other funding sources). Our overall on-balance sheet liquidity ratio was 17.6% at December 31, 2024. Our total liquidity ratio, including the $2.4 billion in available lines of credit, was 34.9% as of that date. The increase in available lines of credit during 2024

was a result of the redemption of FHLB advances along with additional loan and security collateral being transferred to the FHLB and the Federal Reserve to enhance the levels of off-balance sheet liquidity.

We continue to manage liquidity sources and believe our liquidity sources, including unused lines of credit, are at an acceptable level and remain adequate to meet our operating needs in the foreseeable future. We will continue to monitor our liquidity position carefully and will explore and implement strategies to increase liquidity if deemed appropriate.

In the normal course of business we have various outstanding contractual obligations that will require future cash outflows. In addition, there are commitments and contingent liabilities, such as commitments to extend credit, that may or may not require future cash outflows. Certain of the outstanding commitments and contingent liabilities, such as commitments to extend credit, are not reflected in the financial statements.

Presented below is a summary of our contractual obligations and other commercial commitments outstanding as of December 31, 2024.

Contractual Obligations and Other Commercial Commitments

	Payments Due Per Period ($ in thousands)				
Contractual Obligation as of December 31, 2024	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Borrowings	$ —	$ 802	$ 18,000	$ 77,324	$ 96,126
Operating leases	1,800	2,753	2,232	15,033	21,818
Time deposits, including brokered deposits	887,633	41,636	7,632	67	936,968
Non-qualified postretirement plan liabilities	566	1,151	1,143	4,175	7,035
Committed investment obligations	16,062	16,062	—	—	32,124
Estimated interest expense on borrowings and time deposits [1]	31,500	12,430	12,044	27,989	83,963
Total contractual cash obligations	$ 937,561	$ 74,834	$ 41,051	$ 124,588	$ 1,178,034

(1) Represents forecasted interest expense on borrowings and time deposits based on interest rates and balances at December 31, 2024. Forecasts are based on the contractual maturity of each liability.

	Amount of Commitment Expiration Per Period ($ in thousands)				
Other Commercial Commitments as of December 31, 2024	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total Amounts Committed
Credit cards	$ —	$ —	$ —	$ 312,222	$ 312,222
Lines of credit and loan commitments	440,428	606,514	169,154	817,844	2,033,940
Standby letters of credit	24,365	73	40	—	24,478
Total commercial commitments	$ 464,793	$ 606,587	$ 169,194	$ 1,130,066	$ 2,370,640

As presented in the table above, at December 31, 2024, we had $24.5 million in standby letters of credit outstanding. We had no carrying amount for these standby letters of credit. The nature of standby letters of credit is that of a stand-alone obligation made on behalf of our customers to suppliers of the customers to guarantee payments owed to the suppliers by the customers. The standby letters of credit are generally for terms of one year, at which time they may be renewed for another year if both parties agree. The payment of the guarantees would generally be triggered by a continued nonpayment of an obligation owed by the customer to the supplier. In the event that we are required to honor a standby letter of credit, a note, already executed by the customer, becomes effective providing repayment terms and any collateral.

It has been our experience that deposit withdrawals are generally able to be replaced with new deposits when needed or through short-term advances from the FHLB. We believe that the Bank can meet its contractual cash obligations and existing commitments from normal operations.

Capital Resources and Shareholders' Equity

Shareholders' equity at December 31, 2024 amounted to $1.4 billion, a $73.2 million, or 5.3%, increase from December 31, 2023. The two basic components that typically have the largest impact on our shareholders' equity are net income, which increases shareholders' equity, and dividends declared, which decreases shareholders' equity. Additionally, any stock issuances can significantly increase shareholders' equity, including those associated

with acquisitions such as in 2023, and any stock repurchases reduce shareholders' equity. Finally, fluctuations in the amount of AOCI, generally driven by market interest rate changes resulting in increases or decreases in unrealized gains/losses on AFS securities, can have a significant impact on total equity. In 2024, the most significant factors that impacted our shareholders' equity were (1) $76.2 million net income reported for 2024, which increased equity, (2) common stock dividends declared of $36.3 million, which reduced equity; and (3) $26.0 million increase in equity related to changes in AOCI driven by lower unrealized losses on AFS securities.

As discussed in "Borrowings" above, we also currently have $77.3 million in trust preferred securities outstanding, all of which qualify as Tier I capital under regulatory standards and $18.0 million of unsecured subordinated debentures which qualify as Tier II capital for regulatory capital adequacy requirements. We are not aware of any recommendations of regulatory authorities or otherwise which, if they were to be implemented, would have a material effect on our liquidity, capital resources, or operations.

The Company and the Bank must comply with regulatory capital requirements established by the Federal Reserve and the Commissioner. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on our financial statements. The primary source of funds for the payment of dividends by the Company is dividends received from its subsidiary, the Bank. The Bank, as a North Carolina banking corporation, may declare dividends so long as such dividends do not reduce its capital below its applicable required capital (typically, the level of capital required to be deemed "adequately capitalized"). As of December 31, 2024, approximately $1.1 billion of the Company's investment in the Bank is restricted as to transfer to the Company without obtaining prior regulatory approval.

Our regulatory capital ratios as of December 31, 2024, 2023 and 2022 are presented in the table below. All of our capital ratios significantly exceeded the minimum regulatory thresholds for all periods presented.

Risk-Based and Leverage Capital Ratios

	As of December 31,		
($ in thousands)	2024	2023	2022
Risk-Based and Leverage Capital			
Common Equity Tier I capital:			
Shareholders' equity	$ 1,445,611	$ 1,372,380	$ 1,031,596
Intangible assets, net of deferred tax liability	(487,660)	(493,383)	(363,202)
Accumulated other comprehensive income adjustments	282,029	308,030	341,975
Total Common Equity Tier I capital	1,239,980	1,187,027	1,010,369
Add: Trust preferred securities eligible for Tier I capital treatment	71,148	70,807	63,589
Total Tier I leverage capital	1,311,128	1,257,834	1,073,958
Tier II capital:			
Add: Allowable allowance for credit losses and unfunded commitments	108,320	112,491	97,126
Add: Subordinated debentures eligible for Tier II capital treatment	17,602	27,177	—
Tier II capital additions	125,922	139,668	97,126
Total capital	$ 1,437,050	$ 1,397,502	$ 1,171,084
Total risk weighted assets	$ 8,642,315	$ 8,991,087	$ 7,762,894
Adjusted fourth quarter average tangible assets	$ 11,756,111	$ 11,532,812	$ 10,215,571
Risk-based and Leverage capital ratios:			
Common equity Tier I capital to Tier I risk adjusted assets	14.35 %	13.20 %	13.02 %
Tier I capital to Tier I risk adjusted assets	15.17 %	13.99 %	13.83 %
Total risk-based capital to Tier II risk-adjusted assets	16.63 %	15.54 %	15.09 %
Tier I leverage capital to adjusted fourth quarter average assets	11.15 %	10.91 %	10.51 %

Our goal is to maintain our capital ratios at levels at least 200 basis points higher than the regulatory "well capitalized" thresholds set for banks. At December 31, 2024, our leverage ratio was 11.15% compared to the regulatory well capitalized bank-level threshold of 4.00% and our total risk-based capital ratio was 16.63% compared to the 10.50% regulatory well capitalized threshold. The increase in capital levels in 2024 was related to the growth in net income, reduction in risk weighted assets, and improvements in our AOCI unrealized losses on AFS securities, partially offset by the redemption of $10 million of subordinated debentures.

In addition to regulatory capital ratios, we also closely monitor our ratio of TCE to tangible assets, which is a non-GAAP financial measure. The TCE ratio was 8.22% at December 31, 2024 compared to 7.56% at December 31, 2023, with the increase of 66 basis points related primarily to the improvement in our AOCI unrealized loss on AFS securities included in equity.

The following table reconciles common equity to tangible common equity and provides the calculation of the TCE ratio:

($ in thousands)	December 31, 2024	December 31, 2023
Reconciliation of Common Equity to TCE		
Total shareholders' common equity	$ 1,445,611	$ 1,372,380
Less: Goodwill and other intangibles	(487,660)	(493,211)
Tangible common equity	$ 957,951	$ 879,169
Reconciliation of Total Assets to Tangible Assets		
Total assets	$ 12,147,694	$ 12,114,942
Less: Goodwill and other intangibles	(487,660)	(493,211)
Tangible assets	$ 11,660,034	$ 11,621,731
TCE divided by Tangible Assets	8.22 %	7.56 %

See “Supervision and Regulation” under “Business” in Item 1. and Note 19 to the consolidated financial statements for discussion of other matters that may affect our capital resources.

Off-Balance Sheet Arrangements and Derivative Financial Instruments

Off-balance sheet arrangements include transactions, agreements, or other contractual arrangements pursuant to which we have obligations or provide guarantees on behalf of an unconsolidated entity. We have no off-balance sheet arrangements of this kind other than letters of credit and repayment guarantees associated with our trust preferred securities and subordinated debentures.

In the normal course of business, we are exposed to certain risks arising from both our business operations and economic conditions. As an element of our risk management strategies, we may enter into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Derivative financial instruments include futures, forwards, interest rate swaps, options contracts, and other financial instruments with similar characteristics.

We do not engage in significant derivatives activities, however, in 2023 to accommodate customers, we implemented a program whereby we enter into interest rate swaps with certain commercial loan customers, with offsetting positions to dealers under a back-to-back swap program. At December 31, 2024, the Company's derivative financial instruments consist entirely of customer back-to-back interest rate swaps which are not designated as hedges. Under this program, the Company executes interest rate swaps with commercial banking customers to facilitate their risk management strategies. Those interest rate swaps are simultaneously economically hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program are not designated as hedging instruments, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings. Refer to Note 13 of the consolidated financial statements for additional discussion of our derivative positions.

Current Accounting Matters

We prepare our consolidated financial statements and related disclosures in conformity with standards established by, among others, the FASB. Because the information needed by users of financial reports is dynamic, the FASB frequently issues new rules and proposes new rules for companies to apply in reporting their activities. See Note 1 to our consolidated financial statements for a discussion of recent rule proposals and changes.

Selected Financial Information

($ in thousands, except per share data)	Year Ended December 31, 2024	2023	2022	2021	2020
Income Statement Data					
Interest income	$ 519,240	$ 488,944	$ 341,118	$ 255,918	$ 237,684
Interest expense	186,967	142,101	16,103	9,523	19,562
Net interest income	332,273	346,843	325,015	246,395	218,122
Provision for credit losses	16,448	17,813	12,400	15,031	35,039
Net interest income after provision	315,825	329,030	312,615	231,364	183,083
Noninterest income	17,899	57,305	67,824	73,611	81,346
Noninterest expense	235,607	254,379	195,220	184,656	161,298
Income before income taxes	98,117	131,956	185,219	120,319	103,131
Income tax expense	21,902	27,825	38,283	24,675	21,654
Net income	76,215	104,131	146,936	95,644	81,477
Per Common Share Data					
Earnings per common share – basic	$ 1.85	$ 2.54	$ 4.12	$ 3.19	$ 2.81
Earnings per common share – diluted	1.84	2.53	4.12	3.19	2.81
Cash dividends declared	0.88	0.88	0.88	0.80	0.72
Market Price					
High	49.20	43.24	49.00	50.92	40.00
Low	29.79	26.48	32.90	32.47	17.32
Close	43.97	37.01	42.84	45.72	33.83
Stated book value – common	34.96	33.38	28.89	34.54	31.26
Common shares outstanding at year end	41,347,418	41,109,987	35,704,154	35,629,177	28,579,335
Selected Balance Sheet Data (at year end)					
Total assets	$ 12,147,694	$ 12,114,942	$ 10,625,049	$ 10,508,901	$ 7,289,751
Loans	8,094,676	8,150,102	6,665,145	6,081,715	4,731,315
Allowance for credit losses	(122,572)	(109,853)	90,967	78,789	52,388
Intangible assets	501,654	508,257	372,933	376,618	248,850
Deposits	10,530,525	10,031,599	9,227,529	9,124,629	6,273,596
Borrowings	91,876	630,158	287,507	67,386	61,829
Total shareholders' equity	1,445,611	1,372,380	1,031,596	1,230,575	893,421
Selected Average Balances					
Total assets	12,134,495	12,033,033	10,556,772	8,495,645	6,765,998
Loans	8,046,681	7,902,628	6,293,319	5,018,391	4,702,743
Earning assets	11,508,581	11,433,492	9,989,242	7,871,319	6,160,100
Deposits	10,408,082	10,176,966	9,283,527	7,401,910	5,644,290
Interest-bearing liabilities	7,274,014	7,037,105	5,758,001	4,736,343	3,897,912
Total shareholders' equity	1,416,461	1,293,085	1,097,385	969,775	874,532
Ratios					
Return on average assets	0.63 %	0.87 %	1.39 %	1.13 %	1.20 %
Return on average common equity	5.38 %	8.05 %	13.40 %	9.86 %	9.32 %
Total risk-based capital ratio	16.63 %	15.54 %	15.09 %	14.67 %	15.37 %
Net interest margin (taxable-equivalent basis)	2.91 %	3.06 %	3.28 %	3.16 %	3.56 %
Loans to deposits at year end	76.87 %	81.24 %	72.23 %	66.65 %	75.42 %
Allowance for loan losses to total loans	1.51 %	1.35 %	1.36 %	1.30 %	1.11 %
Nonperforming assets to total assets at year end	0.39 %	0.37 %	0.36 %	0.50 %	0.64 %
Net (charge-offs) recoveries to average total loans	(0.07 %)	(0.08 %)	(0.01 %)	(0.05 %)	(0.09 %)

Note - During both 2023 and 2021, the Company completed significant acquisitions impacting the comparisons for each of those years. See additional discussion under "Recent Developments and Acquisitions" in Item 1.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates, and equity prices. The Company's market risk is composed primarily of interest rate risk inherent in the normal course of lending, investing and deposit-taking activities. We do not have any trading assets or activities.

Interest Rate Risk

Net interest income is our most significant component of earnings and we consider interest rate risk to be our most significant market risk. Our net interest income results from the difference between the yields we earn on our interest-earning assets, primarily loans and investments, and the rates that we pay on our interest-bearing liabilities, primarily deposits and borrowings. When interest rates change, the yields we earn on our interest-earning assets and the rates we pay on our interest-bearing liabilities do not necessarily move in tandem with each other because of the difference between their maturities and repricing characteristics and this can negatively impact 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 and, in particular, the Federal Reserve. Changes in monetary policy, including changes in interest rates, influence not only the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, but such changes could also affect the average duration of our mortgage portfolio, investment securities and other interest-earning assets.

Our goal is to structure our asset/liability composition to maximize net interest income while managing interest rate risk so as to minimize the adverse impact of changes in interest rates on net interest income and capital in either a rising or declining interest rate environment. Profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates will generally impact our earnings adversely because the interest rates of the underlying assets and liabilities do not change at the same speed, to the same extent or on the same basis.

Interest rate risk is monitored through the use of three complementary modeling tools: static gap analysis, earnings simulation modeling, and economic value simulation (net present value estimation). Each of these models measures changes in a variety of interest rate scenarios. While each of the interest rate risk models has limitations, taken together they represent a reasonably comprehensive view of the magnitude of our interest rate risk, the level of risk through time, and the amount of exposure to changes in certain interest rate relationships. Static gap, which measures aggregate repricing values, is less utilized because it only measures the magnitude of the timing differences and does not address repricing lags, market influences, or management actions. Earnings simulation and economic value models, which more effectively measure the cash flow and optionality impacts, are utilized by management on a regular basis and are discussed further below. From the various model results and our expectations regarding future interest rate movements, the national, regional and local economies, and other financial and business risk factors, we quantify the overall magnitude of interest sensitivity risk and then determine appropriate strategies and practices governing asset growth and pricing, funding sources and pricing, and off-balance sheet commitments.

Earnings Simulation Analysis

We use net interest income simulations which measure the short-term earnings exposure from changes in market rates of interest. The model calculates an earnings estimate based on current and projected balances and rates, incorporating our current financial position with assumptions regarding future business to calculate net interest income under varying hypothetical rate scenarios. This method is subject to the accuracy of the assumptions that underlie the process, but it provides a better analysis of the sensitivity of earnings to changes in interest rates than other analyses, such as the static gap analysis.

Assumptions used in the model are derived from historical trends and management's outlook. The model assumes a static balance sheet with cash flows reinvested in similar instruments to maintain the balance sheet levels and current composition. Actual cash flows and repricing characteristics for our balance sheet instruments are input to the model. The model incorporates market-based assumptions regarding the impact of changing interest rates on the prepayment rate of certain assets and liabilities. Because these assumptions are inherently uncertain, actual results may differ from simulated results.

Different interest rate scenarios and yield curves are used to measure the sensitivity of earnings to changing interest rates in both a "shocked" instantaneous parallel move and a "steepening" move of rates. Interest rates on different asset and liability accounts move differently when the federal funds rate changes and such assumptions are reflected in the different rate scenarios. The model does not take into account any future actions that management may take to mitigate the impact of interest rate changes, and it is our strategy to proactively change the volume and mix of our balance sheet in order to mitigate our interest rate risk.

The following table presents the estimated net interest income sensitivity over a 12-month horizon for the specified rate change levels presented. This change in interest rates assumes parallel shifts in the yield curve and does not take into account changes in the slope of the yield curve. Further, the estimations are based upon the Company's balance sheet as of period end and is not comparing future results to prior results, but rather comparing hypothetical future results under differing rate scenarios.

	Percentage change in Net Interest Income [1]	
Change in Interest Rates (in basis points)	December 31, 2024	December 31, 2023
+ 400	2.3%	(6.1)%
+ 300	2.8%	(4.8)%
+ 200	3.3%	(3.5)%
+ 100	4.3%	(1.6)%
- 100	(0.1)%	(3.6)%
- 200	(0.8)%	(4.0)%
- 300	(1.4)%	(3.8)%
- 400	(2.3)%	(4.3)%

(1) - The percentage change represents the projected net interest income for 12 months on a static balance sheet in a stable rate environment as compared to the projected net interest income in the various rate scenarios with immediate and parallel shocks applied to the yield curve.

With the FOMC increasing the target federal funds rate in 2022 and 2023, for December 31, 2023 the Company's sensitivity position was such that in the short-term it was projected that net interest income would likely fall in both a rising and falling rate environment.

As of December 31, 2024 we expect net interest income to remain relatively stable in a plus 200 basis points or minus 200 basis point interest rate curve parallel shift scenario. During the last four months of 2024, the FOMC decreased short term rates 100 basis points with a target federal funds rate of 4.25% - 4.50% at December 31, 2024. As evidenced by our results for 2024, the Company has reacted quickly to interest rate cuts by the FOMC and thus reduced the Company's total cost of deposits, thereby increasing net interest income. As of December 31, 2024, assuming no change in the shape of the yield curve, the Company is reflecting an asset sensitive position, with relatively smaller changes in the declining scenarios, particularly -100 and -200 basis points.

The shape of the yield curve also has a significant impact on the earnings of financial institutions, including the Company. Generally speaking, when the yield curve is flat or inverted over time, banks experience a decrease in net interest income. Conversely, a positively sloping yield curve over time is generally favorable for financial institutions. Any additional flattening or inversion of the yield curve could have a material negative impact on the Company.

The Company continues to actively manage interest rate risk through the addition of variable rate assets and the pricing of interest bearing deposits. The model results demonstrated in the above table are based on the immediate shock of each of the various rate scenarios and assume a consistent future slope (or lack thereof) of the yield curve (i.e. a parallel shift of the yield curve) in both a rising and falling rate scenario.

As previously noted, these assumptions are inherently uncertain, and actual results may differ from simulated results. Further, the interest rate simulation models do not take into consideration growth, changes in balance sheet mix or composition, or other strategies that management would employee in either a rising or a falling rate scenario.

Economic Value Simulation

Economic value simulation is used to calculate the estimated fair value of assets and liabilities over different interest rate environments. Economic values are calculated based on discounted cash flow analysis. The net economic value of equity is the economic value of all assets minus the economic value of all liabilities. The change in net economic value over different rate environments is an indication of the longer-term earnings capability of the balance sheet. The same assumptions are used in the economic value simulation as in the earnings simulation. The economic value simulation uses instantaneous rate shocks to the balance sheet and assumes a static average life of deposits in all interest rate scenarios.

The following table presents the estimated change in net economic value for the specified change levels presented. This change in interest rates assumes parallel shifts in the yield curve and does not take into account changes in the slope of the yield curve.

	Percentage change in Economic Value of Equity (1)	
Change in Interest Rates (in basis points)	December 31, 2024	December 31, 2023
+ 400	(3.0)%	(7.8)%
+ 300	(2.0)%	(6.0)%
+ 200	(1.3)%	(4.3)%
+ 100	0.2%	(1.4)%
- 100	(1.2)%	0.2%
- 200	(5.1)%	(2.7)%
- 300	(11.8)%	(8.5)%
- 400	(21.0)%	(18.6)%

(1) - The percentage change represents our economic value of equity in a stable rate environment as compared to the economic value of equity in the various rate scenarios with immediate and parallel shocks applied to the yield curve.

As of December 31, 2024, the Company's EVE exposure to rising rates has improved at all levels and exposure to declining rates has depreciated slightly as the short term rates have fallen about 100 basis points during the last four months of 2024. The improvement in EVE under a rising rate environment is driven by repositioning of the Company's assets to be less negatively impacted by rising rates, generally through an increase in variable rate assets. The decline in EVE under some of the declining rate environments is driven by the actual decline in rates during the year as well as repayment of wholesale borrowings through more stable deposits which are modeled to show more fluctuation in EVE, but which are a preferred funding source. Portions of the Company's deposits are also nearing their modeled floor rates and therefore reflect a negative projected change in value. Refer also to the discussion above under Earnings Simulation Analysis.

Impact of Inflation and Changing Prices

Our financial statements included in Item 8 “Financial Statements and Supplementary Data” of this Report have been prepared in accordance with GAAP, which requires the financial position and operating results to be measured principally in terms of historic dollars without considering the change in the relative purchasing power of money over time due to inflation.

