100 YEARS

For the Community.
For Brighter Tomorrows.

1ST SUMMIT BANCORP
of Johnstown, Inc.

2023 ANNUAL REPORT

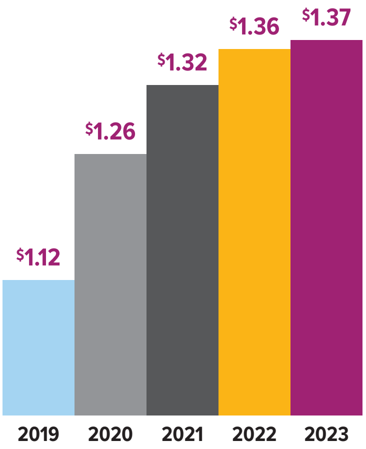
1st Summit Bancorp operates through the Company’s subsidiary,
1st Summit Bank and the 1st Summit Trust and Investment Services division.
There are 19 Community Offices located across five counties in Pennsylvania.

FINANCIAL HIGHLIGHTS

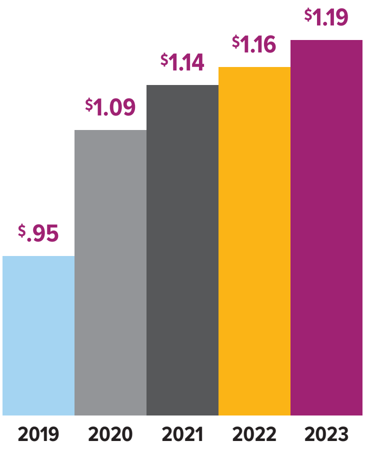
(In thousands, except per share data)

For The Year Ended December 31	2023	2022	2021	% Change Over Prior Year
Net Income	$ 2,646	$ 11,513	$ 11,305	-77%
Cash Dividends	3,768	3,745	3,634	+1%
PER SHARE*				
Net Income	$ 1.21	$ 5.26	$ 5.16	-77%
Cash Dividends	1.72	1.71	1.66	+1%
Book Value	46.33	46.23	58.98	0%
Tangible Book Value excluding AOCI(L)	59.11	60.18	56.60	-2%
FINANCIAL POSITION				
Assets	$ 1,371,717	$ 1,361,775	$ 1,324,223	+1%
Deposits	1,185,556	1,160,735	1,137,788	+2%
Net Loans	754,540	726,537	672,218	+4%
Investment Securities	535,238	559,959	590,749	-4%
Trust and Investment Assets	558,106	486,037	446,842	+15%
Shareholders’ Equity	101,487	101,285	129,138	0%
Allowance for Loan Losses	7,871	7,498	7,444	+5%
SELECTED FINANCIAL RATIOS				
Return on Average Assets	0.19%	0.84%	0.87%	—
Return on Average Equity	2.74%	10.90%	8.89%	—
Equity Capital to Total Assets	7.40%	7.44%	9.75%	—
Tier 1 Capital to Total Assets	9.88%	10.12%	9.81%	—
Allowance for Loan Losses to Loans	1.03%	1.02%	1.10%	—
Non-performing Assets to Total Assets	0.59%	0.34%	0.28%	—

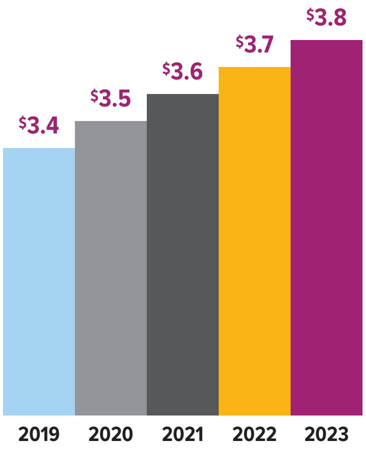
** Adjusted to reflect 100% stock dividend issued in April 2022.*



TOTAL ASSETS
(in billions)



TOTAL DEPOSITS
(in billions)

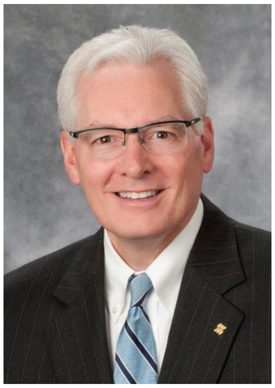


CASH DIVIDENDS PAID
(in millions)

100 YEARS

FOR THE COMMUNITY.
FOR BRIGHTER TOMORROWS.

TO OUR SHAREHOLDERS



J. Eric Renner
President & CEO

As 1st Summit Bancorp approaches its 100th anniversary, we look forward to celebrating our century of service and continuing our heritage of building meaningful relationships with our customers, shareholders, employees, and communities. There are many accomplishments to highlight and as part of our strategy moving into 2024, we are maintaining and fostering growth in many ways.

A highlight of our strategic positioning for growth included the opening of two new Community Offices to better serve our customers and to attract new customers to our 1st Summit family. We opened a third location in Blair County, in the Eldorado community of Altoona, complementing the existing in-store Walmart Office and the Loan Production Office in Hollidaysburg. Additionally, a new Community Office was opened in the Greensburg Market in Westmoreland County, conveniently situated on Route 30. These new Community Offices offer easy access to our extraordinary services and have already proven to be catalysts for growth.

Additionally, we have been named "Simply the Best" bank by the *Johnstown Tribune-Democrat*. Our best resource, our employees, drove the selection of 1st Summit as one of the "Best Places to Work" by the *Central Penn Business Journal* for the 22nd time. On a national scale, 1st Summit was named one of the "Best Banks to Work For" by *American Banker* magazine. Employees cited trust, transparency, and leading by example, as important qualities for the Bank. Further, we strengthened our fringe benefits package, continued our Health Savings plan, and are focused on engaging with our employees so they are empowered, connected, and successful.

As we look to the future, while celebrating our past, our customers are benefiting from many of our achievements, both large and small. In addition to our new Offices in Altoona and Greensburg, we have added benefits and improved checking and loan products, enhanced digital banking platforms, and became a member of IntraFi to ensure more FDIC insurance would be available to our depositors.

The communities we serve are truly important to us and make 1st Summit Bank stronger. As a demonstration of that belief, we have a long and intentional history of community support. At 1st Summit, we give back, because it is people and their neighborhoods that help make our bank great. Over the past year, we have donated to over 375 organizations, partnered with the Ken Lantzy All-Star Classic as the lead sponsor, supported education through Junior Achievement and The Challenge Program, and worked with the Community Action Partnership and helped ensure the children in our areas have warm winter clothing through the Needy Children's Shopping Tour. We've aligned with health and social services organizations, as well as arts organizations, such as the Johnstown Symphony Orchestra and the Community Arts Center of Cambria County.

I am pleased to report that, despite the many challenges that 1st Summit and the banking industry as a whole faced in 2023, 1st Summit continues to exceed capitalization requirements. We believe this is a testament to our financial strength and positions us for future growth, which has been the case throughout most of our 100-year history.

But make no mistake: 2023 was a very tough year for us and the banking industry at large. In our case, the challenges that we faced were due to several factors, the biggest of which was the Federal Reserve's cumulative increase in the prime interest rate by some 525 basis points as our country battled to tame inflation. This rapid and large (to a 20-year high) increase in the prime interest rate put a severe strain on our profit margins, as it did to the profit margins of many of our peer banks.

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TO OUR SHAREHOLDERS

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I believe it goes without saying that the Federal Reserve intended increases in the prime interest rate to slow economic activity (and, therefore, inflation), as lending becomes more expensive and customers refrain from taking new loans or refinancing existing loans. The profit margins of many banks, including 1st Summit and many of its peers, were hit hard in 2023 by the Federal Reserve's rate hikes.

At a more granular level, during 2023, our balance sheet composition, which had been built over decades, reacted negatively to the pressure of the rapid and large cumulative increase in the prime interest rate. This reaction was largely due to the bulk of our earning asset base consisting of long-term fixed-rate bond investments and residential mortgage loans. As the Federal Reserve increased the prime interest rate during 2023, our yields on fixed-rate earning assets did not increase proportionally. Additionally, the costs of our deposits increased substantially primarily because, as rates rose, deposit customers naturally demanded higher returns on their deposits. This rate environment resulted in 1st Summit's net income moving from a record high of $11.5 million in 2022 to $2.6 million in 2023, a decline of $8.9 million.

The decline in net income year-over-year was driven by a $11.2 million or 30% decline in the Bank's net interest income. While higher rates and positive loan growth did drive a lift in interest income, up $5.8 million or 13%, this was offset by the 208% or $17 million increase experienced in the bank's interest expense paid on deposits and borrowings. We expect our operating earnings to improve once short-term rates decline, coupled with the many other initiatives we are taking to grow higher-yielding loans and gather lower-cost core deposits. The two new Community Offices we opened in Altoona and Greensburg in the fourth quarter of 2023 will be instrumental in achieving these growth objectives.

From a balance sheet perspective, our loan portfolio grew $28.4 million or 4%. With the rapid rise in interest rates, the mix of our deposits shifted from lower-cost checking and savings to more expensive CDs as deposit customers demanded higher returns. Despite the deposit volatility and competitive environment in 2023, total deposits ended the year $25 million higher than in 2022.

The Company is well capitalized with equity capital of over $101 million, or 7.4% of assets at year-end, and a total risk-based capital ratio of 17.4%, which is significantly above the 10% to be considered well capitalized by our federal regulators. The cash dividend in 2023 was $1.72 per share, up $.01 per share over the prior year. This marked the 47th straight year of a cash dividend increase. Additionally, asset quality remains strong with nonperforming assets at 0.59% of total assets. The allowance for loan losses also remains strong at 1.03% of total loans.

As we grow, and celebrate our century of community banking, let's applaud the people who make 1st Summit Bancorp great and allow each customer, shareholder, employee, and our community to Experience the Difference. Thank you, and I look forward to seeing you in the community, in the bank, and at our shareholders' meeting.

John W. McCall
Chairman of the Board

J. Eric Renner
President & CEO

THE SENIOR LEADERSHIP TEAM

Our Senior Leaders' diverse backgrounds across several industries, including Business Banking, Finance, Credit, Wealth Management, Retail, Information Technology, and more elevate the success of 1st Summit Bank. The team's unwavering dedication to excellence translates to growth and support for our stakeholders as we move into the next hundred years of banking.

J. Eric Renner
President
Chief Executive Officer

Carol A. Myers
Executive Vice President
Senior Chief Financial Officer

Timothy W. Smith
Senior Vice President
Chief Information Officer

Polly A. Previte
Senior Vice President
Head of Retail Banking

Karen M. Mento
Senior Vice President
Chief Administrative Officer

Michael J. Paulman
Senior Vice President
Chief Lending Officer

Joseph P. Kelly, Jr.
Senior Vice President
Chief Credit Officer

Domenic M. Cagliuso
Senior Vice President
Senior Wealth Management Division Head

OUR MISSION

To be the premier provider of lifelong mutually rewarding Relationship Banking experiences and solutions in the communities that we serve.

OUR VISION

To make a meaningful difference in our communities as The Company of Choice for customers, employees, and shareholders through a shared sense of mission.

OUR CORE VALUES

TEAMWORK • We respect and value each other; operate with humility; and share in the rewards for meeting the needs of our stakeholders.

CARING • We have a passion to educate and guide our customers to financial wellness through the appropriate solutions.

INTEGRITY • We operate from an open communication style that fosters honesty, trust, compassion, and commitment.

ACCOUNTABILITY • We are responsible for our performance, take job ownership and commit to volunteerism in our communities.