Nearly all of the Company’s assets and liabilities are monetary in nature, and as such, changes in interest rates (as discussed above) generally affect the financial condition of the Company to a greater degree than changes in the rate of inflation. Although interest rates are greatly influenced by changes in the inflation rate, they do not necessarily change at the same rate or in the same magnitude as the inflation rate. Inflation affects the Company’s results of operations mainly through increased operating costs, and the impact of inflation on banks in general is normally not as significant as its influence on those businesses that have large investments in plant and inventories. We review pricing of our products and services, as well as our controllable operating and labor costs in light of current and expected costs due to inflation, to mitigate the inflationary impact on financial performance to the extent possible.

Item 8. Financial Statements and Supplementary Data

First Bancorp
Consolidated Balance Sheets

($ in thousands)	December 31, 2024	December 31, 2023
Assets		
Cash and due from banks, noninterest-bearing	$ 78,596	$ 100,891
Due from banks, interest-bearing	428,911	136,964
Total cash and cash equivalents	507,507	237,855
Securities available for sale (amortized cost of $2,411,117 and $2,590,099, respectively)	2,043,062	2,189,379
Securities held to maturity (fair values of $428,571 and $449,623, respectively)	519,998	533,678
Presold mortgages in process of settlement	5,942	2,667
Loans	8,094,676	8,150,102
Allowance for credit losses on loans	(122,572)	(109,853)
Net loans	7,972,104	8,040,249
Premises and equipment, net	143,459	150,957
Accrued interest receivable	36,329	37,351
Goodwill	478,750	478,750
Other intangible assets, net	22,904	29,507
Bank-owned life insurance	188,460	183,897
Other assets	229,179	230,652
Total assets	$ 12,147,694	$ 12,114,942
Liabilities		
Deposits		
Noninterest-bearing deposits	$ 3,367,624	$ 3,379,876
Interest-bearing deposits	7,162,901	6,651,723
Total deposits	10,530,525	10,031,599
Borrowings	91,876	630,158
Accrued interest payable	4,604	5,699
Other liabilities	75,078	75,106
Total liabilities	10,702,083	10,742,562
Commitments and contingencies (see Note 12)		
Shareholders' Equity		
Preferred stock, no par value per share. Authorized: 5,000,000 shares		
Issued & outstanding: none and none, respectively	—	—
Common stock, no par value per share. Authorized: 60,000,000 shares		
Issued & outstanding: 41,347,418 shares and 41,109,987 shares, respectively	971,313	963,990
Retained earnings	756,327	716,420
Stock in rabbi trust assumed in acquisition	(1,148)	(1,385)
Rabbi trust obligation	1,148	1,385
Accumulated other comprehensive income (loss)	(282,029)	(308,030)
Total shareholders' equity	1,445,611	1,372,380
Total liabilities and shareholders' equity	$ 12,147,694	$ 12,114,942

See accompanying notes to consolidated financial statements.

First Bancorp
Consolidated Statements of Income

($ in thousands, except per share data)	Year Ended December 31, 2024	2023	2022
Interest Income			
Interest and fees on loans	$ 441,181	$ 418,853	$ 278,188
Interest on investment securities:			
Taxable interest income	47,510	52,276	53,536
Tax-exempt interest income	4,466	4,485	4,387
Other, principally overnight investments	26,083	13,330	5,007
Total interest income	519,240	488,944	341,118
Interest Expense			
Interest on deposits	172,085	114,866	11,349
Interest on borrowings	14,882	27,235	4,754
Total interest expense	186,967	142,101	16,103
Net interest income	332,273	346,843	325,015
Provision for credit losses	16,448	17,813	12,400
Net interest income after provision for credit losses	315,825	329,030	312,615
Noninterest Income			
Service charges on deposit accounts	16,620	16,800	15,368
Other service charges and fees	22,267	22,085	26,288
Presold mortgage loan fees and gains on sale	2,292	1,613	2,102
Commissions from sales of financial products	5,270	5,503	5,195
SBA loan sale gains	3,630	2,489	5,076
Bank-owned life insurance income	4,773	4,350	3,847
Securities losses, net	(37,981)	—	—
Other income, net	1,028	4,465	9,948
Total noninterest income	17,899	57,305	67,824
Noninterest Expense			
Salaries incentives and commissions expense	113,853	114,415	96,359
Employee benefit expense	26,169	25,436	21,359
Total personnel expense	140,022	139,851	117,718
Occupancy and equipment expense	19,984	20,990	18,604
Merger and acquisition expenses	—	13,695	5,072
Intangibles amortization expense	6,604	8,003	3,684
Other operating expenses	68,997	71,840	50,142
Total noninterest expense	235,607	254,379	195,220
Income before income taxes	98,117	131,956	185,219
Income tax expense	21,902	27,825	38,283
Net income	$ 76,215	$ 104,131	$ 146,936
Earnings per common share:			
Basic	$ 1.85	$ 2.54	$ 4.12
Diluted	1.84	2.53	4.12
Weighted average common shares outstanding:			
Basic	41,021,475	40,746,772	35,485,620
Diluted	41,327,216	41,164,834	35,674,730

See accompanying notes to consolidated financial statements.

First Bancorp
Consolidated Statements of Comprehensive Income (Loss)

($ in thousands)	Year Ended December 31, 2024	2023	2022
Net income	$ 76,215	$ 104,131	$ 146,936
Other comprehensive income (loss):			
Unrealized gains (losses) on securities available for sale:			
Unrealized holding (losses) gains arising during the period, pretax	(5,316)	43,343	(411,996)
Tax benefit (expense)	2,043	(9,279)	94,677
Reclassification to realized losses	37,981	—	—
Tax benefit	(8,869)	—	—
Postretirement plans:			
Net gains (losses) arising during period	111	(607)	695
Tax (expense) benefit	(26)	141	(159)
Amortization of unrecognized net actuarial gains (losses)	100	(545)	(288)
Tax (expense) benefit	(23)	126	66
Reclassification of net actuarial losses due to settlement to realized losses	—	998	—
Tax benefit	—	(232)	—
Other comprehensive income (loss)	26,001	33,945	(317,005)
Comprehensive income (loss)	$ 102,216	$ 138,076	$ (170,069)

See accompanying notes to consolidated financial statements.

First Bancorp
Consolidated Statements of Shareholders' Equity

($ in thousands, except per share data)	Common stock Shares	Common stock Amount	Retained earnings	Stock in rabbi trust assumed in acquisition	Rabbi trust obligation	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balances, January 1, 2022	35,629	$ 722,671	$ 532,874	$ (1,803)	$ 1,803	$ (24,970)	$ 1,230,575
Net income			146,936				146,936
Cash dividends declared ($0.88 per common share)			(31,392)				(31,392)
Change in Rabbi Trust Obligation				218	(218)		—
Stock withheld for payment of taxes	(25)	(840)					(840)
Stock-based compensation	100	3,322					3,322
Other comprehensive loss						(317,005)	(317,005)
Balances, December 31, 2022	35,704	725,153	648,418	(1,585)	1,585	(341,975)	1,031,596
Net income			104,131				104,131
Cash dividends declared ($0.88 per common share)			(36,129)				(36,129)
Change in Rabbi Trust Obligation				200	(200)		—
Equity issued pursuant to acquisition	5,033	229,489					229,489
Stock option exercises	237	4,519					4,519
Stock withheld for payment of taxes	(23)	(743)					(743)
Stock-based compensation	159	5,572					5,572
Other comprehensive income						33,945	33,945
Balances, December 31, 2023	41,110	963,990	716,420	(1,385)	1,385	(308,030)	1,372,380
Net income			76,215				76,215
Cash dividends declared ($0.88 per common share)			(36,308)				(36,308)
Change in Rabbi Trust Obligation				237	(237)		—
Stock option exercises	192	4,094					4,094
Stock withheld for payment of taxes	(38)	(1,691)					(1,691)
Stock-based compensation	83	4,920					4,920
Other comprehensive income						26,001	26,001
Balances, December 31, 2024	41,347	$ 971,313	$ 756,327	$ (1,148)	$ 1,148	$ (282,029)	$ 1,445,611

See accompanying notes to consolidated financial statements.

First Bancorp
Consolidated Statements of Cash Flows

($ in thousands)	Year Ended December 31, 2024	2023	2022
Cash Flows From Operating Activities			
Net income	$ 76,215	$ 104,131	$ 146,936
Reconciliation of net income to net cash provided by operating activities:			
Provision for credit losses	16,448	17,813	12,400
Net security premium amortization	8,628	9,337	12,005
Deferred income taxes, net	(4,869)	(782)	(1,810)
Loan discount accretion	(10,718)	(13,277)	(5,622)
Deposit and debt discount accretion, net	1,593	3,943	(340)
Foreclosed property gains, net	(245)	(150)	(372)
Securities losses, net	37,981	—	—
Other (gains) losses, net	(633)	(1,857)	(4,069)
Bank-owned life insurance income	(4,773)	(4,350)	(3,847)
Net amortization of deferred loan costs/(fees)	(1,366)	(1,225)	(301)
Depreciation of premises and equipment	7,760	7,754	6,859
Amortization of operating lease right-of-use assets	1,815	2,100	1,986
Repayments of lease obligations	(1,738)	(1,988)	(1,801)
Stock-based compensation expense	4,920	5,125	2,982
Amortization of intangible assets	6,604	8,003	3,684
Amortization and impairment of SBA servicing assets	1,699	1,356	2,800
Gains on sale of loans	(5,922)	(4,102)	(7,178)
Origination of presold mortgage loans and SBA loans held for sale	(133,352)	(137,483)	(179,048)
Proceeds from sales of presold mortgage loans and SBA loans	174,541	124,887	243,730
Decrease (increase) in accrued interest receivable	1,022	(1,904)	(3,814)
(Increase) decrease in other assets	(5,396)	12,435	11,352
(Decrease) increase in accrued interest payable	(1,095)	2,579	2,131
Increase (decrease) in other liabilities	5,662	(949)	(8,009)
Net cash provided by (used in) operating activities	174,781	131,396	230,654
Cash Flows From Investing Activities			
Purchases of securities available for sale	(494,895)	(1,169)	(354,765)
Purchases of securities held to maturity	—	—	(39,004)
Proceeds from maturities, calls and principal repayments of securities available for sale	243,029	165,358	251,314
Proceeds from maturities, calls and principal repayments of securities held to maturity	8,272	3,453	6,500
Proceeds from sales of securities available for sale	385,125	111,863	—
Proceeds from sale of VISA B shares	4,522	—	—
Purchases of Federal Reserve and FHLB stock	(39,697)	(85,819)	(48,159)
Redemptions of Federal Reserve and FHLB stock	52,990	70,928	30,915
Proceeds from bank owned life insurance death benefits	210	137	8,312
Purchases of other investments	(6,824)	(9,754)	(7,990)
Net decrease (increase) in loans	17,494	(466,488)	(558,398)
Proceeds from sales of foreclosed properties	758	967	2,904
Purchases of premises and equipment	(2,657)	(4,421)	(5,287)
Proceeds from sales of premises and equipment	1,339	970	299
Net cash received in acquisition activities	—	22,610	—
Net cash provided by (used in) investing activities	169,666	(191,365)	(713,359)
Cash Flows From Financing Activities			
Net increase (decrease) in deposits	498,100	(244,339)	103,494
Proceeds from the issuance of FHLB and FRB borrowings	986,000	3,348,000	1,252,000
Repayment of FHLB and FRB borrowings	(1,515,049)	(3,044,991)	(1,032,133)
Repayment of subordinated debentures	(10,000)	—	—
Cash dividends paid – common stock	(36,249)	(34,940)	(30,660)
Proceeds from stock option exercises	4,094	4,519	—
Payment of taxes related to stock withheld	(1,691)	(743)	(840)
Net cash (used) provided by financing activities	(74,795)	27,506	291,861
Increase (decrease) in cash and cash equivalents	269,652	(32,463)	(190,844)
Cash and Cash Equivalents, beginning of year	237,855	270,318	461,162
Cash and Cash Equivalents, end of year	$ 507,507	$ 237,855	$ 270,318

(Continued)

First Bancorp
Consolidated Statements of Cash Flows

(Continued)

($ in thousands)	Year Ended December 31, 2024	2023	2022
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for interest	$ 186,894	$ 135,704	$ 14,312
Cash paid during the period for income taxes	33,500	29,734	39,722
Non-cash: Unrealized gain (loss) on securities available for sale, net of taxes	25,839	34,064	(317,319)
Non-cash: Foreclosed loans transferred to foreclosed real estate	4,551	1,036	119
Non-cash: Accrued dividends at end of period	9,105	9,046	7,857
Non-cash: Cancellation of operating lease right-of-use assets and operating lease liabilities	(1,497)	—	—
Non-cash: Initial recognition of operating lease right-of-use assets and liabilities	—	260	—
Non-cash: Revision of operating lease right-of-use assets and operating lease liabilities	—	(562)	—
Acquisition of GrandSouth Bancorporation	—	See Note 2	—

See accompanying notes to consolidated financial statements.

First Bancorp
Notes to Consolidated Financial Statements
December 31, 2024

Note 1. Summary of Significant Accounting Policies

Basis of Presentation - The consolidated financial statements include the accounts of First Bancorp (the "Company") and its wholly owned subsidiary First Bank (the "Bank"). The Bank has two wholly owned subsidiaries that are fully consolidated, Magnolia Financial, Inc. ("Magnolia Financial") and First Troy SPE, LLC. The Company is a bank holding company. The principal activity of the Company is the ownership and operation of the Bank, a state chartered bank with its main office in Southern Pines, North Carolina. Magnolia Financial is a business financing company that makes loans throughout the southeastern United States. First Troy SPE, LLC was formed in order to hold and dispose of certain real estate foreclosed upon by the Bank. The Company is also the parent company for a series of statutory trusts that were formed for the purpose of issuing trust preferred debt securities. The trusts are not consolidated for financial reporting purposes as they are variable interest entities and the Company is not the primary beneficiary.

The Bank formerly operated a third subsidiary, SBA Complete, Inc. ("SBA Complete"), which specialized in providing consulting services for financial institutions across the country related to Small Business Administration ("SBA") loan origination and servicing. During the second quarter of 2024, SBA Complete became inactive with certain activities transitioning to the Bank.

All significant intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to the 2023 and 2022 consolidated financial statements to be comparable to 2024. These reclassifications had no effect on net income. Subsequent events have been evaluated through the date of filing this Annual Report Form 10-K.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. The most significant estimates made by the Company in the preparation of its consolidated financial statements are the determination of the allowance for credit losses on loans, the allowance for unfunded commitments, the accounting and impairment testing related to intangible assets, the fair value determination for acquired assets and liabilities, and the resulting accretion or amortization of purchase accounting premiums or discounts.

Business Combinations – The Company accounts for business combinations using the acquisition method of accounting. The accounts of an acquired entity are included as of the date of acquisition, and any excess of purchase price over the fair value of the net assets acquired is capitalized as goodwill. Under this method, all identifiable assets acquired, including purchased loans, and liabilities assumed are recorded at fair value.

The Company typically issues common stock and/or pays cash for an acquisition, depending on the terms of the acquisition agreement. The value of common shares issued is determined based on the market price of the stock as of the closing of the acquisition.

Cash and Cash Equivalents - The Company considers all highly liquid assets with original maturities of 90 days or less, such as cash on hand, noninterest-bearing and interest-bearing amounts due from banks and federal funds sold, to be "cash equivalents."

Securities - Debt securities that the Company has the positive intent and ability to hold to maturity are classified as "held to maturity" ("HTM") and carried at amortized cost. Debt securities not classified as held to maturity are classified as "available for sale" ("AFS") and carried at fair value, with unrealized holding gains and losses being reported as other comprehensive income or loss and reported as a separate component of shareholders' equity.

Interest income includes amortization of purchase premiums or discounts. Premiums and discounts are generally amortized and accreted into income on a level yield basis, with premiums being amortized to the earliest call date and discounts being accreted to the stated maturity date. Gains and losses on sales of securities are recognized at the time of sale based upon the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

Allowance for Credit Losses ("ACL") - Securities Held to Maturity - The Company measures expected credit losses on HTM debt securities on a pooled basis in accordance with Accounting Standards Codification ("ASC") 326 ("CECL"). The estimate of expected credit losses is primarily based on the ratings assigned to the securities by debt rating agencies and the average of the annual historical loss rates associated with those ratings. The Company then multiplies those loss rates, as adjusted for any modifications to reflect current conditions and reasonable and supportable forecasts as considered necessary, by the remaining lives of each individual security to arrive at a lifetime expected loss amount. The CECL assumptions, including reasonable and supportable forecast periods, reversion method, and prepayments as applicable, are consistent with those utilized for the ACL on loans as discussed further below. Virtually all of the mortgage-backed securities held by the Company are issued by government-sponsored enterprises ("GSEs"). These securities are either explicitly guaranteed by the U.S. government or guaranteed by GSEs that have credit ratings and perceived credit risk comparable to the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Substantially all of the state and local government securities held by the Company are highly rated by major rating agencies. Accrued interest receivable on HTM debt securities was excluded from the estimate of credit losses.

Allowance for Credit Losses - Securities Available for Sale - For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or if it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value. For debt securities AFS that do not meet the aforementioned criteria, the Company evaluates whether any decline in fair value is due to credit loss factors. In making this assessment, management considers any changes to the rating of the security by a rating agency and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses on AFS securities is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income (loss). Changes in the ACL under CECL are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on AFS debt securities was excluded from the estimate of credit losses.

Presold Mortgages Held for Sale - As a part of normal business operations, the Company originates residential mortgage loans that have been pre-approved by secondary investors to be sold on a best efforts basis. The terms of the loans are set by the secondary investors, and the purchase price that the investor will pay for the loan is agreed to prior to the funding of the loan by the Company. Loans are transferred to the investor in a short period following funding in accordance with the agreed-upon terms. The Company records gains from the sale of these loans on the settlement date of the sale equal to the difference between the proceeds received and the carrying amount of the loan. Additionally, the Company records gains for loans in the process of closing, based on the changes in fair value of the loans and related commitments. Between the initial funding of the loans by the Company and the subsequent reimbursement by the investors, the Company carries the loans on its balance sheet at fair value.

Loans - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. Accrued interest receivable related to these loans totaled $27.6 million at December 31, 2024 and $28.0 million at December 31, 2023, and was reported in accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments.

Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date. The accrual of interest is generally discontinued when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. All accrued interest is reversed against

interest income when a loan is placed on nonaccrual status. So long as a loan is on nonaccrual status, interest received on such loans is accounted for using the cost-recovery method. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

Purchased Financial Assets with Credit Deterioration ("PCD") - Loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered PCD loans. In determining whether an acquired loan is a PCD loan, the Company considers internal loan grades, delinquency status, and other relevant factors.

At the acquisition date, an estimate of expected credit losses is made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics. The initial amortized cost of PCD loans is determined by reducing the loans par value by the initial ACL, with any difference between the resulting amount and the loans purchase price or acquisition date fair value recorded as a non-credit-related discount or premium. Discounts and premiums are recognized through interest income on a level-yield method over the life of the loans. Subsequent to initial recognition, PCD loans are subject to the same interest income recognition and impairment model as non-PCD loans, with changes to the ACL recorded through provision expense.

Allowance for Credit Losses - Loans - The ACL is an estimate that is deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial assets. The level of the allowance is determined under the CECL methodology and includes management's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay a loan (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, reasonable and supportable forecasts, and other pertinent factors.

Credit losses are estimated on the amortized cost basis of loans, which includes the principal balance outstanding, purchase discounts and premiums, and deferred loan fees and costs. Accrued interest receivable is presented separately on the consolidated balance sheets and excluded from the estimate of credit losses. Loans are charged off when the Company determines that such financial assets are deemed uncollectible. The ACL is increased through provision for loan losses and decreased by charge-offs, net of recoveries.

The ACL is measured on a collective basis for pools of loans with similar risk characteristics. The Discounted Cash Flow (“DCF”) method is utilized for substantially all pools, with discounted cash flows computed for each loan in a pool based on its individual characteristics (e.g. maturity date, payment amount, interest rate, etc.), and the results are aggregated at the pool level. A probability of default and loss given default, as adjusted for recoveries, are applied to the discounted cash flows for each pool, while considering prepayment and principal curtailment assumptions. When the DCF method is used to determine the ACL, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

The Company has identified the following primary pools for measuring expected credit losses. There are additional sub-segmentations within each pool, including risk categories.

- *Owner occupied commercial real estate loans* - Owner occupied commercial real estate mortgage loans are secured by commercial office buildings, industrial buildings, warehouses or retail buildings where the owner of the building occupies the property. For such loans, repayment is largely dependent upon the operation of the borrower's business. The Company generally requires loan to value of 80% or lower and debt service coverage of 1.30x or better. Terms outside of these guidelines will have strengths to mitigate additional risk.
- *Non-owner occupied commercial real estate loans* - These loans represent investment real estate loans secured by office buildings, industrial buildings, warehouses, retail buildings, and multifamily residential housing. Repayment is primarily dependent on lease income generated from the underlying collateral. The Company generally requires loan to value of 80% or lower, debt service coverage of 1.30x or better and overall lease terms to match or extend beyond the term of the loan.
- *Consumer real estate mortgage loans* - Consumer real estate mortgage consists primarily of loans secured by 1-4 family residential properties, including home equity lines of credit. Repayment is primarily dependent on the personal cash flow of the borrower and may be affected by changes in general economic conditions. The Company generally requires a debt-to-income below 40% on all home equity lines of credit with loan to

value generally 80% or less and a minimum credit score of 660. Portfolio mortgage loans will vary depending on the product, but generally require credit scores of 640 or greater, debt to income below 50% and loan to value maximum of 90%.

- *Construction and land development loans* - This pool includes loans where the repayment is dependent on the successful completion and eventual sale, refinance or operation of the related real estate project and are thus impacted by market demand and real estate valuations. Construction and land development loans include 1-4 family construction projects and commercial construction projects. Residential construction loans for resale generally have a loan to value of 85% or lower. Loan to value would generally be under 80% for commercial speculative construction projects. Owner occupied and non-owner occupied commercial construction projects are underwritten to standard guidelines discussed above.
- *Commercial and industrial loans* - These loans include loans to business enterprises issued for commercial, industrial and/or other professional purposes. These loans are generally secured by equipment, inventory, and accounts receivable of the borrower and repayment is primarily dependent on business cash flows. Commercial and Industrial loans generally require debt service coverage of 1.25x or better. The Company typically limits equipment and accounts receivable to loan to value of 80% and eligible inventory limited to 40% loan to value.
- *Consumer and other loans* - Consumer and other loans include all loans issued to individuals not included in the consumer real estate mortgage classification, including automobile loans, consumer credit cards and loans to finance education, among others. Many consumer loans are unsecured and repayment is primarily dependent on the personal cash flow of the borrower which may be impacted by changes in economic conditions and unemployment. The Company generally limits consumer loans to those clients with a minimum 660 credit score and debt-to-income below 40%. Loan to value will vary based on the collateral type and useful life.

In determining the proper level of default rates and loss given default, management has determined that the loss experience of the Company provides the best basis for its assessment of expected credit losses. It therefore utilizes its own historical credit loss experience by each loan segment over an economic cycle, while excluding loss experience from certain acquired institutions (i.e., failed banks). Management considers forward-looking information in estimating expected credit losses. For substantially all segments of loans, the Company incorporates two or more macroeconomic drivers using a statistical regression modeling methodology. The Company subscribes to a third-party service which provides a quarterly macroeconomic baseline forecast and alternative scenarios for the United States economy. The baseline forecast, which incorporates an equal probability of the United States economy performing better or worse than the projection, along with the alternative scenarios, are evaluated by management to determine the best forecast to use for macroeconomic factors in the model.

Management has also evaluated the appropriateness of the reasonable and supportable forecast scenarios utilized for each period and has made adjustments as needed. For the contractual term that extends beyond the reasonable and supportable forecast period, the Company reverts to the long-term mean of historical factors over 12 quarters using a straight-line approach. The Company generally utilizes a four-quarter forecast and a 12-quarter reversion period to the long-term average, which is then held static for the remainder of the life of the loans.

Included in its systematic methodology to determine its ACL on loans, management considers the need to qualitatively adjust expected credit losses for information not already captured in the loss estimation process. These qualitative adjustments consider a range of maximum and minimum loss rates and can 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 that includes the following: 1) changes in lending policies, procedures, and strategies, 2) changes in the nature and volume of the portfolio, 3) staff experience, 4) changes in volume and trends in classified loans, delinquencies, and nonaccrual loans, 5) concentration risk, 6) trends in underlying collateral value, 7) external factors, including competition and legal and regulatory factors, 8) changes in the quality of the Company's loan review system, and 9) economic conditions not already captured.

Allowance for Credit Losses - Off-Balance Sheet Credit Exposure - The Company estimates expected credit losses on commitments to extend credit over the contractual period (unfunded commitments) in which the Company is exposed to credit risk on the underlying commitments, unless the obligation is unconditionally cancellable by the Company. The allowance for unfunded commitments, which is reflected within "Other liabilities" on the consolidated balance sheets is adjusted for as an increase or decrease to the provision for credit losses for unfunded commitments. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The allowance is calculated

using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund.

Financial Difficulty Modifications ("FDM") - A loan that is refinanced or restructured by the Company when a borrower is experiencing financial difficulty is generally considered a FDM. Such modification is evaluated to determine if the changes to the loan result in a new loan or a continuation of the existing loan, and to determine the appropriate treatment of deferred loan fees/costs, (i.e. to recognize in income if considered a new loan or to continue amortization if determined to be a continuation of the loan). The ACL on a FDM is measured using the same method as all other loans held for investment. FDMs that share similar risk characteristics and consistently discounted based on the post-modification effective rate.

Troubled Debt Restructurings ("TDR") - Prior to the adoption of Accounting Standards Update ("ASU") 2022-02 on January 1, 2023, a TDR was generally considered a loan for which the terms were modified resulting in a more than insignificant concession, and for which the borrower was experiencing financial difficulties. The ACL on a TDR was measured using the same method as all other loans held for investment, except that the original interest rate was used to discount the expected cash flows, not the rate specified within the restructuring.

Small Business Administration ("SBA") Loans Held for Sale and SBA Retained Loan Discount – All SBA loans originated are underwritten and documented as prescribed by the SBA. SBA loans are generally fully amortizing and have maturity dates and amortizations of up to 25 years. The portion of SBA loans originated that are guaranteed and intended for sale on the secondary market may be classified as held for sale if the Company intends to sell them in the near future and generally has acceptable bids for such loans. SBA loans classified as held for sale are carried at the lower of cost or fair value. The Company generally sells the guaranteed portion of the SBA loan as soon as it is eligible to be sold and retains the servicing right. When the guaranteed portion of an SBA loan is sold, the Company allocates the carrying basis of the loan between the guaranteed portion of the loan sold, the unguaranteed portion of the loans retained, and the servicing asset based on their relative fair values. A gain is recorded for the difference between the proceeds received from the sale and the basis allocated to the sold portion. The relative fair value allocation results in a discount that is recorded on the unguaranteed portion of the loan that is retained. The discount is amortized as a yield adjustment over the life of the loan, so long as the loan performs.

SBA Servicing Assets - When the Company sells the guaranteed portion of an SBA loan, the Company continues to perform the servicing on the loan and collects a fee related to the sold portion of the loan. A SBA servicing asset is recorded for the fair value of that fee based on an analysis of discounted cash flows that incorporates estimates of (1) market servicing costs, (2) market-based prepayment rates, and (3) market profit margins. SBA servicing assets are included in “Other assets” on the consolidated balance sheets. SBA servicing assets are initially recorded at fair value and amortized against income over the lives of the related loans as a reduction of servicing fee income, generally five years. SBA servicing asset amortization expense is recorded in noninterest income as an offset to SBA servicing fees within the line item "Other service charges and fees" on the consolidated statement of income. SBA servicing assets are tested for impairment on a quarterly basis by comparing their estimated fair values, aggregated by year of origination, to the related carrying values. Changes in observable market data relating to market interest rates, loan prepayment speeds, and other factors, could result in impairment or reversal of impairment of these servicing assets and, as such, impact the Company's financial condition and results of operations.

Transfers of Financial Assets - Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over financial assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. If the sale criteria are not met, the transfer is recorded as a secured borrowing in which the assets remain on the balance sheet and the proceeds from the transaction are recognized as a liability.

Premises and Equipment - Premises and equipment are stated at cost less accumulated depreciation. Recorded within noninterest expense as "Occupancy expense" on the consolidated statements of income, depreciation, computed by the straight-line method, is charged to operations over the estimated useful lives of the properties or, in the case of leasehold improvements, over the term of the lease, if shorter. Land is carried at cost. Maintenance and repairs are charged to operations in the year incurred. Gains and losses on dispositions are included in current operations and are recorded within noninterest expense on the "Other operating expenses" line on the consolidated statements of income.

Goodwill and Other Intangible Assets - Business combinations are accounted for using the acquisition method of accounting. Identifiable intangible assets, primarily core deposit intangibles ("CDI"), are recognized separately and are amortized over their estimated useful lives, which for the Company has generally been five to ten years and at an accelerated rate. Goodwill is recognized in business combinations to the extent that the price paid exceeds the fair value of the net assets acquired, including any identifiable intangible assets. Goodwill is not amortized, but rather is subject to fair value impairment tests on at least an annual basis.

Foreclosed Properties - Foreclosed properties consists primarily of real estate acquired by the Company through legal foreclosure or deed in lieu of foreclosure. The property is initially carried at the estimated fair value of the property less estimated selling costs. Subsequent to foreclosure, any decline in fair value or gain or loss on disposition are recorded through noninterest expense on the "Other operating expenses" line in the consolidated statements of income. Capital expenditures made to improve the property are capitalized. Costs incurred to maintain the property are expensed as incurred and are also included in "Other operating expenses." Foreclosed properties are included in the "Other assets" line on the consolidated balance sheets and totaled $5.0 million and $0.9 million at December 31, 2024 and 2023, respectively.

Bank-Owned Life Insurance – The Company has purchased life insurance policies on certain current and past key employees and directors where the insurance policy benefits and ownership are retained by the employer. These policies are recorded at their cash surrender value. Income from these policies and changes in the net cash surrender value are recorded within noninterest income as “Bank-owned life insurance income” on the consolidated statements of income.

Income Taxes - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced, if necessary, by the amount of such benefits that are more likely than not expected to be realized based upon available evidence.

Other Investments – The Company accounts for its investments in limited partnerships and limited liability companies (“LLCs”) using the equity method of accounting if the percentage ownership and degree of management influence in the investments warrants such accounting treatment. Under the equity method of accounting, the Company records its initial investment at cost. Subsequently, the carrying amount of the investment is increased or decreased to reflect the Company’s share of income or loss of the investee, recorded within noninterest income as "Other gains, net" on the consolidated statements of income. The Company’s recognition of earnings or losses from an equity method investment is based on the Company’s ownership percentage in the investee and the investee’s earnings on a quarterly basis. The investees generally provide their financial information during the quarter following the end of a given period. The Company’s policy is to record its share of earnings or losses on equity method investments in the quarter the financial information is received.

All of the Company’s investments in limited partnerships and LLCs and their market values are not readily available. The Company’s management evaluates its investments in investees for impairment based on the investee’s ability to generate cash through its operations or obtain alternative financing, and other subjective factors. There are inherent risks associated with the Company’s investments in such companies, which may result in income statement volatility in future periods.

Federal Home Loan Bank ("FHLB") Stock - The Company is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors. FHLB stock is carried at cost and is recorded in "Other assets" on the consolidated balance sheets. Cash dividends are reported as income, recorded within interest income in the "Other, principally overnight investments" line on the consolidated statements of income.

Federal Reserve Bank ("Federal Reserve", "FRB") Stock - The Company is a member of its regional Federal Reserve and is required to own stock based on its level of capital. Federal Reserve stock is carried at cost and is recorded in "Other assets" on the consolidated balance sheets. Cash dividends are reported as income, recorded within interest income in the "Other, principally overnight investments" line on the consolidated statements of income.

Loan Commitments and Related Financial Instruments - Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Leases - The Company leases certain branch locations and administrative offices which are generally classified as operating leases with right-of-use assets being included in other assets and the associated lease obligations being included in other liabilities. For leases where the Company is the lessee that have initial terms greater than one year, right-of-use assets and corresponding lease liabilities are reported on the balance sheet. Leases with an initial term of less than one year are not recorded on the balance sheet, rather, the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term and included in "Occupancy expense" on the consolidated statements of income.

Stock-Based Compensation - Restricted stock awards are the primary form of equity grant utilized by the Company. Compensation cost is based on the fair value of the award, which is the closing price of the Company's common stock on the date of the grant. Restricted stock awards issued by the Company typically have vesting periods with service conditions. Compensation cost is recognized as expense over the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period. Because of the insignificant amount of forfeitures the Company has experienced, forfeitures are recognized as they occur.

Earnings Per Share ("EPS") Amounts - Basic EPS is calculated by dividing net income, less income allocated to participating securities, by the weighted average number of common shares outstanding during the period, excluding unvested shares of restricted stock. For the Company, participating securities are comprised of unvested shares of restricted stock. Diluted EPS is computed by assuming the issuance of common shares for all potentially dilutive common shares outstanding during the reporting period. For the periods presented, the Company's potentially dilutive common stock issuances related to unvested shares of restricted stock, dilutive stock options and contingently issuable shares which are determined using the treasury stock method. If any of the potentially dilutive common stock issuances have an anti-dilutive effect, the potentially dilutive common stock issuance is disregarded.

Fair Value of Financial Instruments - Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument, as more fully described in Note 14. Because no highly liquid market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

Impairment - Goodwill is evaluated for impairment on at least an annual basis, and more often if a triggering event is identified, by comparing the estimated fair value of the reporting unit to its related carrying value. If the carrying value of a reporting unit exceeds its fair value, the Company utilizes various valuation techniques to determine whether the implied fair value of the goodwill exceeds its carrying value. If the carrying value of the goodwill exceeds the implied fair value of the goodwill, an impairment loss is recorded in an amount equal to that excess.

The Company reviews all other long-lived assets, including identifiable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's policy is that an impairment loss is recognized if the sum of the undiscounted future cash flows is less than the carrying amount of the asset. Any long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. To date, the Company has not recorded any impairment write-downs of its long-lived assets or goodwill.

Comprehensive Income (Loss) - Comprehensive income (loss) includes revenues, expenses, gains, and losses that are excluded from earnings under current accounting standards, primarily unrealized gain (loss) on available for sale securities and unrealized and realized gains and losses on postretirement benefit plans.

Variable Interest Entities - The Company's statutory trust subsidiaries (First Bancorp Capital Trust II, Trust III and Trust IV, Carolina Capital Trust, New Century Statutory Trust I, and GrandSouth Capital Trust I), (collectively "the Trusts") qualify as variable interest entities. Notes issued by the Company to the Trusts in return for the proceeds from the issuance of the trust preferred securities have terms that are substantially the same as the corresponding trust preferred securities. As qualified variable interest entities, the Trusts' balance sheet and statement of operations have never been consolidated with those of the Company because the Company is not the primary beneficiary. Further, the Company has no exposure to loss of the operations of the Trusts as the Company is limited to the repayment of the underlying obligations and would not absorb the losses of the Trusts if losses were to occur. The trust preferred securities qualify as capital for regulatory capital adequacy requirements.

Segment Reporting - Accounting standards require management to report selected financial and descriptive information about reportable operating segments that exceed certain thresholds. The standards also require related disclosures about products and services, geographic areas, and major customers. Generally, disclosures are required for segments internally identified to evaluate performance and resource allocation. The Company's operations are substantially all within a single banking segment, and the financial statements presented herein reflect the combined results of all of its operations with that segment. The Company has no foreign operations or customers.

Derivative Instruments and Hedging Activities - The Company occasionally enters into derivative financial instruments as part of its interest rate risk management strategies. These derivative financial instruments consist primarily of interest rate swaps to accommodate certain commercial loan customers, with offsetting positions to dealers under a back-to-back swap program. All derivative instruments are recorded on the consolidated balance sheets as either an asset (included in "Other assets") or liability (included in "Other liabilities") at their fair value. The Company has master netting agreements with the counterparties with which it does business, but reflects gross assets and liabilities at fair value on the consolidated balance sheets.

The accounting for the gain or loss resulting from the change in fair value depends on the intended use of the derivative. The Company classifies its derivative financial instruments as either (1) a hedge of an exposure to changes in the fair value of a recorded asset or liability ("fair value hedge"), (2) a hedge of an exposure to changes in the cash flows of a recognized asset, liability or forecasted transaction ("cash flow hedge"), or (3) derivatives not designated as accounting hedges ("undesignated hedges"). As of December 31, 2024, the Company has only entered into derivatives classified as undesignated hedges for which changes in fair value are recognized in current period earnings in either noninterest income or noninterest expense.

The Company also originates certain residential mortgage loans with the intention of selling these loans. The Company enters into forward sale agreements to mitigate risk and to protect the expected gain on the eventual loan sale. The commitments to originate residential mortgage loans and forward loan sales commitments are freestanding derivative instruments which are entered into as part of an economic hedging strategy to manage exposure related to mortgage loans held for sale.

Recent Accounting Pronouncements

Accounting Standards Adopted in 2024

Accounting Standards Update ("ASU") *2023-02, "Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method"* permits reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. This update was adopted on January 1, 2024. The adoption of ASU 2023-02 did not have a significant impact on the Company's consolidated financial statements.

ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" amended existing guidance to improve disclosures about a public entity's reportable segments and provide more detailed information about a reportable segment's expenses. ASU 2023-07 clarifies that an entity which has a single reportable segment is to provide all the disclosures required by Topic 280 and ASU 2023-07. The amendment was

adopted on January 1, 2024 and will be applicable for interim periods within fiscal years beginning after December 15, 2024. See Note 22 for the adoption of ASU 2023-07.

Accounting Standards Pending Adoption

ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" amends existing guidance to improve the transparency of income tax disclosures, including disclosure of specific categories in the rate reconciliation, providing additional information for certain reconciling items, and providing details on income taxes paid. The amendments are effective for annual periods beginning after December 15, 2024. The adoption of ASU 2023-09 is not expected to have a significant impact on the Company's consolidated financial statements.

ASU 2024-03, "Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses" amended the Income Statement—Reporting Comprehensive Income topic in the Accounting Standards Codification to require public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the notes to financial statements. The amendments are effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company will apply the amendments retrospectively to all prior periods presented in the financial statements after the effective date. The adoption of ASU 2023-09 is not expected to have a significant impact on the Company's consolidated financial statements.

ASU 2024-04, "Debt-Debt With Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments" amended the Debt topic in the Accounting Standards Codification to clarify requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. The amendments are effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities that have adopted the amendments in ASU 2020-06. The Company will apply the amendments prospectively to any settlements of convertible debt instruments that occur after the effective date of the guidance. The adoption of ASU 2023-09 is not expected to have a significant impact on the Company's consolidated financial statements.

Other accounting standards that have been issued or proposed by the Financial Accounting Standards Board, ("FASB") or other standards-setting bodies are not expected to have a material impact on the Company's consolidated financial statements.

Note 2. Acquisitions

On January 1, 2023, the Company completed its acquisition of 100% of GrandSouth Bancorporation ("GrandSouth"), in an all-stock transaction pursuant to the Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), dated June 21, 2022, between the Company and GrandSouth. At the closing of the transaction, GrandSouth merged into the Company. Following the merger of the Company and GrandSouth, GrandSouth Bank, a wholly-owned subsidiary of GrandSouth, merged into the Bank with the Bank being the surviving entity. The results of GrandSouth are included beginning on the January 1, 2023 acquisition date.

Pursuant to the Merger Agreement, each share of common and preferred stock of GrandSouth issued and outstanding immediately prior to the effective time of the acquisition was converted into 0.91 shares of the Company's common stock. As a result, the Company issued 5,032,834 shares of the Company common stock effective January 1, 2023. In addition, GrandSouth common stock options outstanding at the merger effective time were converted to options to acquire 0.91 shares of the Company's common stock resulting in 542,345 options with an average exercise price of approximately $20.14. The total consideration transferred at the close of the transaction was $229.5 million which was determined based on the number of shares issued and the closing market price of the Company's stock immediately prior to the merger effective time of $42.84. In addition to the stock issued, the fair value of the converted stock options calculated in accordance with ASC 805-30-55 was included in the total consideration of the transaction.

As a result of the merger, eight branches in South Carolina were added to the Company's branch network. The acquisition accomplished the Company's strategic initiative to expand its presence in South Carolina, specifically in the high-growth markets of the state including Greenville, Charleston and Columbia. Significant synergies were anticipated to be gained from the acquisition, with asset growth and revenue enhancement opportunities from the new markets and expanded customer base. Accordingly, the Company recognized goodwill in the transaction related primarily to the reasons noted, as well as the positive earnings of GrandSouth.

This transaction was accounted for using the acquisition method of accounting for business combinations, and accordingly, the assets acquired, intangible assets identified, and liabilities assumed of GrandSouth were recorded based on estimates of fair values as of January 1, 2023. The determination of fair value requires management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and subject to change. Estimated fair values were based on management's best estimates, using the information available at the date of acquisition, including the use of third-party valuation specialists. Management has finalized the valuations of all acquired assets and liabilities assumed in the GrandSouth acquisition.

The following table summarizes the fair value of acquired assets, identified intangible assets, and liabilities assumed as of January 1, 2023. Following the table is a discussion of valuation approaches utilized in estimating the fair values. The $114.5 million in goodwill that resulted from this transaction is non-deductible for tax purposes.

($ in thousands)	Fair Value Estimate
Assets acquired:	
Cash and cash equivalents	$ 22,610
Securities available for sale	112,363
Loans, gross	996,833
Allowance for credit losses	(5,610)
Premises and equipment	20,268
Core deposit intangible	28,840
Operating right-of-use assets	732
Other assets	27,163
Total	1,203,199
Liabilities assumed:	
Deposits	1,045,308
Borrowings	38,800
Other liabilities	4,089
Total	1,088,197
Net identifiable assets acquired	115,002
Less: Total consideration	229,489
Goodwill recorded related to acquisition of GrandSouth	$ 114,487

The following is a description of the methods used to determine the fair values of significant assets acquired and liabilities assumed included in the table above.

Cash and cash equivalents: This consists primarily of cash and due from banks, and interest-bearing deposits with banks. The carrying amount of these assets was a reasonable estimate of fair value based on the short-term nature of these assets.

Securities available for sale: Fair value of securities was measured based on quoted market prices, where available. If a quoted market price was not available, fair value was estimated using quoted market prices for similar securities and adjusted for differences between the quoted instrument and the instrument being valued. Substantially all of the securities acquired from GrandSouth were liquidated at their recorded fair value upon close of the transaction or shortly thereafter. There was no gain or loss recorded on the sale of acquired securities.

Loans: Fair value of loans acquired was based on a discounted cash flow methodology that considered factors including loan type and related collateral, classification status, remaining term of the loan, fixed or variable interest rate, amortization status, and current discount rates. Expected cash flows were derived using inputs consistent with management's assessment of credit risk for allowance measurement, including estimated future credit losses and estimated prepayments. A total fair value mark of $29.5 million was recorded. PCD loans were determined based primarily on internal grades, delinquency status, and other evidence of credit deterioration. The Company calculated the initial allowance of $5.6 million on PCD loans in accordance with its CECL model and reclassified that amount from the fair value mark to establish the initial ACL on PCD loans. The following table presents additional information related to the acquired loan portfolio at the acquisition date:

($ in thousands)	January 1, 2023
PCD Loans:	
Par value	$ 152,487
Allowance for credit losses	(5,610)
Non-credit discount	(1,370)
Purchase price	145,507
Non-PCD Loans:	
Fair Value	845,716
Gross contractual amounts receivable	865,132
Estimate of contractual cash flows not expected to be collected	22,542

Premises: Land and buildings held for use were valued at appraised values, which reflected considerations of recent disposition values for similar property types with adjustments for characteristics of individual properties.

Intangible assets: The CDI asset represents the value of the relationships with deposit customers. The fair value for the CDI asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of deposit base, net maintenance cost attributable to customer deposits and an estimate of the cost associated with alternative funding sources. The discount rates used for CDI assets were based on market rates. The CDI is being amortized over ten years utilizing the sum of the months digits accelerated method, which results in a weighted-average amortization period of approximately 41 months.

Lease Assets and Lease Liabilities: Lease assets and lease liabilities were measured using a methodology that involved estimating the future lease payments over the remaining lease term with discounting using a discount rate. The lease term was determined for individual leases based on management's assessment of the probability of exercising existing renewal options.