POSITIVE ATTITUDE • We are enthusiastic, energetic, and optimistic.

EXCELLENCE • We are committed to being the best we can be and see ourselves as ambassadors of the company, maintaining the highest degree of professionalism.

For the Community.
For Brighter Tomorrows.

As we approach our 100th anniversary milestone, we are reflecting on how we've grown from a single Bank office to 19 Community Offices with over $1.3 billion in assets. Amid the unexpected challenges of the banking industry and the world, we have remained undeterred in our efforts to help businesses and families develop and achieve financial success. This resilience has become a key part of the 1st Summit identity. At this definitive moment in 1st Summit's history, we are focused on the banking solutions and excellent service that have been a part of our story since 1924.

For the Community

Recognitions That Matter

We value feedback from our customers, shareholders, employees, and communities, and we appreciate when our efforts are recognized each year. In 2023, 1st Summit Bank was voted "Simply the Best" bank by the *Johnstown Tribune-Democrat*, chosen by readers in the community. In addition, we ranked #83 out of 90 Banks in the United States that were selected for the "Best Banks to Work For" by the *American Banker* magazine, and we were selected as one of the "Best Places to Work in PA" by the *Central Penn Business Journal*. These accomplishments motivate us to continue performing at the highest level, guaranteeing the best experiences for our customers, shareholders, employees, and communities.

10 YEARS

Entered ten-year partnership
with the Ken Lantzy
All-Star Classic

Partnering For Good

375

Contributed $480,000, supporting over 375 organizations

At 1st Summit, we value our ability to make a difference in the communities we serve. In 2023, we contributed $480,000 in donations, supporting over 375 organizations and independent causes. It was a particularly exciting year for community engagement—2023 marked the beginning of our ten-year partnership with the Ken Lantzy All-Star Classic and the official name of the annual football game changing to the "1st Summit Bank Ken Lantzy All-Star Classic." Our financial commitment funds the academic and performance scholarships awarded to students who participate in the game. The game, in June, involves all-star youth football players chosen across 40 school districts, and has become a staple within the western and central Pennsylvania region. The Bank is proud to be a force for good in a positive tradition that further benefits our communities. In addition, 1st Summit supports the arts through organizations like the Johnstown Symphony Orchestra and the Community Arts Center of Cambria County, education through Junior Achievement and The Challenge Program, health services through groups like the American Heart Association and the Alzheimer's Association, and others, including the Special Olympics, United Way, and the Salvation Army.

For Brighter Tomorrows

Expanding Our Market Presence

19

Opened 2 brand-new locations, increasing to 19 Community Offices

In October 2023, 1st Summit opened its 18th location in the Eldorado community of Altoona. This newly renovated space on 6th Avenue is our third location in Blair County, in addition to our in-store Walmart Office and Hollidaysburg Loan Production Office. To further the spirit of expansion that defined our year, our 19th community office location opened in November 2023. Located on Route 30, in front of the Eastgate Shopping Plaza in Greensburg, this is the fourth Community Office in Westmoreland County. Both of these beautiful new locations further our ability to provide excellent service and convenience to our valued customers and new partners in fast-growing markets.

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Solutions That Give Our Customers More

In April of 2023, we rolled out our new 1ST PERKS Consumer Checking Account Suite. Not only did this new set of accounts streamline and simplify our product offerings, but they came with a robust set of benefits that made our accounts much more relevant and gave our customers access to benefits and money saving tools such as local and national discounts, cell phone protection, roadside assistance, accidental death insurance, ID theft aid and credit monitoring, buyers protection, and more. Coupled with our 24/7 online tools and Visa® Debit Card, this unique package of benefits connects our customers to more than just their money. In addition, our Bank joined the IntraFi network in 2023. This network of over 3,000 banks allows us to provide maximum FDIC insurance to our deposit customers, giving them peace of mind throughout some of the banking turmoil that occurred in early 2023.

Room To Grow

2023 saw improvements in many of the systems and operational processes within the Bank. These changes not only allowed us to create capacity for growth, they also put into place simpler and more secure solutions, creating a strong foundation on which to grow. From the rollout of an improved eStatement platform, allowing better delivery of both statements and messages to our customers, to the implementation of an enhanced overall Cybersecurity Program that enables our customers to be confident in the privacy and security of their finances and information, our hard work will continue to pay off for years into the future. Other efficiency initiatives completed in 2023 include the implementation of a new payroll system, automated reporting, ATM upgrades, and much more.

1ST PERKS

Rolled out **1ST** PERKS Consumer Checking Account Suite

This is an exciting time for 1ST SUMMIT. After a strong year of expansion in 2023, we are energized for 2024, the year that marks our 100th year in business. To celebrate this monumental milestone with the communities and customers we've been serving for a century, we are looking forward to festivities that emphasize our theme for the anniversary year: **For The Community. For Brighter Tomorrows.** This year also reminds us that, despite the widespread changes and challenges that we have all faced in the past hundred years, we have remained a steadfast resource for communities and customers. We also use this as a time to reflect on the diversified experience we have gained in the past century as an organization and how our experiences and ability to adapt help us as we continue to forge into the future of banking.

“Simply the Best”

Voted “Simply the Best” bank by readers of the *Johnstown Tribune-Democrat*

Grand Celebration

1st Summit celebrated it’s 19th Community Office Opening at Eastgate Shopping Plaza. This is the fourth Community Office in Westmoreland County.

NEW SENIOR BUSINESS RELATIONSHIP MANAGERS

Recently, 1st Summit Bank appointed Susan Martin and Sean McCool as Business Relationship Managers in the Cambria/Somerset areas and named John Kline in Westmoreland County and Aaron Lantzy in Blair County.

These key additions will provide necessary support and financial solutions to commercial customers and stimulate significant growth to match our expanding market presence of Community Offices. Sean, Susan, John, and Aaron all bring their own impressive backgrounds and diversity of knowledge to these roles, helping them serve as valuable resources during this exciting time of growth.

Susan Martin
VP & Sr. Business Relationship Manager/ Cambria and Somerset Counties

Sean McCool
AVP & Business Relationship Manager/ Cambria and Somerset Counties

John Kline
VP & Sr. Regional Business Relationship Manager/ Westmoreland County

Aaron Lantzy
VP & Sr. Regional Business Relationship Manager/ Blair County

1ST SUMMIT BANCORP AND
1ST SUMMIT BANK BOARD OF DIRECTORS

John W. McCall
Chairman
1st Summit Bancorp
& 1st Summit Bank
McCall Motors, Inc

J. Eric Renner
President & CEO
1st Summit Bancorp

President & CEO
1st Summit Bank

Robert P. Gardill, II
General American
Resources, Inc.

Jennifer H. Lunden, Esq.
Hergenroeder Rega Ewing
& Kennedy, LLC

Jacqueline M. Martella
Martella's Pharmacies
Boswell Prescription/Boswell
Pharmacy Services, LLC

Rex W. McQuaide, Esq.
MCS Logistics, Inc.
Challenge Warehousing, Inc.
Centerport, Inc.

Michael E. Ondesko, Jr.
Dunlo Transfer Co., Inc.
Dunlo Realty, Inc.

Edward J. Sheehan, Jr.
Concurrent Technologies
Corporation

DIRECTORS EMERITI

Barry M. Alberter

Dominic A. Bellvia

1st Summit Bank
ADVISORY BOARDS

NORTHERN Area

George E. Letcher, Jr., CPA
Professor Emeritus
University of Pittsburgh
at Johnstown

Anthony F. Pacifico
A & M Pacific Associates
Pacific Hospitality

Jeffrey R. Holtz, Broker
Holtz and Associates
Real Estate, LLC.

Marie E. Polinsky
Choices People Supporting
People, Inc. (retired)

Michael J. Bellvia
Pro Disposal, Inc.
Triple B Trucking LLC
McBell, LLC
Mainline Equipment Rentals
Double Bell, LLC
Green Energy Ventures, LLC
Pro Disposal Maryland, LLC

Matthew Finkelstine
Full Performance Marine
MPF Properties, LLC

SOUTHERN Area

Charles F. Erickson, Jr.
Allegheny Logistics Center

Leah Spangler, Ed.D.
The Learning Lamp &
Ignite Education Solutions

F. Nicholas Jacobs
Senior Management
Resources, LLC

Mark J. Duray
Citizens' Cemetery Association

Mark R. Tercek
LCT Energy

P.J. McGowan
Precious Metals & Diamond Co.
Beauty Lawn
Eco Safe Sanitizing

Christopher W. Martella

WESTERN Area

Joseph R. Green, Esquire
Attorney at Law

Stephen W. Osborne, Ph.D.
Professor of Management
Indiana University of Pennsylvania

Eric E. Bononi, Esquire, CPA
Bononi and Company, PC

David S. Gehlman
Business Owner (retired)

Douglas R. McIlwain
McIlwain Charters

Steven L. Remaley, CPA
Roy & Associates, PC

1st Summit Bancorp
OPERATING OFFICERS

J. Eric Renner
President & Chief
Executive Officer

Carol A. Myers
Executive Vice President
& Treasurer

Michael J. Paulman
Senior Vice President

Timothy W. Smith
Senior Vice President
& Secretary

Polly A. Previte
Senior Vice President

1st Summit Bank OPERATING OFFICERS

J. Eric Renner
President & Chief Executive Officer

Carol A. Myers
Executive Vice President & Sr. Chief Financial Officer

Timothy W. Smith
Sr. Vice President & Chief Information Officer

Karen M. Mento
Sr. Vice President & Chief Administrative Officer

Donald F. Yeager
Sr. Vice President & Sr. Business Relationship Manager & Public Fund Officer

Polly A. Previte
Sr. Vice President & Head of Retail Banking

Michael Seigh
Sr. Vice President of Finance

Michael J. Paulman
Sr. Vice President & Chief Lending Officer

Domenic M. Cagliuso
Sr. Vice President & Sr. Wealth Management Division Head

Joseph P. Kelly Jr.
Sr. Vice President & Chief Credit Officer

Sean P. Lewis
Vice President & Sr. Wealth Management Relationship Officer

Susan K. Stem
Vice President & Regional Relationship Center Coach

Christina L. Hines
Vice President & Regional Relationship Center Coach

Kelly L. Goncher
Vice President & Senior Mortgage Loan Officer

Tonya M. Kelly
Vice President & Operations Officer

Kenneth R. Szczur
Vice President & Consumer Banking Relationship Officer

Jonathan E. Tapocik
Vice President & Senior Regional Business Relationship Manager

Michael A. Matten
Vice President & Senior Regional Business Relationship Manager

Beth Ann Eicher
Vice President & Senior Regional Business Relationship Manager

Janeen L. Moffa
Vice President & Senior Regional Business Relationship Manager

Susan A. Martin
Vice President & Senior Regional Business Relationship Manager

John P. Kline
Vice President & Senior Regional Business Relationship Manager

Jerry F. Updyke
Vice President & Senior Regional Business Relationship Manager

Julie A. Edwards
Vice President & General Auditor

Lori R. Baumgardner
Vice President & Customer Experience and Quality Officer

Lori A. Kurtz
Vice President & Special Assets & Collections Manager

Jarrett J. Yantus
Vice President & Sr. Information Technology Officer

Jessica M. Marshall
Vice President & Corporate Risk and Compliance Officer

J. Ilene Boughner
Assistant Vice President & Senior Personal Banking Officer/Regional Lender-Indiana

Angela C. Moffat
Assistant Vice President & Wealth Management Relationship Officer II