Deposits: The fair values used for the demand and savings deposits by definition equal the amount payable on demand at the acquisition date. Fair values for time deposits were estimated using a discounted cash flow analysis applying interest rates currently offered to the contractual interest rates on such time deposits.

Borrowings: The fair values of long-term debt instruments were estimated based on quoted market prices for instrument if available, or for similar instruments if not available.

Supplemental Pro Forma Financial Information

The following table presents certain pro forma information as if GrandSouth had been acquired on January 1, 2022. These results combine the historical results of GrandSouth with the Company's results and, while certain adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on January 1, 2022.

Merger-related costs related to this acquisition of $13.7 million for 2023 were recorded by the Company and were excluded from the pro forma information below. In addition, no adjustments have been made to such pro forma information to eliminate the provision for loan losses recorded by GrandSouth in the amount of $2.2 million for 2022.

Pro forma information for the year 2023 was adjusted to eliminate the following: 1) the non-PCD provision for loan losses recorded on the acquisition date of $12.2 million and 2) the initial recording of a provision for credit losses associated with GrandSouth's unfunded commitments of $1.9 million. If the GrandSouth acquisition had occurred at the beginning of 2022, the acquisition date credit loss reserve amounts would have been included in the fair value measurements of GrandSouth and also included in the goodwill calculation.

The following table also discloses the impact of the acquisition of GrandSouth from the acquisition date of January 1, 2023 through December 31, 2023. These amounts are included in the Company's consolidated financial statements as of and for the year ended December 31, 2023. The operations of GrandSouth have been integrated into existing First Bank operations and therefore separate results of operations are not presented for the year ended December 31, 2024. Merger-related costs have been excluded from these amounts and the provisions for credit

loss amounts associated with non-PCD loans and unfunded commitments that were discussed above have also been excluded.

($ in thousands, unaudited)	Revenue	Net Income
Year Ended December 31, 2023		
Actual GrandSouth results included in statement of income since acquisition date	$ 58,301	$ 22,058
Year Ended December 31, 2022		
Supplemental consolidated pro forma as if GrandSouth had been acquired on January 1, 2022	454,579	161,826

Note 3. Securities

The book values and approximate fair values of investment securities at December 31, 2024 and 2023 are summarized as follows:

	2024				2023			
($ in thousands)	Amortized Cost	Fair Value	Unrealized Gains	Unrealized (Losses)	Amortized Cost	Fair Value	Unrealized Gains	Unrealized (Losses)
Securities available for sale:								
US Treasury securities	$ 121,051	$ 120,581	$ —	$ (470)	$ 174,785	$ 172,570	$ —	$ (2,215)
Government-sponsored enterprise securities	11,961	9,614	—	(2,347)	71,964	60,266	—	(11,698)
Mortgage-backed securities	2,261,924	1,897,175	60	(364,809)	2,323,674	1,937,784	30	(385,920)
Corporate bonds	16,181	15,692	—	(489)	19,676	18,759	—	(917)
Total available for sale	$ 2,411,117	$ 2,043,062	$ 60	$ (368,115)	$ 2,590,099	$ 2,189,379	$ 30	$ (400,750)
Securities held to maturity:								
Mortgage-backed securities	$ 9,198	$ 8,739	$ —	$ (459)	$ 12,085	$ 11,447	$ —	$ (638)
State and local governments	510,800	419,832	1	(90,969)	521,593	438,176	39	(83,456)
Total held to maturity	$ 519,998	$ 428,571	$ 1	$ (91,428)	$ 533,678	$ 449,623	$ 39	$ (84,094)

All of the Company's mortgage-backed securities were issued by government-sponsored enterprises ("GSEs"), except for private mortgage-backed securities with a fair value of $0.7 million as of December 31, 2024 and 2023.

Accrued interest receivable on AFS debt securities was $4.6 million and $5.2 million at December 31, 2024 and December 31, 2023, respectively. Accrued interest receivable on HTM debt securities was of $4.2 million as of December 31, 2024 and December 31, 2023.

The following table presents information regarding securities with unrealized losses at December 31, 2024:

	Securities in an Unrealized Loss Position for Less than 12 Months		Securities in an Unrealized Loss Position for More than 12 Months		Total	
($ in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Treasury securities	$ 120,581	$ 470	$ —	$ —	$ 120,581	$ 470
Government-sponsored enterprise securities	—	—	9,614	2,347	9,614	2,347
Mortgage-backed securities	317,015	1,845	1,538,156	363,423	1,855,171	365,268
Corporate bonds	380	51	13,562	438	13,942	489
State and local governments	4,513	75	414,331	90,894	418,844	90,969
Total temporarily impaired securities	$ 442,489	$ 2,441	$ 1,975,663	$ 457,102	$ 2,418,152	$ 459,543

The following table presents information regarding securities with unrealized losses at December 31, 2023:

	Securities in an Unrealized Loss Position for Less than 12 Months		Securities in an Unrealized Loss Position for More than 12 Months		Total	
($ in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Treasury securities	$ —	$ —	$ 172,570	$ 2,215	$ 172,570	$ 2,215
Government-sponsored enterprise securities	—	—	60,266	11,698	60,266	11,698
Mortgage-backed securities	1,117	5	1,945,830	386,553	1,946,947	386,558
Corporate bonds	—	—	17,008	917	17,008	917
State and local governments	—	—	432,476	83,456	432,476	83,456
Total temporarily impaired securities	$ 1,117	$ 5	$ 2,628,150	$ 484,839	$ 2,629,267	$ 484,844

As of December 31, 2024, the Company's securities portfolio held 584 securities of which 560 securities were in an unrealized loss position. As of December 31, 2023, the Company's securities portfolio held 657 securities of which 632 securities were in an unrealized loss position.

In the above tables, all of the securities that were in an unrealized loss position at December 31, 2024 and 2023 are bonds that the Company has determined are in a loss position due primarily to interest rate factors and not credit quality concerns. In arriving at this conclusion, the Company reviewed third-party credit ratings and considered the severity of the impairment. The state and local government investments are comprised almost entirely of highly-rated municipal bonds issued by state and local governments throughout the nation. The Company has no significant concentrations of bond holdings from any one state or local government entity. Nearly all of the Company's mortgage-backed securities were issued by Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Government National Mortgage Association ("GNMA"), or SBA, each of which is a government agency or GSE and guarantees the repayment of its securities. The Company does not intend to sell these securities, and it is more likely than not that the Company will not be required to sell these securities before recovery of the amortized cost.

At December 31, 2024 and 2023, the Company determined that expected credit losses associated with HTM securities and AFS debt securities were insignificant.

The book values and approximate fair values of investment securities at December 31, 2024, by contractual maturity, are summarized in the table below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available for Sale		Securities Held to Maturity	
($ in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ —	$ —	$ —	$ —
Due after one year but within five years	82,212	81,944	5,639	5,456
Due after five years but within ten years	66,981	63,943	186,841	155,787
Due after ten years	—	—	318,320	258,589
Mortgage-backed securities	2,261,924	1,897,175	9,198	8,739
Total securities	$ 2,411,117	$ 2,043,062	$ 519,998	$ 428,571

At December 31, 2024 and 2023, investment securities with carrying values of $806.0 million and $971.3 million, respectively, were pledged as collateral for public deposits. In addition, at December 31, 2024 and 2023, investment securities with carrying values of $661.0 million and $679.0 million, respectively, were pledged as collateral to the FRB to secure any such borrowings.

At December 31, 2024 and 2023, there were no holdings of securities of any one issuer, other than the US Government and its agencies or GSEs, in an amount greater than 10% of shareholders' equity.

During the second quarter of 2024, the Company sold all of its holdings of Class B shares of Visa, Inc. (“Visa”) stock that were received upon Visa’s initial public offering and recognized a gain of $4.5 million. As the Class B stock did not initially have a readily determinable fair value, it was carried at $0 prior to the sale.

During 2024, the Company received proceeds from sales of securities of $385.1 million and recorded $41.5 million in gross losses from the sales. These losses were partially offset by the $4.5 million gain on the sale of the Visa stock discussed above. Also Included in "Securities losses, net" in the consolidated statements of income, during 2024, the Company received proceeds from the call of a security of $5.2 million and recorded a $1.0 million loss related to the unamortized premium balance at the time of the call. In 2023, there were no sales of investment securities with the exception of securities acquired from GrandSouth which were subsequently liquidated as discussed in Note 2. There was no gain or loss associated with the sale of acquired securities. In 2022, there were no sales of investment securities.

Included in “Other assets” in the consolidated balance sheets are investments in FHLB and Federal Reserve stock totaling $41.3 million and $54.5 million at December 31, 2024 and 2023, respectively. These investments do not have readily determinable fair values. The FHLB stock had a cost and fair value of $8.5 million and $21.7 million at December 31, 2024 and 2023, respectively, and serves as part of the collateral for the Company’s line of credit with the FHLB and is also a requirement for membership in the FHLB system. The Federal Reserve stock had a cost and fair value of $32.7 million and $32.8 million at December 31, 2024 and 2023, respectively, and is a requirement for Federal Reserve member bank qualification. Periodically, both the FHLB and Federal Reserve recalculate the Company’s required level of holdings, and the Company either buys more stock or redeems a portion of the stock at cost. The Company determined that neither stock was impaired at either period end.

Note 4. Loans, Allowance for Credit Losses, and Asset Quality Information

The following is a summary of the major categories of total loans outstanding:

	December 31, 2024		December 31, 2023	
($ in thousands)	Amount	Percentage	Amount	Percentage
Commercial and industrial	$ 919,690	11 %	$ 905,862	11 %
Construction, development & other land loans	647,167	8 %	992,980	12 %
Commercial real estate - owner occupied	1,248,812	16 %	1,259,022	16 %
Commercial real estate - non owner occupied	2,625,554	33 %	2,528,060	31 %
Multi-family real estate	506,407	6 %	421,376	5 %
Residential 1-4 family real estate	1,729,322	21 %	1,639,469	20 %
Home equity loans/lines of credit	345,883	4 %	335,068	4 %
Consumer loans	70,653	1 %	68,443	1 %
Subtotal	8,093,488	100 %	8,150,280	100 %
Unamortized net deferred loan costs/(fees)	1,188		(178)	
Total loans	$ 8,094,676		$ 8,150,102	

Also included in the table above are SBA loans, generally originated under the SBA 7A loan program, with additional information on these loans presented in the table below.

($ in thousands)	December 31, 2024	December 31, 2023
Guaranteed portions of SBA Loans included in table above	$ 34,095	$ 35,462
Unguaranteed portions of SBA Loans included in table above	101,356	107,784
Total SBA loans included in the table above	$ 135,451	$ 143,246
Sold portions of SBA loans with servicing retained - not included in table above	$ 330,482	$ 349,275

At December 31, 2024 and December 31, 2023, there were remaining unaccreted discounts on the retained portion of sold SBA loans amounting to $2.9 million and $3.5 million respectively.

At December 31, 2024 and December 31, 2023, loans in the amount of $6.7 billion and $6.5 billion, respectively, were pledged as collateral to the FRB and the FHLB for borrowing capacity. Refer to Note 9 for further discussion.

At December 31, 2024 and 2023, total loans included loans to executive officers and directors of the Company, totaling approximately $62.9 million and $63.7 million, respectively. There was one new loan and advances on existing loans totaling approximately $1.2 million for the year ended December 31, 2024 and repayments amounted to $2.0 million for that period. Available credit on related party loans totaled $1.0 million and $2.7 million at December 31, 2024 and December 31, 2023, respectively.

As of December 31, 2024 and 2023, unamortized discounts on all acquired loans totaled $15.1 million and $24.0 million, respectively.

Loan discounts are generally amortized as yield adjustments over the respective lives of the loans, so long as the loans perform. There was no impairment of acquired loans during the years ended December 31, 2024 and December 31, 2023 that would require acceleration of amortization or charge off of unamortized discount.

Nonperforming assets ("NPAs") are defined as nonaccrual loans, FDMs, loans past due 90 or more days and still accruing interest, foreclosed real estate, and prior to the adoption of ASU 2022-02 on January 1, 2023, TDRs.

The following table summarizes the NPAs for each date presented.

($ in thousands)	December 31, 2024	December 31, 2023
Nonperforming assets		
Nonaccrual loans	$ 31,779	$ 32,208
Financial Difficulty Modifications	10,173	11,719
Accruing loans > 90 days past due	—	—
Total nonperforming loans	41,952	43,927
Foreclosed properties	4,965	862
Total nonperforming assets	$ 46,917	$ 44,789

At December 31, 2024 and 2023, the Company had $1.2 million and $1.0 million, respectively, in residential mortgage loans in process of foreclosure.

At December 31, 2024 and December 31, 2023, there were, respectively, two loans and one loan with commitments to lend $0.4 million and an $0.2 million of additional funds to a borrower whose loans were nonperforming.

The following table is a summary of the Company's nonaccrual loans by major categories as of December 31, 2024.

($ in thousands)	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial and industrial	$ —	$ 9,804	$ 9,804
Construction, development & other land loans	—	90	90
Commercial real estate - owner occupied	879	8,488	9,367
Commercial real estate - non owner occupied	—	887	887
Residential 1-4 family real estate	—	9,487	9,487
Home equity loans/lines of credit	—	1,795	1,795
Consumer loans	—	349	349
Total	$ 879	$ 30,900	$ 31,779

The following table is a summary of the Company's nonaccrual loans by major categories as of December 31, 2023.

($ in thousands)	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial and industrial	$ 944	$ 8,932	$ 9,876
Construction, development & other land loans	—	399	399
Commercial real estate - owner occupied	960	6,082	7,042
Commercial real estate - non owner occupied	6,121	1,082	7,203
Residential 1-4 family real estate	—	4,843	4,843
Home equity loans/lines of credit	534	2,169	2,703
Consumer loans	—	142	142
Total	$ 8,559	$ 23,649	$ 32,208

There was no interest income recognized during the periods presented on nonaccrual loans. In the period that the Company places a loan on nonaccrual status, contractual interest income is reversed in the consolidated income statement.

The following table represents the accrued interest receivables written off by reversing interest income during each period indicated.

($ in thousands)	Year Ended December 31, 2024	Year Ended December 31, 2023
Commercial and industrial	$ 513	$ 225
Construction, development & other land loans	2	10
Commercial real estate - owner occupied	372	124
Commercial real estate - non owner occupied	55	186
Residential 1-4 family real estate	73	38
Home equity loans/lines of credit	31	57
Consumer loans	2	2
Total	$ 1,048	$ 642

The following table presents an analysis of the payment status of the Company's loans as of December 31, 2024.

($ in thousands)	Accruing Current	Accruing 30-59 Days Past Due	Accruing 60-89 Days Past Due	Nonaccrual Loans	Total Loans Receivable
Commercial and industrial	$ 906,903	$ 2,442	$ 541	$ 9,804	$ 919,690
Construction, development & other land loans	647,077	—	—	90	647,167
Commercial real estate - owner occupied	1,236,396	2,073	976	9,367	1,248,812
Commercial real estate - non owner occupied	2,614,843	9,678	146	887	2,625,554
Multi-family real estate	506,407	—	—	—	506,407
Residential 1-4 family real estate	1,699,800	12,973	7,062	9,487	1,729,322
Home equity loans/lines of credit	342,551	1,118	419	1,795	345,883
Consumer loans	69,775	317	212	349	70,653
Total	$ 8,023,752	$ 28,601	$ 9,356	$ 31,779	8,093,488
Unamortized net deferred loan fees					1,188
Total loans					$ 8,094,676

The following table presents an analysis of the payment status of the Company's loans as of December 31, 2023.

($ in thousands)	Accruing Current	Accruing 30-59 Days Past Due	Accruing 60-89 Days Past Due	Nonaccrual Loans	Total Loans Receivable
Commercial and industrial	$ 892,003	$ 3,726	$ 257	$ 9,876	$ 905,862
Construction, development & other land loans	992,084	241	256	399	992,980
Commercial real estate - owner occupied	1,250,670	906	404	7,042	1,259,022
Commercial real estate - non owner occupied	2,520,496	361	—	7,203	2,528,060
Multi-family real estate	421,376	—	—	—	421,376
Residential 1-4 family real estate	1,612,357	18,868	3,401	4,843	1,639,469
Home equity loans/lines of credit	331,413	603	349	2,703	335,068
Consumer loans	67,900	270	131	142	68,443
Total	$ 8,088,299	$ 24,975	$ 4,798	$ 32,208	8,150,280
Unamortized net deferred loan (fees) costs					(178)
Total loans					$ 8,150,102

Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. The Company reviews individually evaluated loans on nonaccrual with a net book balance of $500,000 or greater for designation as collateral dependent loans, as well as certain other loans that may still be accruing interest and/or are less than $500,000 in size that management of the Company designates as having higher risk. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the ACL.

The following table presents an analysis of collateral dependent loans of the Company as of December 31, 2024.

($ in thousands)	Commercial Property	Total Collateral-Dependent Loans
Commercial real estate - owner occupied	$ 879	$ 879
Total	$ 879	$ 879

The following table presents an analysis of collateral dependent loans of the Company as of December 31, 2023.

($ in thousands)	Residential Property	Business Assets	Commercial Property	Total Collateral-Dependent Loans
Commercial and industrial	$ —	$ 2,385	$ —	$ 2,385
Commercial real estate - owner occupied	—	—	1,142	1,142
Commercial real estate - non owner occupied	—	—	6,121	6,121
Home equity loans/lines of credit	534	—	—	534
Total	$ 534	$ 2,385	$ 7,263	$ 10,182

Under CECL, for collateral dependent loans, the Company has adopted the practical expedient to measure the ACL based on the fair value of collateral. The ACL is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The Company's policy is to obtain third-party appraisals on any significant pieces of collateral. For loans secured by real estate, the Company's policy is to write nonaccrual loans down to 90% of the appraised value, which considers estimated selling costs. For real estate collateral, the Company may discount the collateral values due to factors including market trends, collateral condition, or near-term sales. For loans secured by non-real estate collateral, the Company generally writes nonaccrual loans down to provide for selling costs and liquidity discounts that are usually

incurred when disposing of non-real estate collateral. For reviewed loans that are not on nonaccrual basis, the Company assigns a specific allowance based on the parameters noted above.

Fluctuations in the ACL each period are based on loan mix and growth, changes in the levels of nonperforming loans, economic forecasts impacting loss drivers, other assumptions and inputs to the CECL model, and as occurred in 2024, adjustments for acquired loan portfolios. Much of the change to the level of ACL during the year ended December 31, 2024 is attributed to the potential exposure from Hurricane Helene. The balance of the change was a result of loan growth during the year and updated prepayment speed estimates in the CECL model, which have slowed with market rate increases, thus requiring additional allowance for the estimated longer life of loans.

The following tables present the activity in the ACL on loans for each of the periods indicated.

($ in thousands)	Beginning balance	Charge-offs	Recoveries	Provisions/(Reversals)	Ending balance
As of and for the year ended December 31, 2024					
Commercial and industrial	$ 21,227	$ (7,278)	$ 2,363	$ 3,162	$ 19,474
Construction, development & other land loans	13,940	(79)	229	(4,776)	9,314
Commercial real estate - owner occupied	18,218	(223)	36	1,349	19,380
Commercial real estate - non owner occupied	24,916	(462)	107	3,207	27,768
Multi-family real estate	3,825	—	—	1,651	5,476
Residential 1-4 family real estate	21,396	(18)	310	11,864	33,552
Home equity loans/lines of credit	3,339	(2)	272	502	4,111
Consumer loans	2,992	(1,525)	238	1,792	3,497
	$ 109,853	$ (9,587)	$ 3,555	$ 18,751	$ 122,572

($ in thousands)	Beginning balance	Initial ACL for acquired PCD loans	Charge-offs	Recoveries	Provisions/(Reversals)	Ending balance
As of and for the year ended December 31, 2023						
Commercial and industrial	$ 17,718	$ 5,197	$ (8,358)	$ 1,393	$ 5,277	$ 21,227
Construction, development & other land loans	15,128	49	(120)	370	(1,487)	13,940
Commercial real estate - owner occupied	14,972	191	(144)	465	2,734	18,218
Commercial real estate - non owner occupied	22,780	51	(235)	737	1,583	24,916
Multi-family real estate	2,957	—	—	13	855	3,825
Residential 1-4 family real estate	11,354	113	(4)	377	9,556	21,396
Home equity loans/lines of credit	3,158	8	(309)	98	384	3,339
Consumer loans	2,900	1	(1,005)	248	848	2,992
	$ 90,967	$ 5,610	$ (10,175)	$ 3,701	$ 19,750	$ 109,853

($ in thousands)	Beginning balance	Charge-offs	Recoveries	Provisions/(Reversals)	Ending balance
As of and for the year ended December 31, 2022					
Commercial and industrial	$ 16,249	$ (2,519)	$ 756	$ 3,232	$ 17,718
Construction, development & other land loans	16,519	—	480	(1,871)	15,128
Commercial real estate - owner occupied	12,317	(214)	691	2,178	14,972
Commercial real estate - non owner occupied	16,789	(849)	1,281	5,559	22,780
Multi-family real estate	1,236	—	11	1,710	2,957
Residential 1-4 family real estate	8,686	—	17	2,651	11,354
Home equity loans/lines of credit	4,337	(43)	600	(1,736)	3,158
Consumer loans	2,656	(840)	207	877	2,900
	$ 78,789	$ (4,465)	$ 4,043	$ 12,600	$ 90,967

Credit Quality Indicators

The Company tracks credit quality based on its internal risk ratings. Upon origination, a loan is assigned an initial risk grade, which is generally based on several factors such as the borrower's credit score, the loan-to-value ratio, the debt-to-income ratio, etc. Loans that are risk-graded as substandard during the origination process are declined. After loans are initially graded, they are monitored regularly for credit quality based on many factors, such as

payment history, the borrower's financial status, and changes in collateral value. Loans can be downgraded or upgraded depending on management's evaluation of these factors. Internal risk-grading policies are consistent throughout each loan type.