Rebecca L. Darr
Assistant Vice President & Mortgage Loan Officer II

Eleanore B. Bucchi
Assistant Vice President & Mortgage Loan Officer II

Nancy A. Becker
Assistant Vice President & Mortgage Loan Officer II

Denise N. Sivi
Assistant Vice President & Loan Operations Manager

Jennifer L. Rankin
Assistant Vice President & Business Intelligence Analyst

Sherry A. Hetrick
Assistant Vice President & Product & Process Improvement Manager

Stacy L. Martin
Assistant Vice President & Residential Mortgage Loan Department Head

Jeannine M. Goncher
Assistant Vice President & Senior Administrative Assistant - Operations/HR

Pamela H. Carroll
Assistant Vice President & Senior Executive Assistant to President

Susan J. McQuillen
Assistant Vice President & Deposit Operations Officer

Lawrence Albertelli
Assistant Vice President & Senior Credit Administration Officer

Mary E. Woy
Assistant Vice President & Senior Personal Banking Officer

Julie A. Mikolich
Assistant Vice President & Senior Personal Banking Officer

Alysha R. McCauley
Assistant Vice President & Senior Personal Banking Officer

Heather A. Shearman
Assistant Vice President & Senior Personal Banking Officer

Heidi N. Stratton-Minor
Assistant Vice President & Senior Personal Banking Officer

Jennifer L. Swinger
Assistant Vice President & Controller

Brian W. Britton
Assistant Vice President & Sr. Electronic Banking Officer

Annette M. Rose
Assistant Vice President & Trust Officer

Nathanael R. Shaffer
Assistant Vice President & Wealth Management Relationship Officer

Sean R. McCool
Assistant Vice President & Business Relationship Manager

Joseph P. Ivock
Assistant Vice President & Senior Data Center Officer

Melanie A. Eberly
Assistant Secretary & Personal Banking Officer

Jason R. Miller
Assistant Secretary & Personal Banking Officer

Lori A. Lundberg
Assistant Secretary & Personal Banking Officer

Joyce L. Czyrnik
Assistant Secretary & Personal Banking Officer

Amy F. McIntosh
Assistant Secretary & Personal Banking Officer

Emily D. Boyer
Assistant Secretary & Sr. Retail Professional Development Officer

Robert B. Rock
Assistant Secretary & Assistant Consumer Loan Officer

Joseph A. Delozier
Assistant Secretary & Systems Administrator

Gregory W. Mackel
Assistant Secretary & Information Security Engineer II

Keith R. Santee
Assistant Treasurer & Regulatory Audit Supervisor

Ashley N. Mikula
Assistant Treasurer & Accounting Officer

Joshua E. Barto
Assistant Secretary & Credit Administration Officer

Adam J. Rogers
Assistant Secretary & Assistant BSA Officer

Chris A. Gaydis
Assistant Secretary & Senior Auditor

Jennifer L. Pinkas
Assistant Secretary & Communications & Public Relations Manager

Stacy M. Graham
Assistant Secretary & Marketing Officer

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
1st Summit Bancorp of Johnstown, Inc.
Johnstown, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of 1st Summit Bancorp of Johnstown, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022; the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 23, 2024, expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for credit losses effective January 1, 2023, due to the adoption of Accounting Standards Codification (ASC) Topic 326, Financial Instruments – Credit Losses. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a period of within one year after the date the financial statements are issued or available to be issued.

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Cranberry Township, PA 16066
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PHILADELPHIA, PA
2100 Renaissance Blvd. • Suite 110
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(610) 278-9800

WHEELING, WV
980 National Road
Wheeling, WV 26003
(304) 233-5030

STEUBENVILLE, OH
511 N. Fourth Street
Steubenville, OH 43952
(304) 233-5030

S.R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
February 29, 2024

CONSOLIDATED BALANCE SHEET

(in thousands, except per share data)

December 31,	**2023**	**2022**
ASSETS		
Cash and due from banks	$ 12,893	$ 10,572
Interest-bearing deposits in banks	455	113
Cash and cash equivalents	13,348	10,685
Equity securities	7,005	8,732
Investment securities available for sale, net of allowance for credit losses of $0 (amortized cost of $327,299 and $339,607)	291,435	300,476
Investment securities held to maturity, net of allowance for credit losses of $0 (fair value of $211,348 and $222,530)	236,798	250,751
Loans receivable	762,411	734,035
Less allowance for credit losses	7,871	7,498
Net loans receivable	754,540	726,537
Operating lease right-of-use asset	3,215	2,511
Premises and equipment, net	14,599	13,185
Goodwill	339	389
Bank-owned life insurance	24,376	22,793
Accrued interest receivable	4,995	4,807
Federal Home Loan Bank stock, at cost	3,946	4,211
Other assets	17,121	16,698
TOTAL ASSETS	$ 1,371,717	$ 1,361,775
LIABILITIES		
Deposits:		
Noninterest-bearing checking	$ 120,562	$ 129,978
Interest-bearing checking	306,649	323,649
Money market	163,611	146,622
Savings	154,435	188,271
Time	440,299	372,215
Total deposits	1,185,556	1,160,735
Operating lease liabilities	3,293	2,595
Short-term borrowings	59,291	61,889
Other borrowed funds	12,186	28,435
Accrued interest payable and other liabilities	9,904	6,836
TOTAL LIABILITIES	$ 1,270,230	$ 1,260,490
STOCKHOLDERS' EQUITY		
Preferred stock, no par value; 300,000 shares authorized; none issued	–	–
Common stock, $5 par value; 4,800,000 shares authorized; 2,203,038 issued	11,015	11,015
Capital surplus	5,825	5,825
Retained earnings	113,784	116,125
Accumulated other comprehensive loss	(28,333)	(30,914)
Treasury stock, at cost (12,528 shares and 12,028 shares)	(804)	(766)
TOTAL STOCKHOLDERS' EQUITY	101,487	101,285
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,371,717	$ 1,361,775

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share data)

Year Ended December 31,	2023	2022
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	$ 36,441	$ 31,814
Interest and dividends on investment securities:		
Taxable	8,923	8,126
Exempt from federal income tax	5,041	4,951
Other interest	417	149
Total interest and dividend income	50,822	45,040
INTEREST EXPENSE		
Deposits	20,074	6,145
Short-term borrowings	4,140	991
Other borrowed funds	943	1,023
Total interest expense	25,157	8,159
NET INTEREST INCOME	25,665	36,881
PROVISION FOR CREDIT LOSS EXPENSE	700	368
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSS EXPENSE	24,965	36,513
OTHER INCOME		
Service charges on deposit accounts	$ 2,039	$ 1,899
Loss on sale of debt investment securities, net	(113)	–
Loss on equity securities, net	(460)	(890)
Wealth management income	2,072	2,024
Earnings on bank-owned life insurance	500	363
Death benefit on bank-owned life insurance	430	–
Bank card income	2,526	2,098
Other income	390	396
Total other income	7,384	5,890
OTHER EXPENSE		
Salaries and employee benefits	17,068	17,229
Occupancy expense	2,359	2,109
Equipment expense	1,902	2,228
Federal deposit insurance expense	627	360
Data processing expense	2,183	1,249
Shares tax expense	898	1,161
Donations expense	320	303
Professional fees expense	772	450
Other expense	4,441	4,226
Total other expense	30,570	29,315
INCOME BEFORE INCOME TAXES	1,779	13,088
Income tax (benefit) expense	(867)	1,575
NET INCOME	$ 2,646	$ 11,513
EARNINGS PER SHARE	$ 1.21	$ 5.26
AVERAGE SHARES OUTSTANDING	2,190,783	2,189,596

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

Year Ended December 31,	**2023**	**2022**
NET INCOME	$ 2,646	$ 11,513
COMPONENTS OF OTHER COMPREHENSIVE GAIN (LOSS):		
Unrealized gain (loss) on available-for-sale securities	3,155	(45,237)
Tax effect	(663)	9,500
Reclassification adjustment for loss realized in income	113	–
Tax effect	(24)	–
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	2,581	(35,737)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 5,227	$ (24,224)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except per share data)

	Outstanding Shares	**Common Stock**	**Capital Surplus**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock**	**Total Stockholders' Equity**
Balance, December 31, 2021	1,094,705	$ 5,507	$ 5,791	$ 113,865	$ 4,823	$ (848)	$ 129,138
Net income				11,513			11,513
Other comprehensive loss					(35,737)		(35,737)
100 percent stock dividend effective in the form of a stock split	1,094,705	5,508		(5,508)			–
Cash dividends ($1.71 per share)				(3,745)			(3,745)
Purchase of treasury stock	(100)					(7)	(7)
Sale of treasury stock	1,700		34			89	123
BALANCE, DECEMBER 31, 2022	**2,191,010**	**11,015**	**5,825**	**116,125**	**(30,914)**	**(766)**	**101,285**
Net income				**2,646**			**2,646**
Cumulative effect of adoption of ASU 2016-13				**(1,219)**			**(1,219)**
Other comprehensive income					**2,581**		**2,581**
Cash dividends ($1.72 per share)				**(3,768)**			**(3,768)**
Purchase of treasury stock	**(500)**					**(38)**	**(38)**
BALANCE, DECEMBER 31, 2023	**2,190,510**	**$ 11,015**	**$ 5,825**	**$ 113,784**	**$ (28,333)**	**$ (804)**	**$ 101,487**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

Year Ended December 31,	2023	2022
OPERATING ACTIVITIES		
Net income	$ 2,646	$ 11,513
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	700	368
Depreciation and amortization	3,407	3,440
Loss on sale of debt investment securities, net	113	–
Loss on equity securities change in fair value, net	460	890
Deferred income taxes	(796)	345
Earnings on bank-owned life insurance	(930)	(363)
Increase in accrued interest receivable	(188)	(237)
Increase in accrued interest payable	2,147	280
Other, net	(933)	(1,748)
Net cash provided by operating activities	6,626	14,488
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from sales	794	–
Proceeds from maturities and paydowns	15,733	28,665
Purchases	(4,941)	(39,368)
Investment securities held to maturity:		
Proceeds from maturities and paydowns	19,287	31,326
Purchases	(5,837)	(38,237)
Equity securities:		
Proceeds from sales	767	176
Proceeds from call	500	–
Net increase in loans	(29,291)	(54,234)
Purchases of premises and equipment	(2,846)	(1,814)
Proceeds from bank-owned life insurance	2,599	–
Purchases of bank-owned life insurance	(3,252)	(4,581)
Proceeds from sale of real estate owned	91	18
Redemption of Federal Home Loan Bank stock	6,765	10,653
Purchase of Federal Home Loan Bank stock	(6,500)	(13,613)
Net cash used for investing activities	(6,131)	(81,009)
FINANCING ACTIVITIES		
Net increase in deposits	24,821	22,947
Net change in short-term borrowings	(2,598)	46,489
Proceeds from other borrowed funds	–	–
Repayments of other borrowed funds	(16,249)	(3,150)
Dividends paid on common stock	(3,768)	(3,745)
Purchases of treasury stock	(38)	(7)
Proceeds from sales of treasury stock	–	123
Net cash provided by financing activities	2,168	62,657
Increase (Decrease) in cash and cash equivalents	2,663	(3,864)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,685	14,549
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 13,348	$ 10,685

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting and reporting policies applied in the presentation of the accompanying financial statements follows:

Nature of Operations and Basis of Presentation

The consolidated financial statements include the accounts of 1ST SUMMIT BANCORP of Johnstown, Inc. (the "Company"), and its wholly owned subsidiaries, 1ST SUMMIT BANK (the "Bank") and Value Finance, Inc. ("Value"). Value was liquidated in December 2023. All significant intercompany transactions have been eliminated in consolidation. The investment in subsidiaries on the parent company financial statements is carried in the parent company's equity and equals the underlying net assets of the subsidiaries.

The Company is a Pennsylvania company organized to become the holding company of the Bank. The Bank is a state-chartered bank located in Pennsylvania. Value was a Pennsylvania-chartered consumer finance company. The Company's principal sources of revenue emanate from its portfolio of residential real estate, commercial mortgage, commercial, and consumer loans, its investment portfolio, as well as trust and a variety of deposit services to its customers through nineteen Bank offices and one Bank Loan Production Office ("LPO"). All Value locations were closed in 2023. The Company is supervised by the Board of Governors of the Federal Reserve System, while the Bank is subject to regulation and supervision by the Federal Deposit Insurance Corporation. The Bank, the LPO, and Value are regulated by the Pennsylvania Department of Banking.

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the Consolidated Balance Sheet date and reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

Investment Debt and Equity Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Investment securities classified as available for sale are those securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Securities available for sale are carried at fair value. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Unrealized gains or losses are reported as increases or decreases in other comprehensive income (loss), net of the deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the term of the securities.

Investment securities classified as held to maturity are those securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost, adjusted for the amortization of premium and accretion of discount, and computed by a method that approximates the interest method over the terms of the securities.

Equity securities are measured at fair value with changes in fair value recognized in net income. Dividends on equity securities are recognized as income when earned.

Allowance for Credit Losses – Available-for -Sale Securities

The Bank measures expected credit losses on available-for-sale debt securities when the Bank does not intend to sell, or when it is not more likely than not that it will be required to sell the security before recovery of its 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 through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Bank considers the extent to which fair value is less than amortized cost, 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 evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, equal to the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

The allowance for credit losses on available-for-sale debt securities is included within investment securities available-for-sale on the consolidated balance sheet. Changes in the allowance for credit losses are recorded within Provision for credit losses on the consolidated statement of income. Losses are charged against the allowance when the Bank believes the collectability of an available-for-sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $1,578 thousand at December 31, 2023 and is included within accrued interest receivable on the consolidated balance sheet. This amount is excluded from the estimate of expected credit losses. Available-for-sale debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available-for-sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Allowance for Credit Losses - Held-to-Maturity Securities

The Bank measures expected credit losses on held-to-maturity debt securities, which are comprised of U.S. government agency securities, residential mortgage-backed securities, and obligations of states and political subdivisions. The Bank's residential mortgage-backed security holdings are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The Bank's obligations of states and political subdivision holdings are also highly rated by major rating agencies and have a long history of no credit losses.

Accrued interest receivable on held-to-maturity debt securities totaled $777 thousand at December 31, 2023 and is included within accrued interest receivable on the consolidated balance sheet. This amount is excluded from the estimate of expected credit losses. Held-to-maturity debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held-to-maturity debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Credit Losses on Investment Securities – Prior to adopting ASU2016-13

The Bank adopted ASU No. 2016-13 effective January 1, 2023. Financial statement amounts related to Investment Securities recorded as of December 31, 2022 and for the periods ending December 31, 2022 are presented in accordance with the accounting policies described in the following sections. The following sections were carried forward from the Annual Report for the year ended December 31, 2022.

Securities are evaluated on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in their value is other than temporary. To determine whether a loss is other than temporary, management utilizes criteria such as the reasons underlying the decline, the magnitude and duration of the decline, and whether or not management intends to sell or expects that it is more likely than not that it will be required to sell the security prior to an anticipated recovery of fair value. The term "other than temporary" is not intended to indicate that the decline is permanent but indicates that the prospects for a near-term recovery of value are not necessarily favorable or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment.

Declines in the fair value of securities below their cost that are deemed to be other than temporary are separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss), and (b) the amount of the other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive (loss) income.

Investment in Federal Home Loan Bank ("FHLB") Stock

The Bank is a member of the FHLB of Pittsburgh and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost and evaluated for impairment. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared with the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB, and (d) the liquidity position of the FHLB. There was no impairment of the FHLB stock as of December 31, 2023 or 2022.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances, net of unearned income. Accrued interest receivable totaled $2,635 thousand at December 31, 2023 and was reported in accrued interest receivable on the consolidated balance sheet and is excluded from the estimate of credit losses. Interest from installment loans is recognized in income based on the simple-interest method, actuarial method, or sum-of-the-month's-digits method depending on which entity originated the loans. All three methods result in approximate level rates of return over the terms of the loans. Interest on real estate mortgages and commercial loans is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is amortizing these amounts over the contractual life of the loan. Premiums and discounts on purchased loans are amortized as adjustments to interest income using the effective yield method.

The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following classes: Commercial construction, commercial and industrial loans, and commercial real estate loans. Consumer loans consist of the following classes: residential real estate loans, and consumer loans.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credits to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans, including impaired loans, generally is either applied against principal or reported as interest income on a cash basis, according to management's judgement as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months), and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Credit Losses - Loans

The allowance for credit losses (ACL) is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, our peers historical loss experience, current conditions and forecasts

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components; evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Bank has identified the following portfolio segments: Commercial and industrial loans, commercial real estate-nonowner occupied, commercial real estate-all other, construction, residential real estate, and consumer loans. The bank measures the allowance for credit losses using the weighted average maturity method for all segments.

Historical credit loss experience of our peer banks is the basis for the estimation of expected credit losses. We apply historical loss rates to pools of loans with similar characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. Our reasonable and supportable forecast adjustment is based on the unemployment forecast, GDP forecast, and management judgement. For periods beyond our reasonable and supportable forecast, we revert to historical loss rates utilizing a straight-line method over a one-year reversion period. The qualitative adjustments for current conditions are based upon changes in lending policies and practices, experience and ability of lending staff, quality of the Bank's loans review system, value of underlying collateral, the existence of and changes in concentrations and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve.

The Bank has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore, should be individually assessed. We evaluate all loans that meet the following criteria: 1) when it is determined foreclosure is probable, 2) substandard, doubtful and nonperforming loans when repayment is expected to be provided substantially through the operation or sale of the collateral, 3) when it is determined by management that a loan does not share similar risk characteristics with other loans. Specific reserves are established based on the fair value of the collateral when the loan is collateral dependent. Our individual loan evaluations consist primarily of the fair value of collateral method because most of our loans are collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance.

Collateral-Dependent Loans

A financial asset is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of loans and leases deemed collateral-dependent, the Company elected the practical expedient to estimate expected credit losses based on the collateral's fair value less cost to sell. Substantially all of the collateral consists of various types of business assets or real estate including residential properties; commercial properties such as retail centers, office buildings, and lodging; agriculture land; and vacant land.

Allowance for Loan Losses – Prior to adopting ASU 2016-13

Prior to adoption of ASU 2016-13 financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, the Bank calculated our ALL using an incurred loan loss methodology. The following policy related to the ALL in prior periods. The allowance for loan losses represents the amount which management estimates is adequate to provide for probable losses inherent in its loan portfolio, as of the Consolidated Balance Sheet date. The allowance method is used in providing for loan losses. Accordingly, all loan losses are charged to the allowance, and all recoveries are credited to it. The allowance for loan losses is established through a provision for loan losses charged to operations. The provision for loan losses is based on management's monthly evaluation of individual loans, economic factors, past loan loss experience, changes in the composition and volume of the portfolio, and other relevant factors. The estimates used in determining the adequacy of the allowance for loan losses, including the amounts and timing of future cash flows expected on impaired loans, are particularly susceptible to change in the near term.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Bank. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration for the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. This allowance is included in the other liabilities section of the balance sheet.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is principally computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 10 years for furniture, fixtures, and equipment and 25 to 40 years for building premises. Leasehold improvements are amortized over the shorter of their estimated useful lives or their respective lease terms, which range from 7 to 15 years. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

Goodwill

The Company accounts for goodwill using an annual impairment analysis of goodwill that includes a qualitative assessment in order to determine if the two-step process of measuring impairment is necessary on at least an annual basis. This approach could cause more volatility in the Company's reported net income because impairment losses, if any, could occur irregularly and in varying amounts. In 2023, goodwill impairment of $50 thousand was recognized with the liquidation of Value. No impairment of goodwill was recognized in 2022.

Bank-Owned Life Insurance ("BOLI")

The Bank purchased life insurance policies on certain key employees and directors. BOLI is recorded at its cash surrender value or the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

amount that can be realized and is shown on the Consolidated Balance Sheet. Any increases in the cash surrender value are recorded as other income on the Consolidated Statement of Income.

Trust Department

Trust department assets (other than cash deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying Consolidated Balance Sheet since such items are not assets of the Bank.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs included in other expense on the Consolidated Statement of Income were $378 thousand in 2023 and $387 thousand in 2022.

Income Taxes

The Company, the Bank, and Value file a consolidated federal income tax return. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The federal corporate tax rate was 21% for 2023 and 2022.

Earnings Per Share

The Company currently maintains a simple capital structure; thus, there are no dilutive effects on earnings per share. Earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding for the period. Earnings per share calculations give retroactive effect to stock dividends declared by the company.

Comprehensive Income (Loss)

The Company is required to present comprehensive income (loss) in a full set of general-purpose financial statements for all periods presented. Other comprehensive income (loss) is comprised of unrealized holding gains (losses) on the available-for-sale securities portfolio and reclassification adjustment for realized gains (losses) recognized in income.

Statement of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks and interest-bearing deposits at banks with original maturities of 90 days or less. Cash payments for interest in 2023 and 2022 were $23.0 million and $7.9 million, respectively. Income tax payments totaled $100 thousand in 2023 and $1.1 million in 2022. In 2023, additional right-of-use assets of $1,516 thousand and related lease liabilities of $1,516 thousand were recognized. In 2022, additional right-of-use assets of $205 thousand and related lease liabilities of $205 thousand were recognized. In 2023, there was no noncash transfer of repossessed assets from loans to other assets and a noncash transfer of real estate of $50 thousand from loans to real estate owned. In 2022, there was a noncash transfer of repossessed assets of $102 thousand from loans to other assets and a noncash transfer of real estate of $519 thousand from loans to real estate owned. In 2022, there was a noncash transfer of $5.5 million from retained earnings to common stock for the stock dividend issued on April 19, 2022. On January 1, 2023, there was a noncash transfer to the allowance for credit losses on loans and to the allowance for credit losses on off balance sheet credit exposures for the adoption of ASU 2016-13 for $838 thousand and $705 thousand, respectively.

Accounting Pronouncements Adopted in 2023

In June 2016, the FASB issued ASU No. 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* and subsequent related updates. This ASU replaces the incurred loss methodology for recognizing credit losses and requires businesses and other organizations to measure the current expected credit losses (CECL) on financial assets measured at amortized cost, including loans and held-to-maturity securities, net investment in leases, off-balance sheet credit exposures such as unfunded commitments, and other financial instruments. In addition, ASC 326 requires credit losses on available-for-sale debt securities to be presented as an allowance rather than as a write-down when management does not intend to sell or believes that it is not more likely than not they will be required to sell. This guidance became effective on January 1, 2023, for the Bank. The results reported for periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards.

The Bank adopted this guidance, and subsequent related updates, using modified retrospective approach for all financial assets measured at amortized cost, including loans and held-to-maturity debt securities, available-for-sale debt securities and unfunded commitments. On January 1, 2023, the Bank recorded a cumulative effect decrease to retained earnings of $1,219 thousand, net of tax, of which $662 thousand related to loans, $557 thousand related to unfunded commitments and no amount related to available-for-sale securities.