The following describes the Company's internal risk grades in ascending order of likelihood of loss:

	Risk Grade	Description
Pass:		
	1	Loans with virtually no risk, including cash secured loans.
	2	Loans with documented significant overall financial strength. These loans have minimum chance of loss due to the presence of multiple sources of repayment – each clearly sufficient to satisfy the obligation.
	3	Loans with documented satisfactory overall financial strength. These loans have a low loss potential due to presence of at least two clearly identified sources of repayment – each of which is sufficient to satisfy the obligation under the present circumstances.
	4	Loans to borrowers with acceptable financial condition. These loans could have signs of minor operational weaknesses, lack of adequate financial information, or loans supported by collateral with questionable value or marketability.
	5	Loans that represent above average risk due to minor weaknesses and warrant closer scrutiny by management. Collateral is generally available and felt to provide reasonable coverage with realizable liquidation values in normal circumstances. Repayment performance is satisfactory.
	P (Pass)	Consumer loans that are of satisfactory credit quality with borrowers who exhibit good personal credit history, average personal financial strength and moderate debt levels. These loans generally conform to Bank policy, but may include approved mitigated exceptions to the guidelines.
Special Mention:		
	6	Existing loans with defined weaknesses in primary source of repayment that, if not corrected, could cause a loss to the Company.
Classified:		
	7	An existing loan inadequately protected by the current sound net worth and paying capacity of the obligor or the collateral pledged, if any. These loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt.
	8	Loans that have a well-defined weakness that make the collection or liquidation in full highly questionable and improbable. Loss appears imminent, but the exact amount and timing is uncertain.
	9	Loans that are considered uncollectible and are in the process of being charged-off. This grade is a temporary grade assigned for administrative purposes until the charge-off is completed.
	F (Fail)	Consumer loans with a well-defined weakness, such as exceptions of any kind with no mitigating factors, history of paying outside the terms of the note, insufficient income to support the current level of debt, etc.

The tables below present the Company's recorded investment in loans by credit quality indicators by year of origination or renewal as of the periods indicated. Acquired loans are presented in the year originated, not in the year of acquisition.

In the tables that follow, substantially all of the "Classified" loans have grades of 7 or Fail, with those categories having similar levels of risk.

As presented in the tables that follow, as of December 31, 2024, the Company had $37.1 million in loans graded Special Mention and $65.8 million in loans graded Classified, which includes all nonaccrual loans at that date. As of December 31, 2023, the Company had $44.1 million in loans graded Special Mention and $54.2 million in loans graded Classified, which includes all nonaccrual loans at that date.

($ in thousands)	Term Loans by Year of Origination							
	2024	2023	2022	2021	2020	Prior	Revolving	Total
As of December 31, 2024								
Commercial and industrial								
Pass	$ 114,786	$ 81,851	$ 120,769	$ 82,810	$ 59,218	$ 70,986	$ 373,850	$ 904,270
Special Mention	1,076	26	190	36	259	804	1,825	4,216
Classified	266	2,496	3,254	713	1,199	2,634	642	11,204
Total commercial and industrial	116,128	84,373	124,213	83,559	60,676	74,424	376,317	919,690
Gross charge-offs, YTD	306	669	849	318	137	929	4,070	7,278
Construction, development & other land loans								
Pass	355,734	124,323	60,305	29,823	12,727	5,276	57,177	645,365
Special Mention	—	605	77	8	—	2	11	703
Classified	227	449	80	—	67	276	—	1,099
Total construction, development & other land loans	355,961	125,377	60,462	29,831	12,794	5,554	57,188	647,167
Gross charge-offs, YTD	—	79	—	—	—	—	—	79
Commercial real estate - owner occupied								
Pass	194,193	222,718	261,634	252,929	153,634	109,559	15,772	1,210,439
Special Mention	9,927	1,869	2,731	184	147	7,007	—	21,865
Classified	4,506	235	2,085	1,294	1,188	7,200	—	16,508
Total commercial real estate - owner occupied	208,626	224,822	266,450	254,407	154,969	123,766	15,772	1,248,812
Gross charge-offs, YTD	—	25	—	19	114	65	—	223
Commercial real estate - non owner occupied								
Pass	482,433	434,713	668,168	602,028	252,260	132,316	29,922	2,601,840
Special Mention	1,648	265	189	11	331	5,721	54	8,219
Classified	12,725	429	566	—	88	1,687	—	15,495
Total commercial real estate - non owner occupied	496,806	435,407	668,923	602,039	252,679	139,724	29,976	2,625,554
Gross charge-offs, YTD	—	—	—	—	304	158	—	462
Multi-family real estate								
Pass	87,803	65,508	114,627	159,038	40,940	9,926	27,630	505,472
Special Mention	—	—	—	—	—	793	—	793
Classified	—	142	—	—	—	—	—	142
Total multi-family real estate	87,803	65,650	114,627	159,038	40,940	10,719	27,630	506,407
Gross charge-offs, YTD	—	—	—	—	—	—	—	—
Residential 1-4 family real estate								
Pass	216,725	347,472	404,809	278,197	166,013	296,870	2,768	1,712,854
Special Mention	74	—	10	95	61	740	—	980
Classified	3,968	227	2,558	544	1,558	6,633	—	15,488
Total residential 1-4 family real estate	220,767	347,699	407,377	278,836	167,632	304,243	2,768	1,729,322
Gross charge-offs, YTD	—	—	—	—	—	18	—	18
Home equity loans/lines of credit								
Pass	2,096	2,672	645	251	259	832	333,434	340,189
Special Mention	120	153	—	—	—	—	15	288
Classified	88	43	68	90	—	7	5,110	5,406
Total home equity loans/lines of credit	2,304	2,868	713	341	259	839	338,559	345,883
Gross charge-offs, YTD	—	—	—	—	—	—	2	2
Consumer loans								
Pass	14,623	10,005	7,059	2,380	1,049	320	34,747	70,183
Special Mention	—	—	—	—	—	—	21	21
Classified	33	21	27	9	—	28	331	449
Total consumer loans	14,656	10,026	7,086	2,389	1,049	348	35,099	70,653
Gross charge-offs, YTD	6	121	41	37	2	10	1,308	1,525
Total loans	$ 1,503,051	$ 1,296,222	$ 1,649,851	$ 1,410,440	$ 690,998	$ 659,617	$ 883,309	8,093,488
Unamortized net deferred loan fees								1,188
Total loans, net of deferred loan fees								$ 8,094,676
Total gross charge-offs, year to date	$ 312	$ 894	$ 890	$ 374	$ 557	$ 1,180	$ 5,380	$ 9,587

($ in thousands)	Term Loans by Year of Origination							
	2023	2022	2021	2020	2019	Prior	Revolving	Total
As of December 31, 2023								
Commercial and industrial								
Pass	$ 136,735	$ 161,131	$ 111,069	$ 75,312	$ 38,495	$ 60,626	$ 302,684	$ 886,052
Special Mention	2,832	2,547	167	185	448	672	1,135	7,986
Classified	1,626	1,152	720	1,389	1,647	4,487	803	11,824
Total commercial and industrial	141,193	164,830	111,956	76,886	40,590	65,785	304,622	905,862
Gross charge-offs, YTD	171	1,036	713	537	821	1,547	3,533	8,358
Construction, development & other land loans								
Pass	563,998	231,450	90,374	16,662	11,598	5,816	70,852	990,750
Special Mention	489	273	59	—	2	4	19	846
Classified	657	708	—	—	8	11	—	1,384
Total construction, development & other land loans	565,144	232,431	90,433	16,662	11,608	5,831	70,871	992,980
Gross charge-offs, YTD	—	—	—	—	—	120	—	120
Commercial real estate - owner occupied								
Pass	210,449	323,852	299,135	196,343	92,452	86,784	23,198	1,232,213
Special Mention	338	2,533	271	817	5,755	2,253	—	11,967
Classified	4,456	1,505	1,721	895	2,288	3,904	73	14,842
Total commercial real estate - owner occupied	215,243	327,890	301,127	198,055	100,495	92,941	23,271	1,259,022
Gross charge-offs, YTD	—	—	49	—	—	92	3	144
Commercial real estate - non owner occupied								
Pass	509,596	748,854	722,472	287,235	119,515	84,690	29,001	2,501,363
Special Mention	11,353	199	36	393	1,183	5,942	342	19,448
Classified	871	32	14	4,214	634	1,484	—	7,249
Total commercial real estate - non owner occupied	521,820	749,085	722,522	291,842	121,332	92,116	29,343	2,528,060
Gross charge-offs, YTD	—	—	235	—	—	—	—	235
Multi-family real estate								
Pass	57,378	137,533	139,879	43,881	12,231	10,323	20,151	421,376
Special Mention	—	—	—	—	—	—	—	—
Classified	—	—	—	—	—	—	—	—
Total multi-family real estate	57,378	137,533	139,879	43,881	12,231	10,323	20,151	421,376
Gross charge-offs, YTD	—	—	—	—	—	—	—	—
Residential 1-4 family real estate								
Pass	363,410	400,483	317,515	186,459	94,567	260,102	3,247	1,625,783
Special Mention	681	41	202	64	587	1,987	—	3,562
Classified	1,848	50	474	741	472	6,539	—	10,124
Total residential 1-4 family real estate	365,939	400,574	318,191	187,264	95,626	268,628	3,247	1,639,469
Gross charge-offs, YTD	—	—	—	—	—	4	—	4
Home equity loans/lines of credit								
Pass	2,830	1,136	1,141	223	499	1,233	319,199	326,261
Special Mention	163	—	122	—	—	—	18	303
Classified	255	—	146	91	112	10	7,890	8,504
Total home equity loans/lines of credit	3,248	1,136	1,409	314	611	1,243	327,107	335,068
Gross charge-offs, YTD	—	—	—	—	—	—	309	309
Consumer loans								
Pass	16,497	12,906	4,999	2,173	432	429	30,757	68,193
Special Mention	—	—	—	—	—	—	—	—
Classified	130	7	45	—	3	34	31	250
Total consumer loans	16,627	12,913	5,044	2,173	435	463	30,788	68,443
Gross charge-offs, YTD	34	79	73	23	—	1	795	1,005
Total loans	$ 1,886,592	$ 2,026,392	$ 1,690,561	$ 817,077	$ 382,928	$ 537,330	$ 809,400	8,150,280
Unamortized net deferred loan fees								(178)
Total loans, net of deferred loan fees								$ 8,150,102
Total gross charge-offs, year to date	$ 205	$ 1,115	$ 1,070	$ 560	$ 821	$ 1,764	$ 4,640	$ 10,175

Loan Modifications to Borrowers Experiencing Financial Difficulty

Occasionally, the Company modifies loans to borrowers in financial distress as a part of our loss mitigation activities. Various types of modification may be offered including principal forgiveness, term extension, payment delays, or interest rate reductions. In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession may be granted. For loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period.

The followings tables present the amortized cost basis at December 31, 2024 and December 31, 2023 of the loans modified during the twelve months then ended for borrowers experiencing financial difficulty, by loan category and type of concession granted.

($ in thousands)	Payment Delay	Term Extension	Combination - Principal Forgiveness and Term Extension	Combination - Interest Rate Reduction and Term Extension	Total	Percent of Total Class of Loans
As of and for the year ended December 31, 2024						
Commercial and industrial	$ 180	$ 911	$ 878	$ 92	$ 2,061	0.22 %
Construction, development & other land loans	—	171	—	—	171	0.03 %
Commercial real estate - owner occupied	—	—	131	—	131	0.01 %
Commercial real estate - non owner occupied	—	102	—	—	102	— %
Residential 1-4 family real estate	—	195	—	—	195	0.01 %
Home equity loans/lines of credit	—	413	—	238	651	0.19 %
Total	$ 180	$ 1,792	$ 1,009	$ 330	$ 3,311	0.04 %
As of and for the year ended December 31, 2023						
Commercial and industrial	$ 2,590	$ 251	$ —	$ —	$ 2,841	0.31 %
Construction, development & other land loans	—	354	—	8	362	0.04 %
Commercial real estate - owner occupied	210	4,245	—	—	4,455	0.35 %
Commercial real estate - non owner occupied	—	206	—	—	206	0.01 %
Residential 1-4 family real estate	—	735	—	—	735	0.04 %
Home equity loans/lines of credit	557	2,436	—	121	3,114	0.93 %
Consumer loans	—	6	—	—	6	0.01 %
Total	$ 3,357	$ 8,233	$ —	$ 129	$ 11,719	0.14 %

We offered a 90 day forbearance to those impacted by Hurricane Helene.

For the twelve months ended December 31, 2024 and December 31, 2023, there were no modifications for borrowers experiencing financial difficulty with principal forgiveness concessions.

The following tables describe the financial effect for the twelve months ended December 31, 2024 and December 31, 2023 of the modifications made for borrowers experiencing financial difficulty:

	Financial Effect of Modification to Borrowers Experiencing Financial Difficulty		
	Weighted Average Interest Rate Reduction	Weighted Average Payment Delay (in months)	Weighted Average Term Extension (in months)
For the year ended December 31, 2024			
Commercial and industrial	0.75 %	11	10
Construction, development & other land loans	— %	0	5
Commercial real estate - owner occupied	4.26 %	12	0
Commercial real estate - non owner occupied	— %	0	13
Residential 1-4 family real estate	— %	0	103
Home equity loans/lines of credit	1.76 %	0	61
For the year ended December 31, 2023			
Commercial and industrial	— %	4	31
Construction, development & other land loans	1.55 %	0	19
Commercial real estate - owner occupied	— %	11	34
Commercial real estate - non owner occupied	— %	0	13
Residential 1-4 family real estate	— %	0	23
Home equity loans/lines of credit	2.40 %	13	49
Consumer loans	— %	0	24

The Company closely monitors the performance of the loans that are modified for borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of loans that have been modified in the last twelve months as of December 31, 2024 and December 31, 2023:

	Payment Status (Amortized Cost Basis)			
($ in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due
For the year ended December 31, 2024				
Commercial and industrial	$ 1,183	$ —	$ —	$ 878
Construction, development & other land loans	171	—	—	—
Commercial real estate - owner occupied	131	—	—	—
Commercial real estate - non owner occupied	102	—	—	—
Residential 1-4 family real estate	137	—	—	58
Home equity loans/lines of credit	583	—	68	—
Total	$ 2,307	$ —	$ 68	$ 936
For the year ended December 31, 2023				
Commercial and industrial	$ 2,841	$ —	$ —	$ —
Construction, development & other land loans	362	—	—	—
Commercial real estate - owner occupied	4,455	—	—	—
Commercial real estate - non owner occupied	206	—	—	—
Residential 1-4 family real estate	656	79	—	—
Home equity loans/lines of credit	3,114	—	—	—
Consumer loans	6	—	—	—
Total	$ 11,640	$ 79	$ —	$ —

The following table presents the amortized cost basis of loans that had a payment default during the year ended December 31, 2024 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty by loan category and type of concession granted.

	Amortized Cost Basis of Modified Receivables That Subsequently Defaulted	
	Term Extension	Total
For the year ended December 31, 2024		
Residential 1-4 family real estate	$ 58	$ 58
Total	$ 58	$ 58

None of the modifications made for borrowers experiencing financial difficulty during the twelve months ended December 31, 2023 are considered to have had a payment default.

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 ACL is adjusted by the same amount.

TDR Disclosures Prior to the Adoption of ASU 2022-02

The restructuring of a loan was considered a TDR if both (i) the borrower was experiencing financial difficulties and (ii) the creditor had granted a concession. Concessions may have included interest rate reductions or below market interest rates, principal forgiveness, extension of terms and other actions intended to minimize potential losses.

The vast majority of the Company's TDRs modified during the year ended December 31, 2022 related to interest rate reductions combined with extension of terms. The Company does not generally grant principal forgiveness.

The Company's TDRs can be classified as either nonaccrual or accruing based on the loan's payment status. The TDRs that are nonaccrual are reported within the nonaccrual loan totals presented previously.

The following tables present information related to loans modified in a TDR during periods as indicated.

	For the year ended December 31, 2022		
($ in thousands, except number of contracts)	Number of Contracts	Pre-Modification Restructured Balances	Post-Modification Restructured Balances
TDRs – Accruing			
Commercial and industrial	2	$ 143	$ 143
Construction, development & other land loans	1	67	67
Residential 1-4 family real estate	2	75	78
TDRs – Nonaccrual			
Commercial and industrial	5	744	744
Commercial real estate - non owner occupied	1	72	72
Residential 1-4 family real estate	1	36	36
Total TDRs arising during period	12	$ 1,137	$ 1,140

The Company considered a TDR loan to have defaulted when it became 90 or more days delinquent under the modified terms, had been transferred to nonaccrual status, or had been transferred to foreclosed real estate. There were no accruing TDRs that were modified in the twelve months preceding December 31, 2022 and that defaulted during the twelve months ended December 31, 2022.

Concentration of Credit Risk

The Company's loan portfolio is not concentrated in loans to any single borrower or to a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or

industries that would be similarly affected by economic conditions. Approximately 88% of the Company's loan portfolio is secured by real estate and is therefore susceptible to changes in real estate valuations.

Most of the Company's business activity is with customers located within the markets where we have banking operations. While our exposure to credit risk is affected by changes in the economy within our markets, the risk is not significantly concentrated. The following table presents the total lending exposure for the counties with the largest percentage of our loan portfolio as of December 31, 2024 and 2023. No other market (as defined by county) had total loans outstanding in excess of 5% of the total portfolio at year end.

	Percentage of Loans Outstanding	
	2024	2023
Wake County, North Carolina	9.7 %	10.1 %
New Hanover County, North Carolina	8.9 %	8.1 %
Mecklenburg County, North Carolina	7.8 %	7.6 %
Buncombe County, North Carolina	5.2 %	5.3 %
Guilford County, North Carolina	4.9 %	5.0 %

In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries, and geographic regions, the Company monitors exposure to credit risk that could arise from potential concentrations of lending products and practices The Company has determined that there is no concentration of credit risk associated with its lending policies or practices.

Impact of Hurricane Helene

The Company identified borrowers with approximately $744 million of loans outstanding within the portions of Western North and South Carolina that were significantly impacted by Hurricane Helene. The following is a summary of the categories of those loans outstanding as of December 31, 2024:

($ in thousands)	Balance
Commercial and industrial	$ 10,543
Construction, development & other land loans	24,891
Commercial real estate - owner occupied	96,412
Commercial real estate - non owner occupied	287,076
Multi-family real estate	25,424
Residential 1-4 family real estate	262,166
Home equity loans/lines of credit	37,472
Consumer loans	—
Total	$ 743,984

Given that the storm impacted the area just prior to September 30, 2024 and recovery continues in many communities, the Company performed analyses to identify possible impacts from the storm and has reserved accordingly based upon the information available as of December 31, 2024. The Company applied increased reserve rates based upon severe economic factors to the approximately $744 million of loans in the most impacted path of Hurricane Helene. Additionally, the Company performed an initial evaluation of the largest commercial loans in that area and applied incremental reserves to those loans that were suspected of having higher potential property damage or economic impact from the storm. Due to the potential exposure from Hurricane Helene, the ACL on these impacted loans increased by $13.0 million, expanding the ACL as a percent of loans in the impacted geography from 1.25% to 3.00% as of December 31, 2024 and adding 16 basis points to the overall ACL as a percent of total loans, which was 1.51% as of December 31, 2024. We offered a 90 day forbearance to those loan customers impacted by Hurricane Helene.

Allowance for Unfunded Loan Commitments

In addition to the ACL on loans, the Company maintains an allowance for lending-related commitments such as unfunded loan commitments and letters of credit. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for lending-related commitments on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived

from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the ACL on loans, and are discussed in Note 1. The allowance for unfunded loan commitments were included in "Other liabilities" on the consolidated balance sheets.

The following table presents the balance and activity in the allowance for unfunded loan commitments for twelve months ended December 31, 2024 and December 31, 2023:

($ in thousands)	December 31, 2024	December 31, 2023
Beginning balance	$ 11,369	$ 13,306
Initial provision for credit losses on unfunded commitments acquired from GrandSouth	—	1,921
Charge-offs	—	—
Recoveries	—	—
Reversal of provision for unfunded commitments	(2,303)	(3,858)
Ending balance	$ 9,066	$ 11,369

Note 5. Premises and Equipment

Premises and equipment at December 31, 2024 and 2023 consisted of the following:

($ in thousands)	Estimated Useful Lives	December 31, 2024	December 31, 2023
Land		$ 51,053	$ 52,443
Buildings	15 to 40 years	125,632	127,985
Furniture and equipment	5 to 10 years	35,696	35,214
Vehicles	3 to 5 years	2,460	2,384
Leasehold improvements	1 to 39 years	1,906	1,644
Total cost		216,747	219,670
Less accumulated depreciation and amortization		(73,288)	(68,713)
Total premises and equipment		$ 143,459	$ 150,957

Depreciation expense amounted to $7.8 million, $7.8 million, and $6.9 million for the years ended December 31, 2024, 2023, and 2022, respectively, and is recorded in occupancy and equipment expense.

Note 6. Goodwill, Other Intangible Assets and Servicing Assets

The following is a summary of the gross carrying amount and accumulated amortization of amortizable intangible assets and the carrying amount of unamortized intangible assets as of the periods presented.

	December 31, 2024			December 31, 2023		
($ in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:						
Customer lists	$ 1,600	$ 1,387	$ 213	$ 2,700	$ 2,167	$ 533
Core deposit intangibles	57,890	35,199	22,691	57,890	28,933	28,957
Other	100	100	—	100	83	17
Total amortizable intangible assets	$ 59,590	$ 36,686	$ 22,904	$ 60,690	$ 31,183	$ 29,507
Unamortizable intangible assets:						
Goodwill	$ 478,750			$ 478,750		

Customer lists are generally amortized over five years and core deposit intangibles are generally amortized over 10 years, both at an accelerated rate.

In connection with the GrandSouth acquisition on January 1, 2023, the Company recorded $28.8 million in core deposit intangibles.

Amortization expense of all amortizable intangible assets totaled $6.6 million, $8.0 million, and $3.7 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Goodwill is evaluated for impairment on at least an annual basis, with the annual evaluation occurring as of October 31 of each year. Goodwill is also evaluated for impairment any time there is a triggering event indicating that impairment may have occurred. No triggering events were identified during 2024 or 2023 and, therefore, the Company did not perform interim impairment evaluations in either of those years. The Company's most recent evaluation of goodwill, which occurred in the fourth quarter of 2024, indicated that there was no goodwill impairment. There was no change to carrying amounts of goodwill during 2024.