The Bank adopted the provisions of ASC 326 related to presenting other-than-temporary impairment on available-for-sale debt securities prior to January 1, 2023 using the prospective transition approach, though no such charges had been recorded on the securities held by the Bank as of the date of adoption.

The impact of the change from the incurred loss model to the current expected credit loss model is detailed below (in thousands).

January 1, 2023	**Pre-adoption**	**Adoption Impact**	**As Reported**
ASSETS			
ACL on loans receivable			
Consumer	$ 415	$ 1,076	$ 1,491
Residential real estate	2,346	(635)	1,711
Construction	687	540	1,227
Commercial and industrial	1,302	239	1,541
Commercial real estate - nonowner occupied	1,507	(79)	1,428
Commercial real estate - all other	762	176	938
Unallocated	479	(479)	–
LIABILITIES			
ACL for unfunded commitments	–	705	705
	$ 7,498	$ 1,543	$ 9,041

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reclassification of Comparative Amounts

Certain comparative amounts for the prior year have been reclassified to conform to current-year classifications. Such reclassifications had no effect on net income or stockholders' equity.

2. REVENUE RECOGNITION

The Company recognized revenue from contracts with customers in accordance with ASC Topic 606. Topic 606 does not apply to revenue associated with interest income on financial instruments, including loans and securities. Additionally, certain noninterest income streams such as income from bank owned life insurance, and gain and losses on sales of debt and equity securities are out of scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation beyond what is presented in the Consolidated Statement of Income was not necessary.

Service Charges on Deposit Accounts

Topic 606 is applicable to noninterest revenue streams such as service charges on deposit accounts which consists of monthly service fees, wire transfer fees, ATM fees, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees are largely transactional based, and therefore, revenue is recognized upon completion of transaction.

Wealth Management Income

Wealth management income is primarily comprised of fees earned from the management and administration of trusts and other customer assets along with commissions from the sale of mutual funds and annuities. The Company's performance obligation for management and administration is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to the customers' accounts. The Company's performance obligation for mutual fund and annuity sales is generally satisfied upon completion of the transaction.

Bank Card Income

Bank card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as VISA. The Company's performance obligation for these fees 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.

Other Income

Other income within the scope of Topic 606 is primarily comprised of credit life insurance commissions and safe deposit box rents. Credit life insurance commissions are recognized over time using the monthly outstanding balance method which corresponds to the underlying insurance policy period, for which the Company is obligated to perform under contract with the insurance carrier. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation.

3. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, approximate fair value, and allowance for credit losses on investment securities available-for-sale and held-to-maturity as of December 31, 2023 are summarized as follows (in thousands):

2023	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Allowance for Credit Losses**	**Fair Value**
AVAILABLE FOR SALE					
Obligations of states and political subdivisions	**$ 154,427**	**$ 61**	**$ (16,146)**	**$ –**	**$ 138,342**
Mortgage-backed securities in government-sponsored entities	**155,827**	**108**	**(18,682)**	**–**	**137,253**
Corporate bonds	**17,045**	**–**	**(1,205)**	**–**	**15,840**
Total debt securities	**$ 327,299**	**$ 169**	**$ (36,033)**	**$ –**	**$ 291,435**

2023	**Amortized Cost**	**Gross Unrecognized Gains**	**Gross Unrecognized Losses**	**Fair Value**	**Allowance for Credit Losses**
HELD TO MATURITY					
U.S. government agency securities	**$ 18,188**	**$ –**	**$ (2,576)**	**$ 15,612**	**$ –**
Obligations of states and political subdivisions	**42,269**	**49**	**(2,040)**	**40,278**	**–**
Mortgage-backed securities in government-sponsored entities	**176,341**	**238**	**(21,121)**	**155,458**	**–**
Total	**$ 236,798**	**$ 287**	**$ (25,737)**	**$ 211,348**	**$ –**

3. INVESTMENT SECURITIES *(continued)*

The amortized cost, gross unrealized gains and losses, and approximate fair value on investment securities available-for-sale and held-to-maturity as of December 31, 2022 are summarized as follows (in thousands):

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AVAILABLE FOR SALE				
Obligations of states and political subdivisions	$ 154,703	$ 55	$ (17,920)	$ 136,838
Mortgage-backed securities in government-sponsored entities	167,869	24	(20,468)	147,425
Corporate bonds	17,035	2	(824)	16,213
Total debt securities	$ 339,607	$ 81	$ (39,212)	$ 300,476

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
HELD TO MATURITY				
U.S. government agency securities	$ 18,148	$ –	$ (2,783)	$ 15,365
Obligations of states and political subdivisions	43,799	58	(2,271)	41,586
Mortgage-backed securities in government-sponsored entities	188,804	87	(23,312)	165,579
Total	$ 250,751	$ 145	$ (28,366)	$ 222,530

At year end 2023 and 2022, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

The Company had proceeds of $794 thousand from the sale of debt securities during 2023, resulting in gross realized losses of $113 thousand. There were no proceeds from sales of debt securities during 2022. The Company sold no held to maturity securities during 2023 or 2022.

Investment securities with a carrying value of $324.4 million and $345.5 million at December 31, 2023 and 2022, respectively, were pledged to secure public deposits, borrowings, and for other purposes as required by law.

Net losses on the change in fair value of equity securities were $460 thousand in 2023, and net losses on the change in fair value of equity securities were $890 thousand in 2022. The Company had proceeds of $578 thousand from sales of equity securities during 2023, resulting in gross realized losses of $132 thousand. In addition, the Bank had proceeds from equity securities of $500 thousand as a result of a full call on preferred stock in 2023. Proceeds from equity securities of $189 thousand were received in 2023 and $176 thousand in 2022 as a result of business combinations.

The amortized cost and fair value of investment securities at December 31, 2023, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without any penalties (in thousands).

	AVAILABLE FOR SALE		HELD TO MATURITY	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 585	$ 581	$ 995	$ 990
Due after one year through five years	7,497	7,320	15,295	14,779
Due after five years through ten years	63,751	59,472	47,146	42,892
Due after ten years	255,466	224,062	173,362	152,687
Total	$ 327,299	$ 291,435	$ 236,798	$ 211,348

The following table summarizes debt securities available for sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2023, aggregated by security type and length of time in a continuous loss position, at December 31 (in thousands):

	LESS THAN TWELVE MONTHS		TWELVE MONTHS OR GREATER		TOTAL	
2023	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Obligations of states and political subdivisions	**$ 32,182**	**$ (778)**	**$ 99,981**	**$ (15,368)**	**$ 132,163**	**$ (16,146)**
Mortgage-backed securities in government-sponsored entities	**–**	**–**	**130,501**	**(18,682)**	**130,501**	**(18,682)**
Corporate bonds	**–**	**–**	**12,239**	**(1,205)**	**12,239**	**(1,205)**
Total debt securities	**$ 32,182**	**$ (778)**	**$ 242,721**	**$ (35,255)**	**$ 274,903**	**$ (36,033)**

3. INVESTMENT SECURITIES *(continued)*

At December 31, 2023, the Company had 0 U.S. government agency securities, 86 obligations of states and political subdivisions, 0 Mortgage-backed securities in government-sponsored entities, and 0 corporate bonds that have been in a gross unrealized loss position for less than 12 months. At December 31, 2023, the Company had 0 U.S. government agency securities, 312 obligations of states and political subdivisions, 231 Mortgage-backed securities in government-sponsored entities, and 30 corporate bonds that have been in a gross unrealized loss position for greater than 12 months.

The following table summarizes debt securities available for sale and held to maturity in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2022, aggregated by security type and length of time in a continuous loss position, at December 31 (in thousands):

	LESS THAN TWELVE MONTHS		TWELVE MONTHS OR GREATER		TOTAL	
2022	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
U.S. government agency securities	$ 4,724	$ (368)	$ 10,641	$ (2,415)	$ 15,365	$ (2,783)
Obligations of states and political subdivisions	142,660	(12,190)	25,372	(8,001)	168,032	(20,191)
Mortgage-backed securities in government-sponsored entities	122,872	(9,464)	184,405	(34,316)	307,277	(43,780)
Corporate bonds	9,200	(575)	2,860	(249)	12,060	(824)
Total debt securities	$ 279,456	$ (22,597)	$ 223,278	$ (44,981)	$ 502,734	$ (67,578)

The Company reviews its position quarterly and has asserted that at December 31, 2022, the declines outlined in the above table represent temporary declines and the Company does not intend to sell and does not believe it will be required to sell these securities before recovery of its cost basis, which may be at maturity. There were 1,041 positions that were temporarily impaired at December 31, 2022.

Unrealized losses on investment securities have not been recognized into income because the issuer(s) bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to the anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer(s) continues to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

At December 31, 2023, 100% of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not have an allowance for credit losses for these securities at December 31, 2023.

As of December 31, 2023, no ACL was required for available-for-sale or held-to-maturity securities. The Company does not have the intent to sell and does not believe it will be more likely than not to be required to sell any of these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

As of December 31, 2023, all rated available-for-sale and held-to-maturity securities were rated above investment grade. For non-rated corporate bonds, an assessment of the underlying issuer was completed. Based on payment status, rating and management's evaluation of these securities, no ACL was required for available-for-sale or held to maturity securities as of December 31, 2023.

Credit Quality Indicators

The Company monitors the credit quality of debt securities held-to-maturity primarily through utilizing credit rating. The Bank monitors the credit rating on a quarterly basis. The following table summarizes the amortized cost of debt securities held-to-maturity at December 31, 2023, aggregated by credit quality indicator:

Held to Maturity	**U.S. government agency securities**	**Obligations of states and political subdivisions**	**Mortgage-backed securities in government-sponsored entities**
Credit Rating			
AAA/AA/A	$ 18,188	$ 42,269	$176,341
BBB/BB/B	–	–	–
Lower than B	–	–	–
Total	$ 18,188	$ 42,269	$176,341

There are no debt securities classified as held to maturity that are on nonaccrual or are past due 90 days or more and still on accrual as of December 31, 2023.

4. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The composition of net loans receivable at December 31, 2023 (in thousands):

	2023	2022
Consumer	**$ 28,070**	$ 33,490
Residential real estate	**392,421**	375,571
Construction	**21,386**	37,557
Commercial and industrial	**139,962**	133,728
Commercial real estate - nonowner occupied	**94,981**	85,158
Commercial real estate - all other	**85,591**	68,531
	762,411	734,035
Less allowance for credit losses	**7,871**	7,498
Net loans	**$ 754,540**	$ 726,537

Gross loan balances at December 31, 2023 and 2022, are net of unearned income including net deferred loan fees of $189 thousand and $788 thousand respectively. The Company did not purchase any loans in 2023 or 2022.

The Company's primary business activity is with customers located within Cambria, Somerset, Indiana, Blair, Allegheny, and Westmoreland counties. Commercial, residential, personal, and agricultural loans are granted. The Company also selectively purchases and funds commercial and residential loans originated outside its trade area, provided such loans meet the Company's credit policy guidelines.

Although the Company has a diversified loan portfolio at December 31, 2023 and 2022, the repayment of the loans outstanding to individuals and businesses is dependent upon the local economic conditions in its immediate trade area.