The following table presents the changes in carrying amounts of goodwill:

($ in thousands)	Total Goodwill
Balance at December 31, 2022	$ 364,263
Additions from acquisition of GrandSouth	114,487
Balance at December 31, 2023	478,750
Net activity during 2024	—
Balance at December 31, 2024	$ 478,750

The following table presents the estimated amortization expense schedule related to amortizable intangible assets. These amounts will be recorded as "Intangibles amortization expense" within the noninterest expense section of the consolidated statements of income. These estimates are subject to change in future periods to the extent management determines it is necessary to make adjustments to the carrying value or estimated useful lives of amortizable intangible assets.

($ in thousands)	Estimated Amortization Expense
2025	$ 5,672
2026	4,705
2027	3,950
2028	3,197
2029	2,443
Thereafter	2,937
Total	$ 22,904

During 2024, 2023 and 2022, the Company recorded $3.2 million, $3.5 million, and $3.4 million , respectively, in SBA guaranteed servicing fee income. There was no impairment of SBA servicing assets at December 31, 2024 and December 31, 2023.

A summary of the key assumptions used in the discounted cash flow method utilized to estimate the fair value of the SBA servicing assets were as follows:

	December 31, 2024	December 31, 2023
Prepayment rate assumption:		
Weighted average	19.89%	19.05%
Range	10.69% - 35.20%	9.27% - 33.14%
Discount rate:		
Weighted average	12.91%	16.36%
Range	5.49% - 18.92%	11.19% - 22.51%
Servicing cost	0.40%	0.40%

The following table presents the changes in the SBA servicing assets (included in "Other assets" in the Company's consolidated balance sheet) for each period indicated.

($ in thousands)	December 31, 2024	December 31, 2023
Beginning balance, net	$ 3,350	$ 4,004
Add: New servicing assets	954	702
Less: Amortization expense and impairment charges	(1,699)	(1,356)
Ending balance, net	$ 2,605	$ 3,350

Note 7. Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2024, 2023, and 2022 are as follows:

($ in thousands)		2024	2023	2022
Current	- Federal	$ 23,134	$ 24,750	$ 35,616
	- State	3,637	3,857	4,477
Deferred	- Federal	(4,569)	(481)	(1,658)
	- State	(300)	(301)	(152)
Total		$ 21,902	$ 27,825	$ 38,283

The following is a reconciliation of federal income tax expense at the statutory rate of 21% at December 31, 2024, December 31, 2023, and December 31, 2022, to the income tax provision reported in the financial statements.

($ in thousands)	2024	2023	2022
Tax provision at statutory rate	$ 20,605	$ 27,711	$ 38,896
Increase (decrease) in income taxes resulting from:			
Tax-exempt interest income, net	(1,937)	(1,934)	(1,950)
State income taxes, net of federal benefit	2,928	2,809	3,369
Other, net	306	(761)	(2,032)
Total	$ 21,902	$ 27,825	$ 38,283

In the table above, for 2024, the Other, net amount includes $1.7 million related to incremental state tax-related expenses for prior years, net of associated federal benefit amounts and $0.8 million related to deferred tax adjustments.

The sources and tax effects of temporary differences that give rise to significant portions of the deferred tax assets, which are included in Other assets on the consolidated balance sheets are as follows at December 31, 2024 and 2023:

($ in thousands)	2024	2023
Deferred tax assets:		
Allowance for credit losses on loans and unfunded commitments	$ 30,257	$ 28,063
Unrealized losses on securities available for sale	85,940	92,767
Purchase accounting adjustments	3,358	4,691
Operating lease liability	3,342	4,100
All other	8,077	7,886
Gross deferred tax assets	130,974	137,507
Deferred tax liabilities:		
Loan fees	(2,483)	(2,952)
Depreciable basis of fixed assets	(4,647)	(7,070)
Amortizable basis of intangible assets	(14,442)	(15,523)
Right of use lease asset	(3,161)	(3,922)
All other	(578)	(388)
Gross deferred tax liabilities	(25,311)	(29,855)
Net deferred tax asset	$ 105,663	$ 107,652

The company had recorded deminimis valuation allowances for 2024 and 2023 related to state net operating loss carryforwards for which the realization of the remaining deferred tax assets is determined to be more likely than not. The Company had no significant uncertain tax positions, and thus no such reserve for uncertain tax positions has been recorded. Additionally, the Company determined that it has no material unrecognized tax benefits that if recognized would affect the effective tax rate. The Company's general policy is to record tax penalties and interest as a component of "Other operating expenses."

The Company is subject to routine audits of its tax returns by the Internal Revenue Service and various state taxing authorities. The Company's tax returns are subject to income tax audit by federal and state agencies beginning with the year 2021. There are no indications of any material adjustments relating to any examination currently being conducted by any taxing authority.

Note 8. Deposits

The following table lists the composition of the deposit portfolio as of the end of the respective years.

($ in thousands)	December 31, 2024	December 31, 2023
Noninterest-bearing checking accounts	$ 3,367,624	$ 3,379,876
Interest-bearing checking accounts	1,398,395	1,411,142
Money market accounts	4,285,405	3,653,506
Savings accounts	542,133	603,362
Other time deposits	566,514	610,887
Time deposits >$250,000	360,854	355,209
Total customer deposits	10,520,925	10,013,982
Brokered Deposits - time deposits	9,600	17,617
Total deposits	$ 10,530,525	$ 10,031,599

At December 31, 2024, the scheduled maturities of time deposits were as follows:

($ in thousands)	
2025	$ 887,633
2026	31,749
2027	9,887
2028	5,070
2029	2,562
Thereafter	67
	$ 936,968

Deposits received from executive officers and directors and their associates totaled approximately $5.0 million and $4.6 million at December 31, 2024 and 2023, respectively.

Deposit overdrafts of approximately $1.1 million at December 31, 2024 and 2023 are included within "Loans" on the consolidated balance sheets.

As of December 31, 2024 and 2023, the Company held $360.9 million and $355.2 million, respectively, in time deposits of more than $250,000 (which was the FDIC insurance limit for insured deposits as of December 31, 2024). Brokered deposits were $9.6 million and $17.6 million at December 31, 2024 and 2023, respectively. Total reciprocal deposits through the Certificate of Deposit Account Registry Services ("CDARS") and Insured Cash Sweep ("ICS") were $18.4 million and $26.6 million at December 31, 2024 and 2023, respectively.

As of December 31, 2024, the estimated insured deposits totaled $6.4 billion or 61.0% of total deposits, while approximately $4.1 billion of the Company's total deposits were uninsured deposits. In addition to insured deposits, there were deposits with a balance totaling $690.5 million at December 31, 2024 which were collateralized by investment securities such that approximately 67.6% of our total deposits were insured or collateralized at that date.

The Company’s deposit portfolio is not concentrated in deposits from any single customer or to a relatively small number of customers. Additionally, management is not aware of any concentrations of deposits to classes of customers or industries that would be similarly affected by economic conditions. The following table presents the counties with the largest share of our deposit base as of December 31, 2024 and 2023. No other market area (as defined by county) comprises more than 5% of our deposit base at the dates presented.

	Percentage of Total Deposits	
	2024	2023
Moore County, North Carolina	9.2 %	10.8 %
Buncombe County, North Carolina	7.2 %	7.2 %
Guilford County, North Carolina	4.8 %	5.0 %

Note 9. Borrowings and Borrowings Availability

The following tables presents information regarding the Company's outstanding borrowings at December 31, 2024 *($ are in thousands)*:

Description	Due Date	Call Feature	Balance	Interest Rate
FHLB Principal Reducing Credit	6/26/2028 to 12/20/2028	None	$ 802	0.00% to 1.00% fixed
Trust Preferred Securities	1/23/2034	Quarterly by Company beginning 1/23/2009	10,310	7.50% at 12/31/24 adjustable rate 3 month CME Term SOFR + 2.91%
Trust Preferred Securities	1/23/2034	Quarterly by Company beginning 1/23/2009	10,310	7.61% at 12/31/24 adjustable rate 3 month CME Term SOFR + 3.01%
Trust Preferred Securities	9/20/2034	Quarterly by Company beginning 9/20/2009	12,372	6.77% at 12/31/24 adjustable rate 3 month CME Term SOFR + 2.41%
Trust Preferred Securities	1/7/2035	Quarterly by Company beginning 1/7/2010	10,310	6.92% at 12/31/24 adjustable rate 3 month CME Term SOFR +2.00%
Trust Preferred Securities	6/15/2036	Quarterly by Company beginning 6/15/2011	25,774	6.01% at 12/31/24 adjustable rate 3 month CME Term SOFR + 1.65%
Trust Preferred Securities	6/23/2036	Quarterly by Company beginning 6/23/2011	8,248	6.45% at 12/31/24 adjustable rate 3 month CME Term SOFR + 2.11%
Subordinated Debentures	11/15/2030	Continuous by Company beginning 11/15/2025	18,000	4.38% fixed at 12/31/24 until 11/15/25, then adjustable rate 3 month CME Term SOFR + 4.16%
Total borrowings / weighted average rate as of December 31, 2024			96,126	6.22%
Unamortized discount on acquired borrowings			(4,250)	
Total borrowings			$ 91,876	

The following table presents information regarding the Company's outstanding borrowings at December 31, 2023 *(dollars are in thousands)*:

Description	Due date	Call Feature	Balance	Interest Rate
FHLB Principal Reducing Credit	6/26/2028 to 12/20/2028	None	$ 851	0.00% to 1.00% fixed
FHLB Fixed Rate Credit	1/16/2024	None	80,000	5.59% fixed
FHLB Fixed Rate Credit	2/27/2024	None	100,000	5.61% fixed
FHLB Fixed Rate Credit	3/20/2024	None	100,000	5.61% fixed
FRB Bank Term Funding Program	12/20/2024	None	224,000	4.85% fixed
FRB Bank Term Funding Program	12/27/2024	None	25,000	4.83% fixed
Trust Preferred Securities	1/23/2034	Quarterly by Company beginning 1/23/2009	10,310	8.30% at 12/31/23 adjustable rate 3 month CME Term SOFR + 2.91%
Trust Preferred Securities	1/23/2034	Quarterly by Company beginning 1/23/2009	10,310	8.40% at 12/31/23 adjustable rate 3 month CME Term SOFR + 3.01%
Trust Preferred Securities	9/20/2034	Quarterly by Company beginning 9/20/2009	12,372	7.78% at 12/31/23 adjustable rate 3 month CME Term SOFR + 2.41%
Trust Preferred Securities	1/7/2035	Quarterly by Company beginning 1/7/2010	10,310	7.66% at 12/31/23 adjustable rate 3 month CME Term SOFR + 2.00%
Trust Preferred Securities	6/15/2036	Quarterly by Company beginning 6/15/2011	25,774	7.04% at 12/31/23 adjustable rate 3 month CME Term SOFR + 1.65%
Trust Preferred Securities	6/23/2036	Quarterly by Company beginning 6/23/2011	8,248	7.47% at 12/31/23 adjustable rate 3 month CME Term SOFR + 2.11%
Subordinated Debentures	11/30/2028	Continuous by Company beginning 11/30/2023	10,000	9.09% at 12/31/23 adjustable rate 3 month CME Term SOFR + 3.69%
Subordinated Debentures	11/15/2030	Continuous by Company beginning 11/15/2025	18,000	4.38% fixed at 12/31/23 until 11/15/25, then adjustable rate 3 month CME Term SOFR + 4.16%
Total borrowings / weighted average rate as of December 31, 2023			635,175	5.57%
Unamortized discount on acquired borrowings			(5,017)	
Total borrowings			$ 630,158	

All outstanding FHLB and FRB borrowings may be accelerated immediately by the FHLB and FRB, respectively, in certain circumstances, including material adverse changes in the condition of the Company or if the Company's qualifying collateral amounts to less than that required under the terms of the borrowing agreement.

In the above tables, at December 31, 2024, there were no short-term borrowings (original maturity of less than twelve months). At December 31, 2023, short-term borrowings totaled $529.0 million and had a weighted average interest rate of 5.25% .

Trust Preferred Securities in the above tables are borrowings structured as trust preferred capital securities which were issued by various unconsolidated subsidiaries of the Company as discussed in Note 1. These unsecured debt securities qualify as Tier I capital for capital adequacy requirements.

The Subordinated Debentures in the tables above are borrowings issued by GrandSouth and assumed by the Company on January 1, 2023. These unsecured debt securities qualify as Tier II capital for capital adequacy requirements.

At December 31, 2024, the Company had several sources of readily available borrowing capacity:

- A $1.4 billion line of credit with the FHLB that can be structured as either short-term or long-term borrowings, depending on the particular funding or liquidity needs. As of December 31, 2024, the line of credit is secured by a blanket lien on portions of the Company's real estate loan portfolio totaling approximately $2.4 billion and the Company's FHLB stock totaling $8.5 million. $0.8 million was

outstanding on the line of credit at December 31, 2024 and $280.9 million was outstanding at December 31, 2023;

- A total of $265.0 million federal funds lines of credit with correspondent banks which allow the Company to purchase federal funds on an overnight, unsecured basis. None was outstanding at December 31, 2024 or 2023; and
- An approximately $767.4 million line of credit through the Federal Reserve's discount window borrowing program, which was secured at December 31, 2024 by a blanket lien on a portion of the Company's commercial and consumer loan portfolios (excluding real estate collateral) totaling approximately $303.0 million and specific investment securities with a carrying value of $697.5 million. No borrowings were outstanding at December 31, 2024 or 2023, respectively.

At December 31, 2024, the contractual maturities of borrowings were as follows for the years ending:

($ in thousands)	FHLB Principal Reducing Credit	Trust Preferred Securities	Subordinated Debentures	Total
2025	$ —	$ —	$ —	$ —
2026	—	—	—	—
2027	—	—	—	—
2028	802	—	—	802
2029	—	—	—	—
Thereafter	—	77,324	18,000	95,324
Total	$ 802	$ 77,324	$ 18,000	96,126
Unamortized discount on acquired borrowings				(4,250)
Total borrowings				$ 91,876

Note 10. Leases

The Company enters into leases in the normal course of business. As of December 31, 2024, the Company leased 13 branch offices for which the land and buildings are leased and nine branch offices for which the land is leased but the building is owned. The Company also leases office space for several operational departments. All of the Company's leases are operating leases and the lease agreements have maturity dates ranging from April 2026 to May 2076, some of which include options for multiple five- and ten-year extensions. The Company includes lease extension options in the lease term if, after considering relevant economic, market, and strategic factors, it is reasonably certain the Company will exercise the option. The weighted average remaining life of the lease term for these leases was 21.2 years as of December 31, 2024 and 19.8 years as of December 31, 2023. Certain of the Company's lease agreements include variable lease payments based on changes in inflation, with the impact of that factor being insignificant to the Company's total lease expense. As permitted by applicable accounting standards, the Company has elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Company's consolidated balance sheets. The short-term lease cost for each period presented was insignificant.

Leases are classified as either operating or finance leases at the lease commencement date, and as previously noted, all of the Company's leases have been determined to be operating leases. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company uses its incremental borrowing rate, based on a fully collateralized fully amortizing borrowing with a maturity similar to the lease term, at lease commencement to calculate the present value of lease payments when the rate implicit in the lease is not known. The weighted average discount rate for leases was 3.34% and 3.19% as of December 31, 2024 and 2023, respectively.

The right-of-use assets, included in "Other assets" on the Company's consolidated balance sheet, and lease liabilities, included in "Other liabilities" on the Company's consolidated balance sheet were $13.8 million and $14.6

million as of December 31, 2024, respectively, and were $17.1 million and $17.8 million as of December 31, 2023, respectively.

Total operating lease expenses, included in "Occupancy and equipment expenses" in the Company's consolidated statement of income, was $2.5 million in 2024, $3.1 million in 2023, and $2.9 million in 2022.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2024 for each of the five calendar years ending December 31, 2029 are as follows:

($ in thousands)	
2025	$ 1,800
2026	1,517
2027	1,236
2028	1,145
2029	1,087
Thereafter	15,033
Total undiscounted lease payments	21,818
Less effect of discounting	(7,264)
Present value of estimated lease payments (lease liability)	$ 14,554

Note 11. Employee Benefit Plans

401(k) Plan

The Company sponsors a retirement savings plan pursuant to Section 401(k) of the Internal Revenue Code ("IRC"). New employees who have met the age requirement are automatically enrolled in the plan at a 6% deferral rate. The automatic deferral can be modified by the employee at any time. An eligible employee may contribute up to 15% of annual salary to the plan, not to exceed IRC limits. For the years ended December 31, 2024, 2023, and 2022, the Company matched 100% of the employee's contribution up to 4%, 6% and 6%, respectively. The Company's matching contribution expense was $6.8 million, $6.1 million, and $4.9 million for the years ended December 31, 2024, 2023, and 2022, respectively. Although discretionary contributions by the Company are permitted by the plan, the Company did not make any such contributions in the years presented. The Company's matching and discretionary contributions are made according to the same investment elections each participant has established for their deferral contributions. During 2024, upon the dissolution of the Pension Plan, as discussed below, the remaining balance of plan assets was transferred to the 401(k) Plan, the expense for which is included in the 2024 contribution expense shown above.

Pension Plan

Historically, the Company offered a noncontributory defined benefit retirement plan (the "Pension Plan") that qualified under Section 401(a) of the IRC. In 2023, the Company's Board of Directors (the "Board") approved a resolution to terminate the Pension Plan. During 2023, the Company commenced the Pension Plan termination process and on July 31, 2023, the Pension Plan was amended to terminate it as of that date. Subsequently in 2023, the Pension Plan settled benefits through lump-sum payments of approximately $9.2 million to eligible participants electing that option and purchased annuity contracts from One America (the "Insurer") which irrevocably transferred to the Insurer approximately $19.5 million of the Pension Plan's obligations and related assets, thereby reducing the Pension Plan's obligations at December 31, 2023 to zero. The Company utilized the remaining surplus for future contributions under the Company's 401(k) Plan and the remaining balance was transferred to the 401(k) Plan during 2024.

Supplemental Executive Retirement Plan

Historically, the Company sponsored a Supplemental Executive Retirement Plan (the "SERP") for the benefit of certain senior management executives of the Company. The purpose of the SERP was to provide additional monthly pension benefits. The SERP is an unfunded plan. Payments are made from the general assets of the Company. Effective December 31, 2012, the Company froze the SERP to all participants.

The following table reconciles the beginning and ending balances of the SERP's benefit obligation, as computed by the Company's independent actuarial consultants:

($ in thousands)	2024	2023	2022
Change in benefit obligation			
Benefit obligation at beginning of year	$ 3,352	$ 3,521	$ 4,660
Service cost	—	—	—
Interest cost	151	158	112
Actuarial gain	(111)	(86)	(1,006)
Benefits paid	(241)	(241)	(245)
Accumulated benefit obligation at end of year	3,151	3,352	3,521
Plan assets	—	—	—
Funded status at end of year	$ (3,151)	$ (3,352)	$ (3,521)

The accumulated benefit obligation presented above is included in "Other liabilities" in the consolidated balance sheets at December 31, 2024 and 2023.

The following table presents information regarding the amounts recognized in AOCI at December 31, 2024 and 2023, as it relates to the SERP:

($ in thousands)	2024	2023
Net (loss) gain	$ 111	$ (100)
Prior service cost	—	—
Amount recognized in AOCI before tax effect	111	(100)
Tax (expense) benefit	(26)	23
Net amount recognized as increase (decrease) to AOCI	$ 85	$ (77)

The following table reconciles the beginning and ending balances of AOCI at December 31, 2024 and 2023, as it relates to the SERP:

($ in thousands)	2024	2023
Accumulated other comprehensive (loss) income at beginning of fiscal year	$ (77)	$ 1,195
Net gain arising during period	111	86
Prior service cost	—	—
Amortization of unrecognized actuarial gain (loss)	100	(1,737)
Amortization of prior service cost and transition obligation	—	—
Tax (expense) benefit related to changes during the year, net	(49)	379
Accumulated other comprehensive income (loss) at end of fiscal year	$ 85	$ (77)

The following table reconciles the beginning and ending balances of the prepaid pension cost related to the SERP:

($ in thousands)	2024	2023
Accrued liability as of beginning of fiscal year	$ (3,251)	$ (5,071)
Net periodic pension (cost) income for fiscal year	(251)	1,579
Benefits paid	241	241
Accrued liability as of end of fiscal year	$ (3,261)	$ (3,251)

Net pension cost for the SERP included the following components for the years ended December 31, 2024, 2023, and 2022:

($ in thousands)	2024	2023	2022
Service cost – benefits earned during the period	$ —	$ —	$ —
Interest cost on projected benefit obligation	151	158	112
Amortization of net actuarial gain (loss)	100	(1,737)	(544)
Net periodic pension cost (income)	$ 251	$ (1,579)	$ (432)

The components of net periodic benefit cost other than the service cost component are included in the line item "Other operating expenses" in the consolidated statements of income.

The following table is an estimate of the benefits that will be paid in accordance with the SERP for each of the five calendar years ending December 31, 2027 and thereafter:

($ in thousands)	Estimated benefit payments
2025	$ 282
2026	283
2027	301
2028	292
2029	284
2030-2034	1,296

The following assumptions were used in determining the actuarial information for the SERP for the years ended December 31, 2024, 2023, and 2022:

	2024	2023	2022
Discount rate used to determine net periodic pension cost	4.68 %	4.90 %	2.48 %
Discount rate used to calculate end of year liability disclosures	5.31 %	4.68 %	4.90 %

The Company's discount rate policy for the SERP is to use the FTSE yield curve that matches the expected cash flows of the SERP.

Note 12. Commitments and Contingencies

In the normal course of business, there are various outstanding commitments to extend credit that are not reflected in the financial statements. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment. Commitments may expire without being used. The following table presents the Company's outstanding loan commitments, including credit cards, at December 31, 2024 and December 31, 2023.

	December 31, 2024			December 31, 2023		
($ in thousands)	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Loan commitments	$ 157,221	$ 266,425	$ 423,646	$ 442,916	$ 179,934	$ 622,850
Unused lines of credit	384,078	1,538,439	1,922,517	407,521	1,417,250	1,824,771
Total	$ 541,299	$ 1,804,864	$ 2,346,163	$ 850,437	$ 1,597,184	$ 2,447,621

In addition to loan commitments, at December 31, 2024 and 2023, the Company had $24.5 million and $20.6 million, respectively, in standby letters of credit outstanding. The Company has no carrying amount for these standby letters of credit at either of those dates. The nature of the standby letters of credit is a stand-alone obligation made on behalf of the Company's customers to suppliers of the customers to guarantee payments owed to the supplier by the customer. The standby letters of credit are generally for a term of one year, at which time they may be renewed for another year if both parties agree.