Related Party Loans

In the normal course of business, loans are extended to directors, executive officers, and their associates. A summary of loan activity for those directors, executive officers, and their associates with loan balances in excess of $60 thousand for the year ended December 31, 2023, is as follows (in thousands):

2022	Additions	Repayments	2023
$ 23,155	$ 4,524	$ 6,950	**$ 20,729**

Allowance for Credit Losses

Management maintains an allowance for credit losses (ACL) at a level determined to be adequate to absorb expected credit losses associated with the Company's financial instruments over the life of those instruments as of the balance sheet date. The Company develops and documents a systematic ACL methodology based on the following portfolio segments: (i) the consumer loan portfolio; (ii) the residential real estate loan portfolio; (iii) the construction loan portfolio; (iv) the commercial and industrial loan portfolio; (v) the commercial real estate – nonowner occupied loan portfolio; (vi) and the commercial real estate – all other loan portfolio. The Company's loan portfolio is segmented by loan types that have similar risk characteristics and behave similarly during economic cycles. The segmentation in the CECL model is the same as the segmentation in the incurred loss model.

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2023 (in thousands):

For Year Ended December 31, 2023	Beginning Balance	Impact of adopting ASC 326	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
Allowance for credit losses:						
Consumer	$ 415	$ 1,076	$ 1,070	$ 134	$ 938	$ 1,493
Residential real estate	2,346	(635)	158	7	90	1,650
Construction	687	540	–	–	(1,036)	191
Commercial and industrial	1,302	239	111	34	650	2,114
Commercial real estate - nonowner occupied	1,507	(79)	–	–	(228)	1,200
Commercial real estate -all other	762	176	2	1	286	1,223
Unallocated	479	(479)	–	–	–	–
Total allowance for credit losses	$ 7,498	$ 838	$ 1,341	$ 176	$ 700	$ 7,871

4. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2022 (in thousands):

For Year Ended December 31, 2022	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provisions (Reductions)**	**Ending Balance**
Allowance for loan losses:					
Consumer	$ 514	$ 292	$ 65	$ 128	$ 415
Residential real estate	2,543	14	24	(207)	2,346
Construction	682	–	–	5	687
Commercial and industrial	1,314	315	27	276	1,302
Commercial real estate - nonowner occupied	1,273	–	75	159	1,507
Commercial real estate -all other	789	–	116	(143)	762
Unallocated	329	–	–	150	479
Total allowance for loan losses	$ 7,444	$ 621	$ 307	$ 368	$ 7,498

As of December 31, 2023, generally the historical credit loss experience of our peer banks is the basis for the estimation of expected credit losses. We apply historical loss rates to pools of loans with similar characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. Our reasonable and supportable forecast adjustment is based on the unemployment forecast, GDP forecast, and management judgement for a one-year period. For periods beyond our reasonable and supportable forecast, we revert to historical loss rates utilizing a straight-line method over a one-year reversion period. The qualitative adjustments for current conditions are based upon changes in lending policies and practices, experience and ability of lending staff, quality of the Bank's loans review system, value of underlying collateral, the existence of and changes in concentrations and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve. The allowance for credit losses for construction loans increased at adoption but then subsequently was reduced as construction loans were moved to completion and balances of $17.4 million were shifted, $2.7 million to commercial real estate- non owner occupied and $14.7 million to commercial real estate-all other, reducing the allowance for credit losses on construction loans. The allowance for credit losses for commercial and industrial loans increased as several loans became collateral-dependent and required specific reserves to be increased.

During 2022, the loan policy factor in the qualitative factors for the allowance calculation was reduced from 0.10 percent to zero for all sectors of the allowance for loan losses. Loan policy was reassessed, is strong, and credit quality has not been an issue as a result of any loan policy issues. The reserves for consumer loans decreased due to a decrease in the related loan balances. The reserves for residential real estate loans decreased during the year due to the decrease in the qualitative factor for loan policy. The reserves for construction loans increased due to an increase in the related loan balances in this sector. The reserves for commercial and industrial loans decreased slightly due to the decrease in the qualitative factor for loan policy. PPP loans are included in the commercial and industrial loans, but are not included in the calculation of the allowance as they are government guaranteed. The reserves for commercial real estate-nonowner occupied increased due to an increase in the related loan balances in this sector. Commercial real estate-all other loans increased while the related reserves decreased due to the decrease in the qualitative factor for loan policy and a decrease in the historical loss factors which were partially offset by an increase in the qualitative factor for credit quality due to an increase in special mention and substandard loans in this sector.

Age Analysis of Past-Due Loans Receivable

The performance of credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past-due status as of December 31 (in thousands):

December 31, 2023	**Current**	**30–89 Days Past Due**	**90 Days + Past Due**	**Total Past Due**	**Total Loans**
Consumer	**$ 27,365**	**$ 622**	**$ 83**	**$ 705**	**$ 28,070**
Residential real estate	**388,927**	**2,107**	**1,387**	**3,494**	**392,421**
Construction	**20,468**	**141**	**777**	**918**	**21,386**
Commercial and industrial	**137,407**	**157**	**2,398**	**2,555**	**139,962**
Commercial real estate - nonowner occupied	**93,658**	**–**	**1,323**	**1,323**	**94,981**
Commercial real estate -all other	**83,836**	**148**	**1,607**	**1,755**	**85,591**
Total	**$ 751,661**	**$ 3,175**	**$ 7,575**	**$ 10,750**	**$ 762,411**

4. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

December 31, 2022	Current	30–89 Days Past Due	90 Days + Past Due	Total Past Due	Total Loans
Consumer	$ 32,611	$ 525	$ 354	$ 879	$ 33,490
Residential real estate	373,201	1,179	1,191	2,370	375,571
Construction	36,803	–	754	754	37,557
Commercial and industrial	133,382	273	73	346	133,728
Commercial real estate - nonowner occupied	83,197	157	1,804	1,961	85,158
Commercial real estate - all other	68,212	316	3	319	68,531
Total	$ 727,406	$ 2,450	$ 4,179	$ 6,629	$ 734,035

Nonperforming Loans

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 90 days still accruing interest as of December 31, 2023 (in thousands):

	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past 90 Days + Still Accruing	Total Nonperforming
Consumer	$ –	$ 24	$ 24	$ 59	$ 83
Residential real estate	–	1,018	1,018	369	1,387
Construction	753	–	753	24	777
Commercial and industrial	567	1,831	2,398	–	2,398
Commercial real estate - nonowner occupied	1,203	120	1,323	–	1,323
Commercial real estate - all other	1,157	60	1,217	390	1,607
Total	$ 3,680	$ 3,053	$ 6,733	$ 842	$ 7,575

The Company recognized no interest income on nonaccrual loans during the year ended December 31, 2023.

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due 90 days and over and still accruing interest as of December 31, 2022 (in thousands):

	Nonaccrual	90 Days + Past Due and Still Accruing	Total Nonperforming
Consumer	$ 128	$ 226	$ 354
Residential real estate	471	720	1,191
Construction	754	–	754
Commercial and industrial	–	73	73
Commercial real estate - nonowner occupied	1,804	–	1,804
Commercial real estate - all other	–	3	3
Total nonaccrual loans	$ 3,157	$ 1,022	$ 4,179

The Company recognized $9 thousand of interest income on nonaccrual loans during the year ended December 31, 2022.

4. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

Loans Receivable and the Related Allowance

The following table summarizes loans receivable and the related allowance for loan losses at December 31, 2022, as well as the method the company uses to evaluate these loans within their allowance for loan losses, by portfolio segment (in thousands):

December 31, 2022	Consumer	Residential Real Estate	Construction	Commercial and Industrial	Commercial Real Estate - Nonowner Occupied	Commercial Real Estate - All Other	Unallocated	Total
Allowance for loan losses:								
Ending balance: collectively evaluated for impairment	$ 415	$ 2,346	$ 687	$ 1,301	$ 1,122	$ 762	$ 479	$ 7,112
Ending balance: individually evaluated for impairment	–	–	–	1	385	–	–	386
Ending balance	**$ 415**	**$ 2,346**	**$ 687**	**$ 1,302**	**$ 1,507**	**$ 762**	**$ 479**	**$ 7,498**
Loans:								
Ending balance: collectively evaluated for impairment	$ 33,490	$ 375,571	$ 37,240	$ 130,764	$ 83,089	$ 68,132		$ 728,286
Ending balance: individually evaluated for impairment	–	–	317	2,964	2,069	399		5,749
Ending balance	**$ 33,490**	**$375,571**	**$ 37,557**	**$133,728**	**$ 85,158**	**$ 68,531**		**$734,035**

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. This analysis included loans with an outstanding balance greater than $100 thousand and non-homogeneous loans, such as construction, commercial and industrial, commercial real estate – nonowner occupied, and commercial real estate – all other. This analysis is performed on a quarterly basis. The Company uses the following definitions for adverse risk ratings:

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

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

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Based on the most recent analysis performed, the following table presents the recorded investment in homogeneous loans by internal risk rating system as of December 31, 2023, in accordance with ASC 326 (in thousands):

4. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

	Term Loans Amortized Costs Basis by Origination Year				Revolving Loans Amortized Cost Basis	
December 31, 2023	**2023**	**2022**	**2021**	**Prior**		**Total**
Construction						
Risk Rating						
Pass	**$11,738**	$ 6,101	$ 1,203	$ 1,375	$ 190	$ 20,607
Special Mention	**–**	–	–	–	–	–
Substandard	**–**	–	309	470	–	779
Doubtful	**–**	–	–	–	–	–
Total	**$11,738**	$ 6,101	$ 1,512	$ 1,845	$ 190	$ 21,386
Current period gross charge-offs	**–**	–	–	–	–	–
Commercial and industrial						
Risk Rating						
Pass	**$ 22,514**	$ 38,515	$ 14,128	$ 30,170	$ 29,152	$ 134,479
Special Mention	**–**	–	–	322	330	652
Substandard	**–**	55	123	1,405	2,517	4,100
Doubtful	**–**	67	62	21	581	731
Total	**$ 22,514**	$ 38,637	$ 14,313	$ 31,918	$ 32,580	$ 139,962
Current period gross charge-offs	**–**	–	–	$ 6	$ 105	$ 111
Commercial real estate - nonowner occupied						
Risk Rating						
Pass	**$ 16,546**	$ 24,951	$ 26,354	$ 23,604	$ 733	$ 92,188
Special Mention	**–**	–	–	999	–	999
Substandard	**–**	–	–	1,794	–	1,794
Doubtful	**–**	–	–	–	–	–
Total	**$ 16,546**	$ 24,951	$ 26,354	$ 26,397	$ 733	$ 94,981
Current period gross charge-offs	**–**	–	–	–	–	–
Commercial real estate - all other						
Risk Rating						
Pass	**$ 9,262**	$ 20,160	$ 9,488	$ 32,543	$ 1,841	$ 73,294
Special Mention	**–**	–	1,973	4,476	–	6,449
Substandard	**–**	–	245	5,603	–	5,848
Doubtful	**–**	–	–	–	–	–
Total	**$ 9,262**	$ 20,160	$ 11,706	$ 42,622	$ 1,841	$ 85,591
Current period gross charge-offs	**–**	–	–	$ 2	–	$ 2
Total						
Risk Rating						
Pass	**$ 60,060**	$ 89,727	$ 51,173	$ 87,692	$ 31,916	$ 320,568
Special Mention	**–**	–	1,973	5,797	330	8,100
Substandard	**–**	55	677	9,272	2,517	12,521
Doubtful	**–**	67	62	21	581	731
Total	**$ 60,060**	$ 89,849	$ 53,885	$ 102,782	$ 35,344	$ 341,920
Current period gross charge-offs	**–**	–	–	$ 8	$ 105	$ 113

4. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

The Company monitors the credit risk profile by payment activity for residential and consumer loan classes. Loans past due 90 days or more and loans on nonaccrual status are considered nonperforming. Nonperforming loans are reviewed monthly. The following table presents the amortized cost in residential and consumer loans based on payment activity at December 31, 2023, in accordance with ASC 326 (in thousands):

	Term Loans Amortized Costs Basis by Origination Year				**Revolving Loans Amortized Cost Basis**	
December 31, 2023	**2023**	**2022**	**2021**	**Prior**		**Total**
Consumer						
Payment Performance						
Performing	**$ 8,391**	$ 7,076	$ 4,117	$ 3,289	$ 5,114	$ 27,987
Nonperforming	**9**	18	16	37	3	83
Total	**$ 8,400**	$ 7,094	$ 4,133	$ 3,326	$ 5,117	$ 28,070
Current period gross charge-offs	**$ 111**	$ 466	$ 223	$ 151	$ 119	$ 1,070
Residential real estate						
Payment Performance						
Performing	**$ 35,471**	$ 77,415	$ 71,780	$ 188,807	$ 17,561	$ 391,034
Nonperforming	**–**	19	110	1,135	123	1,387
Total	**$ 35,471**	$ 77,434	$ 71,890	$ 189,942	$ 17,684	$ 392,421
Current period gross charge-offs	**–**	–	–	$ 158	–	$ 158
Total						
Payment Performance						
Performing	**$ 43,862**	$ 84,491	$ 75,897	$ 192,096	$ 22,675	$ 419,021
Nonperforming	**9**	37	126	1,172	126	1,470
Total	**$ 43,871**	$ 84,528	$ 76,023	$ 193,268	$ 22,801	$ 420,491
Current period gross charge-offs	**$ 111**	$ 466	$ 223	$ 309	$ 119	$ 1,228

The following table summarized loan credit quality as of December 31, 2022, in accordance with ASC 310 (in thousands):

December 31, 2022	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Construction	$ 30,204	$ 4,501	$ 2,852	$ –	$ 37,557
Commercial and industrial	128,351	645	4,731	1	133,728
Commercial real estate - nonowner occupied	81,762	1,072	1,939	385	85,158
Commercial real estate - all other	63,459	3,189	1,883	–	68,531
Total	$ 303,776	$ 9,407	$ 11,405	$ 386	$ 324,974

December 31, 2022	**Performing**	**Nonperforming**	**Total**
Consumer	$ 33,136	$ 354	$ 33,490
Residential real estate	374,380	1,191	375,571
	$ 407,516	$ 1,545	$ 409,061

4. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

Collateral-Dependent Loans

The following table presents the amortized cost basis of collateral-dependent loans (in thousands) as of December 31, 2023. Changes in the fair value of the collateral for individually evaluated loans are reported as a provision for credit losses or a reversal of provision for credit losses in the period of change.

	Type of Collateral	
December 31, 2023	**Business Assets**	**Real Estate**
Consumer	$ –	$ –
Residential real estate	–	367
Construction	–	753
Commercial and industrial	4,751	9
Commercial real estate - nonowner occupied	–	1,675
Commercial real estate - all other	–	5,701
Total	$ 4,751	$ 8,505

Impaired Loans

Impaired loans are commercial and commercial real estate loans for which it is probable the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. Also, any loan modified in a troubled debt restructuring is also considered to be impaired. The Company individually evaluates such loans for impairment and does not aggregate loans by major risk classifications. The definition of "impaired loans" is not the same as the definition of "nonaccrual loans," although the two categories overlap. The Company may choose to place a loan on nonaccrual status due to payment delinquency or uncertain collectability while not classifying the loan as impaired, provided the loan is not a commercial or commercial real estate classification. Factors considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of loans is determined by the difference between the present value of the expected cash flows related to the loan using the original interest rate and its recorded value or, as a practical expedient in the case of collateralized loans, the difference between the fair value of the collateral and the recorded amount of the loans. When foreclosure is probable, impairment is measured based on the fair value of the collateral. Impaired loans are summarized as follows as of and for the year ended December 31, 2022, in accordance with ASC 310 (in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans			
December 31, 2022	**Recorded Investment**	**Related Allowance**	**Recorded Investment**	**Recorded Investment**	**Unpaid Principal Balance**	**Average Recorded Investment**	**Interest Income Recognized**
Consumer	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Residential real estate	–	–	–	–	–	–	–
Construction	–	–	317	317	317	578	–
Commercial and industrial	1,235	1	1,729	2,964	3,603	1,433	74
Commercial real estate - nonowner occupied	1,623	385	446	2,069	2,069	984	10
Commercial real estate - all other	–	–	399	399	399	451	11
Total impaired loans	$ 2,858	$ 386	$ 2,891	$ 5,749	$ 6,388	$ 3,446	$ 95

Foreclosed Assets Held For Sale

Foreclosed assets acquired in settlement of loans are carried at fair value less estimated costs to sell and are included in other assets on the Consolidated Balance Sheet. As of December 31, 2023 and 2022, a total of $468 thousand and $519 thousand, respectively of foreclosed assets were included with other assets. As of December 31, 2023 and 2022, included within foreclosed assets is $20 thousand and $70 thousand, respectively of consumer residential mortgages that were foreclosed on or received via a deed in lieu transaction prior to the period end. As of December 31, 2023 and 2022, the Company had initiated formal foreclosure procedures on $420 thousand and $634 thousand of consumer residential mortgages, respectively, that have not yet been moved to foreclosed assets. As of December 31, 2023, the Company had also initiated formal foreclosure procedures on $1.4 million of other real estate secured loans.

Modifications to Borrowers Experiencing Financial Difficulty

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses. In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. There were no loans modified to borrowers experiencing financial difficulty in 2023 or 2022.

5. COMMITMENTS

In the normal course of business, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying consolidated financial statements. These commitments comprised the following at December 31 (in thousands):

	2023	2022
Commercial loan commitments	**$ 94,078**	$ 109,141
One-to-four family commitments	**49,200**	52,457
Other commitments	**20,372**	20,199
Standby letters of credit and financial guarantees	**2,654**	3,629
Total	**$166,304**	$ 185,426

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. In the normal course of business, the Company makes various commitments which are not reflected in the accompanying consolidated financial statements. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet. The Company's exposure to credit loss in the event of nonperformance by the other parties to the financial instruments is represented by the contractual amounts as disclosed. The Company minimizes its exposure to credit loss under these commitments by subjecting them to credit approval and review procedures and collateral requirements as deemed necessary. Commitments generally have fixed expiration dates within one year of their origination.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Performance letters of credit represent conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. These instruments are issued primarily to support bid- or performance-related contracts. The coverage period for these instruments is typically a one-year period with an annual renewal option subject to prior approval by management. Fees earned from the issuance of these letters are recognized over the coverage period. For secured letters of credit, the collateral is typically Bank deposit instruments or customer business assets. The reserve for credit losses on unfunded commitments is $705 thousand at December 31, 2023.

6. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows (in thousands):

	2023	2022
Land	**$ 3,284**	$ 3,019
Buildings	**12,493**	12,561
Furniture, fixtures, and equipment	**13,806**	12,867
Leasehold improvements	**4,480**	3,093
	34,063	31,540
Less accumulated depreciation and amortization	**19,464**	18,355
Total	**$ 14,599**	$ 13,185

Depreciation and amortization charged to operations was $1,432 thousand in 2023 and $1,252 thousand in 2022.

7. GOODWILL

For each of the years ended December 31, 2023 and 2022, goodwill has a net carrying amount of $339 thousand and $389 thousand, respectively.

The gross carrying amount of goodwill is tested for impairment in the fourth quarter, after the annual forecasting process. Based on fair value of the reporting unit, estimated using a qualitative analysis, a goodwill impairment loss was recognized in 2023 of $50 thousand with the liquidation of Value, and no goodwill impairment was recognized in 2022.

8. TIME DEPOSITS

The scheduled maturities of time deposits are as follows (in thousands):

2024	**$ 341,420**
2025	**67,764**
2026	**18,394**
2027	**10,073**
2028	**2,648**
Thereafter	**–**
Total	**$ 440,299**

The aggregate of all time deposit accounts of $250 thousand or more amounted to $108.5 million and $95.8 million at December 31, 2023 and 2022, respectively.

9. SHORT-TERM BORROWINGS

The Company has entered into a borrowing agreement with a revolving line of credit agreement on June 12, 2018 whereby it can borrow up to $150 million from the FHLB. All borrowings from the FHLB are secured by a blanket lien on qualified collateral, defined principally as investment securities and mortgage loans which are owned by the Bank free and clear of any liens or encumbrances. At December 31, 2023, the outstanding balance was $49.3 million with a rate of 5.68 percent. The average balance during the year was $75.3 million with an average rate during the year of 5.45 percent. The maturity date on the revolving line of credit is June 5, 2024. At December 31, 2022, the outstanding balance was $61.9 million with a rate of 4.45 percent. The average balance during the year was $40.6 million with an average rate during the year of 2.43 percent.

On December 11, 2023, the Company borrowed a short term advance of $10 million for 30 days at a rate of 5.58% which was outstanding at December 31, 2023. There was no short term advance outstanding at December 31, 2022.

10. OTHER BORROWED FUNDS

The following table sets forth information concerning other borrowed funds (in thousands):

	Maturity Range		Weighted-Average	Stated Interest Rate Range		At December 31,	
Description	**From**	**To**	**Interest Rate**	**From**	**To**	**2023**	**2022**
Fixed rate	01/08/24	02/27/24	1.66%	1.35%	1.81%	$ 6,000	$ 12,000
Subordinated capital debt						–	10,249
Long-term notes payable	04/24/33	04/06/34	8.65%	8.41%	8.89%	6,186	6,186
						$ 12,186	$ 28,435

Maturities of other borrowed funds at December 31, 2023, are as follows (in thousands):

Year Ending December 31,	Amount	Weighted-Average Rate
2024	$ 6,000	1.66%
2025	–	–
2026	–	–
2027	–	–
2028	–	–
Thereafter	6,186	8.65%
	$ 12,186	5.21%

All borrowings from the FHLB are secured by a blanket lien on qualified collateral, defined principally as investment securities and mortgage loans which are owned by the Bank free and clear of any liens or encumbrances. The advances are collateralized by FHLB stock, obligations of U.S. government corporations and agencies, mortgage-backed securities, and first mortgage loans. During 2023, the Bank had a borrowing limit of approximately $417.4 million, with a variable rate of interest, based on the FHLB's cost of funds.

All subordinated capital debt outstanding during the year, was called or matured in 2023. These notes consisted of variable rate and fixed rate obligations with maturity dates ranging from September 1, 2023, through May 1, 2024. This was comprised of $2.0 million of notes issued by the Bank and $8.2 million of notes issued by Value. The Company fully and unconditionally guaranteed these notes and they are subordinate in right of payments to the depositors and all claims of creditors. Interest on fixed rate notes is computed at 4.6 percent or 4.5 percent. Interest on variable notes is computed at 1.5 percent above the Federal Reserve discount rate, or 1 percent below the prime rate.

The Company formed a special purpose entity ("Entity 1") to issue $3 million of floating rate, obligated mandatorily redeemable securities and $93 thousand in common securities as part of a pooled offering with a maturity date of April 24, 2033. The rate is determined quarterly and floats based on the three-month LIBOR plus 3.25 percent. At December 31, 2023, the rate was 8.89 percent. The Entity 1 may redeem them, in whole or in part, at face value on a quarterly basis with proper notice. The Company borrowed the proceeds of the issuance from the Entity 1 in April 2003 in the form of a $3 million note payable, which is included in the liabilities section of the Company's Consolidated Balance Sheet.