The Company maintains an allowance for unfunded loan commitments which is included in "Other liabilities" in the consolidated balance sheets. The allowance for unfunded loan commitments is determined as part of the quarterly ACL analysis.

The Company also periodically invests in limited partnerships and LLCs primarily for the purposes of fulfilling CRA requirements and obtaining tax credits. As of December 31, 2024, the Company had a remaining funding commitment of $32.1 million related to these investments.

The Company, in the normal course of business, may be subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. The Company is not involved in any legal proceedings which, in management's opinion, could have a material effect on the consolidated financial position of the Company.

Note 13. Derivatives and Hedging Activities

In the normal course of business, the Company is exposed to certain risks arising from both its business operations and economic conditions. As an element of its risk management strategies, the Company may enter into derivative

financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. To accommodate customers, the Company may enter into interest rate swaps with certain commercial loan customers, with offsetting positions to dealers under a back-to-back swap program.

At December 31, 2024, the Company's derivative financial instruments consist entirely of customer back-to-back interest rate swaps which are not designated as hedges. Under this program, the Company executes interest rate swaps with commercial banking customers to facilitate their risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program are not designated as hedging instruments, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

The Company's derivative instruments are carried at fair value and included in "Other assets" for derivatives with positive fair values and "Other liabilities" for derivatives with negative fair values on the consolidated balance sheets.

The table below presents the fair value of Company's derivative financial instruments as of the dates indicated.

	As of December 31, 2024			As of December 31, 2023		
		Fair Value			Fair Value	
($ in thousands)	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives not designated as hedging instruments:						
Customer interest rate contracts	$ 36,526	$ 301	$ —	$ 13,000	$ 295	$ —
Offsetting counterparty interest rate contracts	$ 36,526	—	302	$ 13,000	—	349
Total derivatives not designated as hedging instruments		$ 301	$ 302		$ 295	$ 349

The table below presents the gains and losses recognized in income related to derivative financial instruments that are not designated as hedging instruments. Gains and losses on interest rate swap not designated as hedges are included in "Other gains, net" on the consolidated statements of income for the date indicated.

	Gains (Losses)	
($ in thousands)	Year Ended December 31, 2024	Year Ended December 31, 2023
Customer interest rate swaps and counterparty offsets	$ 53	$ (54)
Total	$ 53	$ (54)

The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of December 31, 2024 and December 31, 2023. The Company's interest rate swaps are subject to master netting arrangements between the Company and its counterparties, however, the Company has not made a policy election to offset its derivative positions. The interest rate swaps with borrowers are cross collateralized with the underlying loan and, therefore, there is no posted collateral. Interest rate swap agreements with third-party counterparties contain provisions that require the Company to post collateral if the derivative exposure exceeds a threshold amount and receive collateral for agreements in a net asset position.

($ in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Received	Net Amount
Interest rate swaps						
As of December 31, 2024	$ 301	$ —	$ 301	$ —	$ —	$ 301
As of December 31, 2023	$ 295	$ —	$ 295	$ —	$ —	$ 295

($ in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Posted	Net Amount
Interest rate swaps						
As of December 31, 2024	$ 302	$ —	$ 302	$ —	$ 150	$ 152
As of December 31, 2023	$ 349	$ —	$ 349	$ —	$ 330	$ 19

The commitments to originate residential mortgage loans and forward loan sales commitments are freestanding derivative instruments which were immaterial at December 31, 2024 and December 31, 2023.

Credit-risk-related Contingent Features

The Company's agreements with its derivative counterparties contain a provision where if either party defaults on any of its indebtedness, then it could also be declared in default on its derivative obligations. The agreements with derivative counterparties also include provisions that if not met, could result in the Company being declared in default on its derivative obligations, including if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness. The Company has provisions in its derivative counterparty agreement providing that if the Company fails to maintain its status as a well-capitalized institution or is subject to a prompt corrective action directive, the counterparty could terminate the derivative positions and the Company would be required to settle its obligations under the agreements.

The Company manages its credit exposure on derivative transactions by entering into a bilateral credit support agreement with each non-customer counterparty. The credit support agreement requires collateralization of exposure beyond specified minimum threshold amounts. As of December 31, 2024 and December 31, 2023, respectively, the fair value of derivatives in a net liability position, including accrued interest, was $302 thousand and $349 thousand. As of December 31, 2024 and December 31, 2023, respectively, the Company has minimum collateral posting thresholds with its derivative counterparty and has posted collateral of $150 thousand and $330 thousand.

Note 14. Fair Value of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair value:

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

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

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

The following table summarizes the Company's financial instruments that were measured at fair value on a recurring and nonrecurring basis at December 31, 2024.

Description of Financial Instruments *($ in thousands)*	Fair Value at December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring				
Securities available for sale:				
US Treasury securities	$ 120,581	$ —	$ 120,581	$ —
Government-sponsored enterprise securities	9,614	—	9,614	—
Mortgage-backed securities	1,897,175	—	1,896,469	706
Corporate bonds	15,692	—	13,942	1,750
Total available for sale securities	$ 2,043,062	$ —	$ 2,040,606	$ 2,456
Derivative financial assets	$ 301	$ —	$ 301	$ —
Presold mortgages in process of settlement	$ 5,942	$ —	$ 5,942	$ —
Derivative financial liabilities	$ 302	$ —	$ 302	$ —
Nonrecurring				
Individually evaluated loans	$ 879	$ —	$ —	$ 879

The following table summarizes the Company's financial instruments that were measured at fair value on a recurring and nonrecurring basis at December 31, 2023.

Description of Financial Instruments *($ in thousands)*	Fair Value at December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring				
Securities available for sale:				
US Treasury securities	$ 172,570	$ —	$ 172,570	$ —
Government-sponsored enterprise securities	60,266	—	60,266	—
Mortgage-backed securities	1,937,784	—	1,937,784	—
Corporate bonds	18,759	—	18,759	—
Total available for sale securities	$ 2,189,379	$ —	$ 2,189,379	$ —
Derivative financial assets	$ 295	$ —	$ 295	$ —
Presold Mortgages in process of settlement	$ 2,667	$ —	$ 2,667	$ —
Derivative financial liabilities	$ 349	$ —	$ 349	$ —
Nonrecurring				
Individually evaluated loans	$ 1,953	$ —	$ —	$ 1,953

The following is a description of the valuation methodologies used for instruments measured at fair value.

Securities Available for Sale — When quoted market prices are available in an active market, the securities are classified as Level 1 in the valuation hierarchy. If quoted market prices are not available, but fair values can be estimated by observing quoted prices of securities with similar characteristics, the securities are classified as Level 2 on the valuation hierarchy. Most of the fair values for the Company's Level 2 securities are determined by the Company's third-party bond accounting provider using matrix pricing. Matrix pricing is a mathematical technique widely used in the industry to value debt securities without relying exclusively on

quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. For the Company, Level 2 securities include US Treasury securities, mortgage-backed securities, commercial mortgage-backed obligations, government-sponsored enterprise securities, and corporate bonds. In cases where Level 1 or Level 2 inputs are not available, securities may be classified within Level 3 of the hierarchy.

The Company reviews the pricing methodologies utilized by the bond accounting provider to ensure the fair value determination is consistent with the applicable accounting guidance and that the investments are properly classified in the fair value hierarchy.

Presold Mortgages in Process of Settlement - The fair value is based on the committed price that an investor has agreed to pay for the loan which is considered a Level 2 input.

Derivative financial assets and liabilities - The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. These are considered a Level 2 input.

Individually evaluated loans — Fair values for individually evaluated loans are measured on a non-recurring basis and are based on the underlying collateral values securing the loans, adjusted for estimated selling costs, or the net present value of the cash flows expected to be received for such loans. Collateral may be in the form of real estate or business assets including equipment, inventory and accounts receivable. The vast majority of the collateral is real estate. The value of real estate collateral is generally determined by third-party appraisers using an income or market valuation approach based on an appraisal conducted by an independent, licensed third party appraiser (Level 3). The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable borrower's financial statements if not considered significant. Likewise, values for inventory and accounts receivable collateral are based on borrower financial statement balances or aging reports on a discounted basis as appropriate (Level 3). Appraisals used in this analysis are generally obtained at least annually based on when the loans first became impaired, and thus the appraisals are not necessarily as of the period ends presented. Any fair value adjustments are recorded in the period incurred as provision for credit losses on the consolidated statements of income.

There were no significant changes in the reported amount of Level 3 assets and liabilities measured at fair value on either a recurring or a nonrecurring basis as of December 31, 2024.

The carrying amounts and estimated fair values of financial instruments not carried at fair value as of December 31, 2024 and 2023 are as follows:

		December 31, 2024		December 31, 2023	
($ in thousands)	Level in Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and due from banks, noninterest-bearing	Level 1	$ 78,596	$ 78,596	$ 100,891	$ 100,891
Due from banks, interest-bearing	Level 1	428,911	428,911	136,964	136,964
Securities held to maturity	Level 2	519,998	428,571	533,678	449,623
Total loans, net of allowance	Level 3	7,972,104	7,514,505	8,040,249	7,379,079
SBA servicing asset	Level 3	2,604	3,746	3,351	4,049
Demand deposits, money market and savings	Level 1	9,593,557	9,593,557	9,052,905	9,052,905
Time deposits	Level 2	936,968	933,523	978,694	972,513
Borrowings	Level 2	91,876	81,216	630,158	615,614

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no highly liquid market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and

matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include net premises and equipment, intangible and other assets such as deferred income taxes, prepaid expense accounts, income taxes currently payable, and other various accrued expenses. In addition, the income tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

Note 15. Stock-Based Compensation

The Company recorded total stock-based compensation expense of $4.3 million, $4.6 million, and $3.0 million for the years ended December 31, 2024, 2023, and 2022, respectively, which is include in "Total personnel expense" on the accompanying consolidated statements of income.

The Company recognized $1.0 million, $1.1 million, and $0.7 million of income tax benefits related to stock-based compensation expense in its income statement for the years ended December 31, 2024, 2023, and 2022, respectively.

At December 31, 2024, the sole equity-based compensation plan for the Company is the First Bancorp 2024 Equity Plan (the "Equity Plan"), which was approved by shareholders on May 31, 2024. As of December 31, 2024, the Equity Plan had 1,930,548 shares remaining available for grant.

The Equity Plan is intended to serve as a means to attract, retain, and motivate key employees and directors and to associate the interests of the Plan's participants with those of the Company and its shareholders. The Equity Plan allows for both grants of stock options and other types of equity-based compensation, including stock appreciation rights, restricted and unrestricted stock, restricted performance stock, and performance units. For the last several years, the only equity-based compensation granted by the Company has been shares of restricted stock, as it relates to employees, and unrestricted stock as it relates to non-employee directors.

Recent restricted stock awards to employees typically include service-related vesting conditions only. Compensation expense for these grants is recorded over the requisite service periods. Upon forfeiture, any previously recognized compensation cost is reversed. Upon a change in control (as defined in the Equity Plan), unless the awards remain outstanding or substitute equivalent awards are provided, the awards become immediately vested.

Certain of the Company’s equity grants contain terms that provide for a graded vesting schedule whereby portions of the award vest in increments over the requisite service period. The Company recognizes compensation expense for awards with graded vesting schedules on a straight-line basis over the requisite service period for each incremental award. Compensation expense is based on the estimated number of stock awards that will ultimately vest. Over the past five years, there have been insignificant amounts of forfeitures, and therefore the Company assumes that all awards granted with service conditions will vest. The Company recognizes forfeitures as they occur.

In addition to employee equity awards, the Company's practice is to grant unrestricted common shares to each non-employee director (currently 13 in total) in June of each year. These grants were each valued at approximately $37,500 in 2024, $37,500 in 2023 and $32,000 in 2022. Compensation expense associated with these director awards is recognized on the date of the award since there are no vesting conditions.

On May 31, 2024, the Company granted 15,457 shares of common stock to non-employee directors (1,189 shares per director), at a fair market value of $31.55 per share, which was the closing price of the Company’s common stock on that date, which resulted in $487,500 in expense. On June 1, 2023, the Company granted 17,094 shares of common stock to non-employee directors (1,221 shares per director), at a fair market value of $30.69 per share, which was the closing price of the Company’s common stock on that date, which resulted in $525,000 in expense. On June 1, 2022, the Company granted 10,344 shares of common stock to non-employee directors (862 shares per director), at a fair market value of $37.12 per share, which was the closing price of the Company's common stock on that date, which resulted in $384,000 in expense. The expense associated with director grants is classified as "Other operating expense" in the consolidated statements of income.

The following table presents information regarding the activity during 2022, 2023, and 2024 related to the Company's outstanding restricted stock:

	Long-Term Restricted Stock	
	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2021	206,331	$ 35.25
Granted during the period	95,960	38.09
Vested during the period	(70,110)	36.69
Forfeited or expired during the period	(9,169)	32.62
Nonvested at December 31, 2022	223,012	36.14
Granted during the period	143,380	37.08
Vested during the period	(74,310)	29.43
Forfeited or expired during the period	(791)	37.88
Nonvested at December 31, 2023	291,291	38.01
Granted during the period	67,900	38.14
Vested during the period	(119,906)	41.72
Forfeited or expired during the period	(2,334)	42.84
Nonvested at December 31, 2024	236,951	$ 36.43

The total fair value of shares vested during 2024, 2023 and 2022 was $5.0 million, $2.2 million and $2.6 million, respectively. Total unrecognized compensation expense as of December 31, 2024 amounted to $3.0 million with a weighted average remaining term of 1.9 years. The Company expects to record $2.1 million of compensation expense in the next twelve months related to these nonvested awards that are outstanding at December 31, 2024.

As discussed in Note 2, in conjunction with the GrandSouth acquisition, GrandSouth common stock options outstanding at January 1, 2023 became fully vested under the change in control provisions in the GrandSouth option plans and were converted into replacement options to acquire 0.91 shares of the Company's common stock. The Company issues new shares of common stock when options are exercised. No options were granted in 2024.

Stock option activity and related information is presented below as of and for the periods indicated:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (thousands)
Balance at January 1, 2023	—	$ —		
Replacement options issued in conjunction with acquisition of GrandSouth	542,345	20.14		
Exercised during the period	(236,760)	19.09		
Forfeited or expired during the period	—	—		
Balance at December 31, 2023	305,585	20.95		
Exercised during the period	(194,884)	21.70		
Forfeited or expired during the period	—	—		
Outstanding at December 31, 2024	110,701	$ 19.63	4.24	$ 2,694
Exercisable at December 31, 2024	110,701	$ 19.63	4.24	$ 2,694

Stock options outstanding are summarized as follows as of December 31, 2024:

Shares	Range	Weighted Average Price	Weighted Average Remaining Life in Years
36,567	$15.38 - 18.18	$15.41	2.09
40,303	$18.19	18.19	4.47
33,831	$18.20 - 31.32	25.92	6.27
110,701		$19.63	4.24

The fair value of the replacement options issued in conjunction with the GrandSouth acquisition as of January 1, 2023 was measured using the Black-Scholes option pricing model. The following table illustrates the assumptions for the Black-Scholes model used in determining the fair value of options granted during the year ended December 31, 2023:

Fair value per option, weighted average	$ 24.85
Expected life (years)	1.4 - 4.7
Expected stock price volatility, weighted average	46.39 %
Expected dividend yield	2.05 %
Risk-free interest rate, weighted average	4.18 %
Expected forfeiture rate	0.00 %

The expected life is based on historical exercises and forfeitures experience of the grantees. The volatility is based on historical price volatility. The risk-free interest rate is based on a U.S. Treasury instrument with a life that is similar to the expected life of the option grant.

At December 31, 2024, the Company had no unrecognized compensation expense related to stock options. All unexercised options expire ten years after the applicable original grant dates under the GrandSouth stock option plan.

Note 16. Shareholders' Equity

Rabbi Trust Obligations

With the acquisition of Carolina Bank in March 2017, the Company assumed a deferred compensation plan structured as a Rabbi Trust for certain members of Carolina Bank's board of directors that is fully funded by Company common stock. Subsequent to the acquisition, payments have been made to plan participants and the related asset and liability were both $1.1 million at December 31, 2024 and $1.4 million at December 31, 2023, respectively, and are presented as components of shareholders' equity.

Stock Repurchases

Pursuant to authorizations by the Company's Board, the Company from time to time has repurchased shares of common stock in private transactions and in open-market purchases. On January 30, 2024, the Board of Directors of the Company authorized the repurchase of up to $40 million of the Company's common stock. Any such repurchases would be made pursuant to a plan approved by and containing provisions about the timing, purchase prices and quantities purchased determined by management in its discretion. During the years ended December 31, 2024 and December 31, 2023, the Company did not make any such purchases.

Note 17. Earnings Per Share

The following is a reconciliation of the income (numerator) and shares (denominator) used in computing Basic and Diluted EPS:

	For Years Ended December 31,								
	2024			2023			2022		
($ in thousands except per share amounts)	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS:									
Net income	$ 76,215			$ 104,131			$ 146,936		
Less: income allocated to participating securities	(391)			(685)			(779)		
Basic EPS per common share	$ 75,824	41,021,475	$ 1.85	$ 103,446	40,746,772	$ 2.54	$ 146,157	35,485,620	$ 4.12
Diluted EPS:									
Net income	$ 76,215	41,021,475		$ 104,131	40,746,772		$ 146,936	35,485,620	
Effect of Dilutive Securities	—	305,741		—	418,062		—	189,110	
Diluted EPS per common share	$ 76,215	41,327,216	$ 1.84	$ 104,131	41,164,834	$ 2.53	$ 146,936	35,674,730	$ 4.12

For the years ended December 31, 2024 and December 31, 2023, there were no options that were anti-dilutive. There were no outstanding options in 2022.

Note 18. Accumulated Other Comprehensive Income (Loss)

The components of AOCI for the Company for the periods shown were as follows:

($ in thousands)	December 31, 2024	December 31, 2023	December 31, 2022
Unrealized loss on securities available for sale	$ (368,055)	$ (400,720)	$ (444,063)
Tax effect	85,941	92,767	102,046
Net unrealized loss on securities available for sale	(282,114)	(307,953)	(342,017)
Postretirement plans asset (liability)	111	(100)	54
Tax effect	(26)	23	(12)
Net postretirement plans asset (liability)	85	(77)	42
Total accumulated other comprehensive loss	$ (282,029)	$ (308,030)	$ (341,975)

The following table discloses the changes in AOCI for the years ended December 31, 2024, 2023, and 2022 (all amounts are net of tax).

($ in thousands)	Unrealized Gain (Loss) on Securities Available for Sale	Postretirement Plans (Liability) Asset	Total
Beginning balance at January 1, 2022	$ (24,698)	$ (272)	$ (24,970)
Other comprehensive (loss) income before reclassifications	(317,319)	536	(316,783)
Amounts reclassified from accumulated other comprehensive income	—	(222)	(222)
Net current-period other comprehensive (loss) income	(317,319)	314	(317,005)
Ending balance at December 31, 2022	(342,017)	42	(341,975)
Other comprehensive income (loss) before reclassifications	34,064	(466)	33,598
Amounts reclassified from accumulated other comprehensive income	—	347	347
Net current-period other comprehensive income (loss)	34,064	(119)	33,945
Ending balance at December 31, 2023	(307,953)	(77)	(308,030)
Other comprehensive (loss) income before reclassifications	(3,273)	85	(3,188)
Amounts reclassified from accumulated other comprehensive income	29,112	77	29,189
Net current-period other comprehensive income (loss)	25,839	162	26,001
Ending balance at December 31, 2024	$ (282,114)	$ 85	$ (282,029)

Amounts reclassified from AOCI for unrealized gain (loss) on securities available for sale represent realized securities gains or losses, net of tax effects. Amounts reclassified from AOCI for postretirement plans asset (liability) represent amortization of amounts included in AOCI, net of taxes, and are recorded in the "Other operating expenses" line item of the consolidated statements of income.

Note 19. Regulatory Restrictions

The Company is regulated by the Federal Reserve and is subject to securities registration and public reporting regulations of the Securities and Exchange Commission. The Bank is regulated by the Federal Reserve and the North Carolina Commissioner of Banks.

The primary source of funds for the payment of dividends by the Company is dividends received from its subsidiary, the Bank. The Bank, as a North Carolina banking corporation, may declare dividends so long as such dividends do not reduce its capital below its applicable required capital (typically, the level of capital required to be deemed “adequately capitalized”). As of December 31, 2024, approximately $1.1 billion of the Company’s investment in the Bank was restricted as to transfer to the Company without obtaining prior regulatory approval.

There was no average reserve balance requirement under the requirements of the Federal Reserve at December 31, 2024.

The Company and the Bank must comply with regulatory capital requirements established by the Federal Reserve. 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 financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company’s assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company’s and Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The Company's and the Bank's respective regulatory capital ratios as of December 31, 2024 and 2023, along with the minimum amounts required for capital adequacy purposes and to be well capitalized under prompt corrective action in effect at such times are presented below. There are no conditions or events since year-end that management believes have changed the Company's or the Bank's classification.

	Actual		Fully Phased-In Regulatory Guidelines Minimum		To Be Well Capitalized Under Current Prompt Corrective Action Provisions	
($ in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(must equal or exceed)		(must equal or exceed)	
As of December 31, 2024						
Common Equity Tier I Capital Ratio						
Company	$ 1,239,980	14.35 %	$ 604,868	7.00 %	N/A	N/A
Bank	$ 1,315,671	15.23 %	$ 604,708	7.00 %	$ 561,514	6.50 %
Total Capital Ratio						
Company	$ 1,437,050	16.63 %	$ 907,338	10.50 %	N/A	N/A
Bank	$ 1,423,966	16.48 %	$ 907,260	10.50 %	$ 864,057	10.00 %
Tier I Capital Ratio						
Company	$ 1,311,128	15.17 %	$ 734,647	8.50 %	N/A	N/A
Bank	$ 1,315,671	15.23 %	$ 734,288	8.50 %	$ 691,094	8.00 %
Leverage Ratio						
Company	$ 1,311,128	11.15 %	$ 470,360	4.00 %	N/A	N/A
Bank	$ 1,315,671	11.19 %	$ 470,302	4.00 %	$ 587,878	5.00 %
As of December 31, 2023						
Common Equity Tier I Capital Ratio						
Company	$ 1,187,027	13.20 %	$ 629,376	7.00 %	N/A	N/A
Bank	$ 1,291,074	14.36 %	$ 629,256	7.00 %	$ 584,309	6.50 %
Total Capital Ratio						
Company	$ 1,397,502	15.54 %	$ 944,064	10.50 %	N/A	N/A
Bank	$ 1,403,551	15.61 %	$ 943,884	10.50 %	$ 898,938	10.00 %
Tier I Capital Ratio						
Company	$ 1,257,834	13.99 %	$ 764,242	8.50 %	N/A	N/A
Bank	$ 1,291,074	14.36 %	$ 764,097	8.50 %	$ 719,150	8.00 %
Leverage Ratio						
Company	$ 1,257,834	10.91 %	$ 461,312	4.00 %	N/A	N/A
Bank	$ 1,291,074	11.20 %	$ 461,248	4.00 %	$ 576,560	5.00 %

Note 20. Revenue from Contracts with Customers

All of the Company's revenues that are in the scope of the "*Revenue from Contracts with Customers*" accounting standard ("ASC 606") are recognized within noninterest income. The following table presents the Company's

sources of noninterest income for years ended December 31, 2024, 2023, and 2022. Items outside the scope of ASC 606 are noted as such.

	For the Years Ended December 31,		
($ in thousands)	2024	2023	2022
Noninterest income in-scope of ASC 606:			
Service charges on deposit accounts	$ 16,620	$ 16,800	$ 15,368
Other service charges and fees:			
Bankcard Interchange income, net	9,306	9,319	14,996
Other service charges and fees	6,945	6,405	5,866
Commissions from sales of financial products	5,270	5,503	5,195
Portion of other income in-scope of ASC 606	312	1,803	2,608
Noninterest income (in-scope of ASC 606)	38,453	39,830	44,033
Noninterest income (out-of-scope of ASC 606)	(20,554)	17,475	23,791
Total noninterest income	$ 17,899	$ 57,305	$ 67,824

A description of the Company's revenue streams accounted for under ASC 606 is detailed below.

Service charges on deposit accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Overdraft fees are recognized at the point in time that the overdraft occurs. Maintenance and activity fees include account maintenance fees and transaction-based fees. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of the month, representing the period over which the Company satisfies the performance obligation. Transaction-based fees, which include services such as ATM usage fees, stop payment charges, statement rendering, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Service charges on deposits are withdrawn from the customer's account balance. Substantially all of these revenues are recognized at the point in time the services are provided.

Other service charges and fees: The Company earns interchange income on its customers' debit and credit card usage and earns fees from other services utilized by its customers. "Bankcard interchange income" is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as MasterCard. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. Interchange fees are offset with interchange expenses and are presented on a net basis. "Other service charges and fees" includes revenue from processing wire transfers, bill pay service, cashier's checks, ATM surcharge fees, and other services. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Substantially all of these revenues are recognized at the point in time the services are provided, with some recognized in the following month.

Commissions from the sale of financial products: The Company earns commissions from the sale of wealth management products. Wealth management income primarily consists of commissions received on financial product sales, such as annuities. The Company's performance obligation is generally satisfied upon the issuance of the financial product. Shortly after the policy is issued, the carrier remits the commission payment to the Company, and the Company recognizes the revenue. The Company also earns some fees from asset management, which is billed quarterly and due upon billing for services rendered in the most recent period, for which the performance obligation has been satisfied. Substantially all of these revenues are recognized at the point in time that the services are provided.

Most contracts with customers are cancellable by either party without penalty or they are short-term in nature, with a contract duration of less than one year. Accordingly, most revenue deferred for the reporting period ended December 31, 2024 is expected to be earned within one year.

The Company has made no significant judgments in applying the revenue guidance prescribed in ASC 606 that affect the determination of the amount and timing of revenue from the above-described contracts with customers.

Note 21. Supplementary Income Statement Information

Components of other noninterest income or noninterest expense exceeding 1% of total revenue for any of the years ended December 31, 2024, 2023, and 2022 are as follows:

($ in thousands)	2024	2023	2022
Total revenue threshold (1%)	$ 5,371	$ 5,462	$ 4,089
Noninterest income:			
Bankcard Interchange income, net	9,306	9,319	14,996
Noninterest expense:			
Other operating expenses – software costs	7,691	8,717	6,064
Other operating expenses – data processing expense	8,916	8,733	7,535
Other operating expenses – FDIC insurance expense	6,559	6,982	2,913

Note 22. Segment Reporting

The Company is a bank holding company, whose principal activity is the ownership and management of its wholly-owned subsidiary, First Bank (the "Bank"). As a community-oriented financial institution, substantially all of the Company's operations involve the delivery of loan and deposit products or the provision of financial advice to customers. Management makes operating decisions and assesses performance based on an ongoing review of these banking operations, which constitute the Company's only operating segment for financial reporting purposes.

The accounting policies of the banking operations segment are the same as those described in the summary of significant accounting policies. The measure of segment assets is reported on the balance sheet as total consolidated assets.

The role of chief operating decision maker is comprised of the executive leadership team to include the Company's Chief Executive Officer, the Bank's Chief Executive Officer, the Bank's President, the Company's Chief Financial Officer. The chief operating decision makers use pre-tax net income to allocate resources in the annual budget and forecasting process. The chief operating decision makers consider budget-to-actual variances on a monthly basis for profit measures when making decisions about allocating capital and personnel to the operating segment.

The chief operating decision makers use the Consolidated Statements of Income and Consolidated Balance Sheets to ascertain measures or performance such as revenue, profit or loss, significant expenses and assets.

Depreciation expense amounted to $7.8 million, $7.8 million, and $6.9 million for the years ended December 31, 2024, 2023, and 2022, respectively, and is recorded in occupancy expense.

Note 23. Condensed Parent Company Information

Condensed financial data for the Company (parent company only) follows:

CONDENSED BALANCE SHEETS	As of December 31,	
($ in thousands)	2024	2023
Assets		
Cash on deposit with bank subsidiary	$ 24,005	$ 4,597
Investment in subsidiaries	1,523,626	1,478,750
Premises and equipment	7	7
Other assets	521	379
Total assets	$ 1,548,159	$ 1,483,733
Liabilities and shareholders' equity		
Subordinated debt	$ 17,602	$ 27,177
Trust preferred securities	73,472	73,130
Other liabilities	11,474	11,046
Total liabilities	102,548	111,353
Shareholders' equity	1,445,611	1,372,380
Total liabilities and shareholders' equity	$ 1,548,159	$ 1,483,733

CONDENSED STATEMENTS OF INCOME	Year Ended December 31,		
($ in thousands)	2024	2023	2022
Interest income	$ 123	$ 116	$ 48
Dividends from subsidiaries	70,000	32,700	17,400
Total income	70,123	32,816	17,448
Interest expense	7,766	7,945	2,926
Other expenses	2,153	2,057	1,693
Total expense	9,919	10,002	4,619
Income before income taxes and equity in undistributed income of subsidiaries	60,204	22,814	12,829
Income tax benefit	(2,057)	(2,076)	(960)
Income before equity in undistributed income of subsidiaries	62,261	24,890	13,789
Equity in undistributed income of subsidiaries	13,954	79,241	133,147
Net income	$ 76,215	$ 104,131	$ 146,936

CONDENSED STATEMENTS OF CASH FLOWS	Year Ended December 31,		
($ in thousands)	2024	2023	2022
Operating Activities:			
Net income	$ 76,215	$ 104,131	$ 146,936
Equity in undistributed earnings of subsidiaries	(13,954)	(79,241)	(133,147)
(Increase) decrease in other assets	(143)	(604)	4,055
Increase (decrease) in other liabilities	1,140	1,741	642
Net cash provided by operating activities	63,258	26,027	18,486
Investing Activities:			
Net cash received in acquisitions	—	4,123	—
Net cash provided by investing activities	—	4,123	—
Financing Activities:			
Repayment of subordinated debentures	(10,000)	—	—
Payment of common stock cash dividends	(36,253)	(34,940)	(30,660)
Repurchases of common stock	—	—	—
Proceeds from stock option exercises	4,094	4,519	—
Cash paid for shares withheld for payroll taxes on stock based compensation	(1,691)	(743)	(840)
Net cash used in financing activities	(43,850)	(31,164)	(31,500)
Net increase (decrease) in cash	19,408	(1,014)	(13,014)
Cash, beginning of year	4,597	5,611	18,625
Cash, end of year	$ 24,005	$ 4,597	$ 5,611

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
First Bancorp
Southern Pines, North Carolina

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of First Bancorp (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), 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") and our report dated February 26, 2025, expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated 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 consolidated 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 consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses on Loans

As described in Note 4 to the Company's consolidated financial statements, the Company reported an allowance for credit losses on loans ("ACL") of approximately $122.6 million as of December 31, 2024. As described in Note 1 to the Company's consolidated financial statements, the ACL represents management's estimate of credit losses for the remaining estimated life of the loan portfolio using a quantitative lifetime loss model, which uses assumptions and data elements, some of which are subjective in nature. There is also a qualitative component of the ACL that is derived by applying qualitative risk scoring to a range of maximum and minimum loss rates for each of the identified qualitative factors.

Management makes significant judgments regarding selecting reasonable and supportable economic forecast factors used in the quantitative model and qualitative risk scores used in the qualitative component of the ACL. We identified these economic forecast factors and qualitative risk scores as a critical audit matter because they involve especially subjective and complex judgement in auditing whether these were reasonable and supportable. These assumptions required a high degree of auditor judgment and increased extent of effort, specialized skills, and knowledge.

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

- Testing the design and operating effectiveness of the Company's controls over the selected economic forecast factors and qualitative risk scores.
- Assessing the reasonableness of management's judgments in determining the selected economic forecast factors and qualitative risks scores, including assessing the consistency of management's application of its underlying framework for determining these assumptions and assessing for potential bias and potential contradictory evidence.
- Utilizing personnel with specialized skill and knowledge to assist with assessing the relevance and reliability of the data used in determining the selected economic forecast factors, including comparing the data to third-party sources.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2019.

Philadelphia, Pennsylvania

February 26, 2025

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
First Bancorp
Southern Pines, North Carolina

Opinion on Internal Control over Financial Reporting

We have audited First Bancorp's (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 (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and our report dated February 26, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible 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 Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting 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 of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

/s/ BDO USA, P.C.

Philadelphia, Pennsylvania
February 26, 2025

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, which are our controls and other procedures that are designed to ensure that information required to be disclosed in our periodic reports with the SEC is recorded, processed, summarized and reported within the required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is communicated to our management to allow timely decisions regarding required disclosure. Based on the evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective in allowing timely decisions regarding disclosure to be made about material information required to be included in our periodic reports with the SEC.

Management's Report On Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting. 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 GAAP.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is also responsible for the preparation and fair presentation of the consolidated financial statements and other financial information contained in this report. The accompanying consolidated financial statements were prepared in conformity with GAAP and include, as necessary, best estimates and judgments by management.

Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) (the "Framework"). Based on management's evaluation under the Framework, management of the Company has concluded the Company maintained effective internal control over financial reporting, as such term is defined in Securities Exchange Act of 1934 Rules 13a-15(f), as of December 31, 2024.

BDO USA, LLP, an independent, registered public accounting firm, has audited the Company's consolidated financial statements as of and for the year ended December 31, 2024, and audited the Company's effectiveness of internal control over financial reporting as of December 31, 2024, as stated in their reports, which are included in Item 8 hereof.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during the three months ended December 31, 2024 that materially affected, or that are reasonably likely to materially affect our internal control over financial reporting

Item 9B. Other Information

Trading Arrangements of Section 16 Reporting Persons.

During the quarter ended December 31, 2024, no person who is required to file reports pursuant to Section 16(a) of the Securities and Exchange Act of 1934, as amended, with respect to holdings of, and transactions in, the Company's common shares (i.e. directors and certain officers of the Company) maintained, adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1(c) arrangement", as those terms are defined in Section 229.408 of the regulations of the SEC.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated herein by reference is the information under the captions “Directors, Nominees and Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance Policies and Practices,” and “Board Committees, Attendance and Compensation” from the Company’s definitive proxy statement to be filed pursuant to Regulation 14A.

Item 11. Executive Compensation

Incorporated herein by reference is the information under the captions “Executive Compensation,” “Board Committees, Attendance and Compensation,” and "Pay Versus Performance" from the Company’s definitive proxy statement to be filed pursuant to Regulation 14A.

Awards Made To Named Executive Officers

During the fiscal year ended December 31, 2024, the Company did not award an option or other right to purchase or acquire its common shares during any period beginning four business days before the filing of a periodic report on Form 10-Q or the filing or furnishing of a report on Form 8-K that disclosed material nonpublic information and ending one business day after the filing or furnishing of such a report to any of the Company’s “named executive officers” (as such persons are specified in the Company’s Proxy Statements for its 2023 or 2024 Annual Meeting of Shareholders).

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

Incorporated herein by reference is the information under the captions “Principal Holders of First Bancorp Voting Securities” and “Directors, Nominees and Executive Officers” from the Company’s definitive proxy statement to be filed pursuant to Regulation 14A.

Additional Information Regarding the Registrant’s Equity Compensation Plans

At December 31, 2024, the Company had one equity-based compensation plan, under which new grants of equity-based awards are possible.

The following table presents information as of December 31, 2024 regarding shares of the Company’s stock that may be issued pursuant to the Company’s equity-based compensation plan. At December 31, 2024, the Company had no options, warrants or rights outstanding under any compensation plans. As discussed in Note 2 and Note 15, the options shown in the table below were assumed in conjunction with the GrandSouth acquisition.

	As of December 31, 2024		
	(a)	(b)	(c)
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	110,701	$ 19.63	1,930,548
Equity compensation plans not approved by security holders	—	—	—
Total	110,701	$ 19.63	1,930,548

(1) Consists of the Company’s 2024 Equity Plan, which is currently in effect.

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

Incorporated herein by reference is the information under the caption “Certain Transactions” and “Corporate Governance Policies and Practices” from the Company’s definitive proxy statement to be filed pursuant to Regulation 14A.

Item 14. Principal Accountant Fees and Services

Incorporated herein by reference is the information under the caption “Audit Committee Report” from the Company’s definitive proxy statement to be filed pursuant to Regulation 14A.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements - See Item 8 and the Cross Reference Index on page 3 for information concerning the Company's consolidated financial statements and report of independent auditors.

2. Financial Statement Schedules - not applicable

3. Exhibits

The following exhibits are filed with this report or, as noted, are incorporated by reference. Except as noted below the exhibits identified have SEC File No. 000-15572. Management contracts, compensatory plans and arrangements are marked with an asterisk (*).

2.a	Merger Agreement between First Bancorp and GrandSouth Bancorporation dated June 21, 2022 was filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on June 21, 2022, and is incorporated herein by reference.
3.a	Articles of Incorporation of the Company and amendments thereto were filed as Exhibits 3.a.i through 3.a.v to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2002, and are incorporated herein by reference. Articles of Amendment to the Articles of Incorporation were filed as Exhibits 3.1 and 3.2 to the Company's Current Report on Form 8-K filed on January 13, 2009, and are incorporated herein by reference. Articles of Amendment to the Articles of Incorporation were filed as Exhibit 3.1.b to the Company's Registration Statement on Form S-3D filed on June 29, 2010 (Commission File No. 333-167856), and are incorporated herein by reference. Articles of Amendment to the Articles of Incorporation were filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 6, 2011, and are incorporated herein by reference. Articles of Amendment to the Articles of Incorporation were filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 26, 2012, and are incorporated herein by reference. Articles of Amendment to the Articles of Incorporation were filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed June 14, 2022, and are incorporated herein by reference.
3.b	Amended and Restated Bylaws of the Company were filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 9, 2018, and are incorporated herein by reference.
4.a	Form of Common Stock Certificate was filed as Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, and is incorporated herein by reference.
4.b	Description of the Company's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.
10.a	Form of Indemnification Agreement between the Company and its Directors and Officers was filed as Exhibit 10.a to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, and is incorporated herein by reference.
10.b	First Bancorp Senior Management Supplemental Executive Retirement Plan effective January 1, 2009 was filed as Exhibit 10.b to the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and is incorporated herein by reference. (*)
10.c	First Bancorp 2014 Equity Plan was filed as Appendix B to the Registrant's Form Def 14A filed on April 4, 2014, and is incorporated herein by reference. (*)
10.d	First Bancorp Long Term Care Insurance Plan was filed as Exhibit 10(o) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, and is incorporated by reference. (*)
10.e	Advances and Security Agreement with the Federal Home Loan Bank of Atlanta dated February 15, 2005 was attached as Exhibit 99(a) to the Company's Current Report on Form 8-K filed on February 22, 2005, and is incorporated herein by reference.
10.f	Form of Stock Option and Performance Unit Award Agreement was filed as Exhibit 10 to the Company's Current Report on Form 8-K filed on June 23, 2008, and is incorporated herein by reference. (*)
10.g	First Bancorp Employees' Pension Plan, including amendments, was filed as Exhibit 10.v to the Company's Annual Report on Form 10-K for the year ended December 31, 2009, and is incorporated herein by reference. (*)
10.h	Employment Agreement between the Company and Richard H. Moore dated August 28, 2012 was filed as Exhibit 10.a to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, and is incorporated herein by reference. Amendments to this agreement were filed in the Company's Current Reports on Form 8-K filed on March 9, 2017 and February 9, 2018 and are incorporated herein by reference. (*)
10.i	Amended and Restated Employment Agreement by and among the Company and the Bank and Michael G. Mayer effective February 7, 2025 was filed as Exhibit 10.k to the Company's Current Report on Form 8-K filed on February 6, 2025 and is incorporated by reference. (*)
10.j	Amendment to the First Bancorp Senior Management Supplemental Executive Retirement Plan dated March 11, 2014 was filed as Exhibit 10.aa to the Company's Annual Report on Form 10-K for the year ended December 31, 2013, and is incorporated herein by reference. (*)
10.k	The Executive Nonqualified Excess Plan Document was filed as Exhibit 10.q to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, and is incorporated herein by reference. (*)
10.l	The Executive Nonqualified Excess Plan Adoption Agreement dated January 30, 2017 was filed as Exhibit 10.r to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, and is incorporated herein by reference. (*)
10.m	The Executive Nonqualified Excess Plan Adoption Agreement dated February 26, 2018 was filed as Exhibit 10.s to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, and is incorporated herein by reference. (*)

10.n	The Company's Annual Incentive Plan for certain employees and executive officers was filed as Exhibit 10.q to the Company's Annual Report on Form 10-K for the year ended December 31, 2020, and is incorporated herein by reference. (*)
10.o	Employment Agreement by and among the Company and the Bank and G. Adams Currie Jr. dated December 23, 2021 was filed as Exhibit 99.1 to the Company's Current Report on Form 8-K on December 23, 2021 and is incorporated by reference. (*)
10.p	Employment Agreement by and among the Company and the Bank and Elizabeth B. Bostian dated December 23, 2021 as filed as Exhibit 99.2 to the Company's Current Report on Form 8-K on December 23, 2021 and is incorporated by reference. (*)
10.q	Form of First Amendment to Employment and Change of Control Agreement entered into effective November 6, 2023 with each of its named executive officers was filed as Exhibit 10.a to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, and is incorporated herein by reference. (*)
10.r	First Bancorp 2024 Equity was filed as Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed on May 31, 2024 (Commission File No. 333-279858) and is incorporated herein by reference (*)
10.s	Employment Agreement by and among the Company and the bank and Christian Wilson dated February 7, 2025 as filed as Exhibit 10.u to the Company's Current Report on Form 8-K on February 6, 2025 and is incorporated by reference (*)
19.a	Securities Law Compliance Policy
19.b	Insider Trading and Section 16 Reporting Policy
21	List of Subsidiaries of Registrant
23	Consent of Independent Registered Public Accounting Firm, BDO USA, P.C.
31.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97	Excess Incentive Compensation Recovery Policy dated October 23, 2023 was filed as Exhibit 97 to the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and is incorporated herein by reference. (*)
101	The following financial information from the Company's Annual Report on Form 10-K for the year ended December 31, 2024, formatted in eXtensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.

(b) Exhibits - see (a)(3) above.

(c) No financial statement schedules are filed herewith.

Copies of exhibits are available upon written request to: First Bancorp, Investor Relations, 300 SW Broad Street, Southern Pines, North Carolina, 28387.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, FIRST BANCORP has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Southern Pines, and State of North Carolina, on February 26, 2025.

First Bancorp

By: /s/ Richard H. Moore
Richard H. Moore
Chief Executive Officer

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

Executive Officers

/s/ Richard H. Moore
Richard H. Moore
Chief Executive Officer & Chairman of the Board
February 26, 2025

/s/ Elizabeth B. Bostian
Elizabeth B. Bostian
Executive Vice President &
Chief Financial Officer
February 26, 2025

/s/ T. Brent Hicks
T. Brent Hicks
Executive Vice President &
Chief Accounting Officer
February 26, 2025

Board of Directors

/s/ James C. Crawford, III
James C. Crawford, III
Lead Independent Director
Director
February 26, 2025

/s/ Mary Clara Capel
Mary Clara Capel
Director
February 26, 2025

/s/ Suzanne DeFerie
Suzanne DeFerie
Director
February 26, 2025

/s/ Abby J. Donnelly
Abby J. Donnelly
Director
February 26, 2025

/s/ John B. Gould
John B. Gould
Director
February 26, 2025

/s/ Michael G. Mayer
Michael G. Mayer
Director
February 26, 2025

/s/ John W. McCauley
John W. McCauley
Director
February 26, 2025

/s/ Richard H. Moore
Richard H. Moore
Chairman of the Board
Director
February 26, 2025

/s/ Carlie C. McLamb, Jr.
Carlie C. McLamb, Jr.
Director
February 26, 2025

/s/ Dexter V. Perry
Dexter V. Perry
Director
February 26, 2025

/s/ J. Randolph Potter
J. Randolph Potter
Director
February 26, 2025

/s/ O. Temple Sloan, III
O. Temple Sloan, III
Director
February 26, 2025

/s/ Frederick L. Taylor II
Frederick L. Taylor II
Director
February 26, 2025

/s/ Dennis A. Wicker
Dennis A. Wicker
Director
February 26, 2025