The Company formed an additional special purpose entity ("Entity 2") to issue $3 million of floating rate, obligated mandatorily redeemable securities and $93 thousand in common securities as part of a pooled offering with a maturity date of April 6, 2034. The rate is determined quarterly and floats based on the three-month LIBOR plus 2.75 percent. At December 31, 2023, the rate was 8.41 percent. The Entity 2 may redeem them, in whole or in part, at face value on a quarterly basis with proper notice. The Company borrowed the proceeds of the issuance from the Entity 2 in March 2004 in the form of a $3 million note payable, which is included in the liabilities section of the Company's Consolidated Balance Sheet.

Under current accounting rules, the Company's minority interest in both Entity 1 and Entity 2 was recorded at the initial investment amount and is included in the other assets section of the Consolidated Balance Sheet. Neither Entity 1 nor Entity 2 is consolidated as part of the Company's consolidated financial statements.

11. DIRECTOR, OFFICER, AND EMPLOYEE BENEFITS

Savings Plan

The Company maintains a trusteed Section 401(k) plan with contributions matching those by eligible employees to a maximum of 25 percent of employee contributions annually, to a maximum of 7 percent of base salary. The Company may also make an elective contribution annually. All employees age 21 and older at time of hire are eligible to participate in the plan. The Company's contribution to this plan was $284 thousand and $262 thousand in 2023 and 2022, respectively.

The plan assets include 147,206 shares of the Company's common stock.

Deferred Compensation Plan

The Company has a deferred director's compensation plan whereby participating directors elected to forego directors' fees. To fund benefits under the deferred compensation plan, the Company established a rabbi trust. The Company guarantees a return equal to the average New York prime rate of interest to plan participants with a floor of 6 percent. Contributions to the plan were $74 thousand in 2023 and $120 thousand in 2022. Distributions from the plan were $141 thousand in 2023 and $65 thousand in 2022. The Company carried a liability of $3.2 million in 2023 and $3.0 million in 2022.

11. DIRECTOR, OFFICER, AND EMPLOYEE BENEFITS *(continued)*

Performance Unit Plan

On January 25, 2022, the Board of Directors approved the 2022 Performance Unit Plan which is intended to serve as a successor program to the Company's 2017 Performance Unit Plan. The plan may award annual grants to executive management and directors equal in value to the appreciation on a share of stock between the date the performance unit becomes vested and the date of award. Payments to employees vested under the plan are made in cash. Since January 25, 2022, at the beginning of each succeeding year, a participant may elect to receive full payment in cash of allocated performance units as of the preceding year-end. During 2023, $50 thousand in expense was recognized under the plan while $20 thousand in expense was recognized during 2022. The Company carried a liability of $68 thousand in 2023 and $20 thousand in 2022.

12. INCOME TAXES

Federal income tax expense consists of the following (in thousands):

	2023	**2022**
Currently payable	**$ (71)**	$ 1,230
Deferred	**(796)**	345
Total	**$ (867)**	$ 1,575

The components of the net deferred tax assets at December 31 are as follows (in thousands):

	2023	**2022**
Deferred tax assets:		
Allowance for credit losses	**$ 1,801**	$ 1,578
Deferred directors' fees	**581**	514
Deferred performance plan	**14**	4
Lease liability	**691**	545
Net operating loss carryforward	**919**	–
Net unrealized loss on available for sale securities	**7,531**	8,218
Other	**64**	–
Total	**$11,601**	$ 10,859
Deferred tax liabilities:		
Premises and equipment	**$ 1,085**	$ 875
Deferred loan origination costs, net	**249**	228
Investment discount accretion	**57**	38
Unrealized gain - merger	**–**	16
Unrealized gain - equity securities	**93**	173
Right-of-use lease asset	**675**	527
Other	**19**	11
Total	**$ 2,178**	$ 1,868
Net deferred tax assets (liabilities)	**$ 9,423**	$ 8,991

No valuation allowance was established at December 31, 2023 and 2022, in view of the Company's ability to carryback taxes paid in previous years and certain tax strategies coupled with the anticipated future taxable income as evidenced by the Company's earnings potential.

The reconciliation of the statutory rate and the effective income tax rate is as follows in thousands):

	2023		**2022**	
	Amount	**% of Pretax Income**	**Amount**	**% of Pretax Income**
Computed at statutory rate	$ 374	21.0 %	$ 2,748	21.0 %
Effect of tax-free interest income	(1,247)	(70.1) %	(1,182)	(9.0)%
BOLI earnings	(195)	(11.0) %	(76)	(0.6)%
Nondeductible interest to carry tax-exempt assets	181	10.2 %	54	0.4 %
Other	20	1.2 %	31	0.2 %
Income tax expense and effective rate	$ (867)	(48.7) %	$ 1,575	12.0 %

12. INCOME TAXES *(continued)*

The Company prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Bank recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income. The Bank's federal and PA shares tax returns for taxable years through 2019 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

13. LEASE COMMITMENTS

The Company utilizes leases for fourteen of its locations. As of December 31, 2023, right-of-use assets representing operating leases amounted to $3.2 million and have remaining lease terms of 1 to 10 years. As of December 31, 2023, the Company had no financing leases. As of December 31, 2022, right-of-use assets representing operating leases amounted to $2.5 million and have remaining lease terms of 1 to 7 years. As of December 31, 2023 and December 31, 2022, the Company had no financing leases. Lease costs incurred were entirely operating lease costs which approximate rent payments being made. As of December 31, 2023, the weighted average term for operating leases is 8 years and the weighted average discount rate is 3.61 percent. As of December 31, 2022, the weighted average term for operating leases is 6 years and the weighted average discount rate is 2.95 percent. The following table displays the undiscounted cash flows due related to operating leases as of December 31, 2023, along with a reconciliation to the discounted amount recorded on the December 31, 2023 consolidated balance sheet (in thousands):

Undiscounted cash flows due within:	**Operating Lease Payments**
2024	**$ 800**
2025	**501**
2026	**390**
2027	**352**
2028	**338**
Thereafter	**1,428**
Total	**3,809**
Impact of present value discount	**(516)**
Amount reported on consolidated balance sheet	**$ 3,293**

14. REGULATORY RESTRICTIONS

The Company's wholly owned subsidiary, the Bank, is subject to the Pennsylvania Banking Code which restricts the availability of surplus for dividend purposes. At December 31, 2023, surplus funds of $7.6 million were not available for dividends.

Effective, March 26, 2020, the Federal Reserve reduced reserve requirements to zero for all depository institutions. There were no required federal reserves included in "Cash and due from banks" at December 31, 2023 or December 31, 2022. The required reserves are used to facilitate the implementation of monetary policy by the Federal Reserve System. The required reserves are computed by applying prescribed ratios to the classes of average deposit balances. These are held in the form of vault cash and a depository amount held with the Federal Reserve Bank. Federal law prohibits the Company from borrowing from the Bank unless the loans are secured by specific collateral.

15. REGULATORY CAPITAL REQUIREMENTS

Federal regulations require the Company and the Bank to maintain minimum amounts of capital. Specifically, each is required to maintain certain minimum dollar amounts and ratios of Total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average total assets.

In addition to the capital requirements, the Federal Deposit Insurance Corporation ("FDIC") Improvement Act established five capital categories ranging from "well capitalized" to "critically undercapitalized." Should any institution fail to meet the requirements to be considered "adequately capitalized," it would become subject to a series of increasingly restrictive regulatory actions.

The Company is subject to various capital requirements administered by the federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the company 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 capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the company to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. For December 31, 2023 and 2022, the final Basel III rules require the Company to maintain minimum amounts of ratios of Common equity tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined). Additionally, under Basel III rules the decision was made to opt-out of including accumulated other comprehensive income in regulatory capital. As of December 31, 2023, and 2022, the FDIC categorized the Company and the Bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well-capitalized financial institution, the Company must maintain minimum Total capital, Common equity tier 1 capital, Tier 1 capital, and Tier 1 leverage capital ratios as set forth in the table.

15. REGULATORY CAPITAL REQUIREMENTS *(continued)*

The Company's actual capital ratios are presented in the following table (in thousands), which shows the Company met all regulatory capital requirements. The capital position of the Bank does not differ significantly from the Company's.

2023

	Actual		**For Capital Adequacy Purposes**		**To Be Well Capitalized**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 143,352	17.40%	$ 65,927	8.00%	$ 82,408	10.00%
Common equity tier 1 capital (to risk-weighted assets)	$ 129,481	15.71%	$ 37,084	4.50%	$ 53,565	6.50%
Tier 1 capital (to risk-weighted assets)	$ 135,481	16.44%	$ 49,445	6.00%	$ 65,927	8.00%
Tier 1 capital (to average assets)	$ 135,481	9.74%	$ 55,626	4.00%	$ 69,532	5.00%

2022

	Actual		**For Capital Adequacy Purposes**		**To Be Well Capitalized**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 145,308	17.87%	$ 65,037	8.00%	$ 81,297	10.00%
Common equity tier 1 capital (to risk-weighted assets)	$ 131,810	16.21%	$ 36,583	4.50%	$ 52,843	6.50%
Tier 1 capital (to risk-weighted assets)	$ 137,810	16.95%	$ 48,778	6.00%	$ 65,037	8.00%
Tier 1 capital (to average assets)	$ 137,810	10.08%	$ 54,667	4.00%	$ 68,334	5.00%

16. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date. The following three levels show the fair value hierarchy that prioritizes the use of inputs used in valuation methodologies.

Level I:
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. A contractually binding sales price also provides reliable evidence of fair value.

Level II:
Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that utilize model-based techniques for which all significant assumptions are observable in the market.

Level III:
Inputs to the valuation methodology are unobservable and significant to the fair value measurement; inputs to the valuation methodology that utilize model-based techniques for which significant assumptions are not observable in the market; or inputs to the valuation methodology that require significant management judgment or estimation, some of which may be internally developed.

Management maximizes the use of observable inputs and minimizes the use of unobservable inputs when determining fair value measurements. Management reviews and updates the fair value hierarchy classifications of the Company's assets and liabilities on a quarterly basis.

The following tables present the assets reported on the Consolidated Balance Sheet at their fair value (in thousands) as of December 31, 2023 and 2022, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

16. FAIR VALUE MEASUREMENTS *(continued)*

December 31, 2023	Level I	Level II	Level III	Total
ASSETS:				
Investment securities available for sale, mutual fund and equity securities held				
Obligations of states and political subdivisions	$ –	$ 138,342	$ –	$ 138,342
Mortgage-backed securities in government-sponsored entities	–	137,253	–	137,253
Corporate bonds	–	15,840	–	15,840
Equity securities - mutual fund	436	–	–	436
Equity securities - financial institutions	6,569	–	–	6,569
Total	$ 7,005	$ 291,435	$ –	$ 298,440

December 31, 2022	Level I	Level II	Level III	Total
ASSETS:				
Investment securities available for sale, mutual fund and equity securities held				
Obligations of states and political subdivisions	$ –	$ 136,838	$ –	$ 136,838
Mortgage-backed securities in government-sponsored entities	–	147,425	–	147,425
Corporate bonds	–	16,213	–	16,213
Equity securities - mutual fund	432	–	–	432
Equity securities - financial institutions	8,300	–	–	8,300
Total	$ 8,732	$ 300,476	$ –	$ 309,208

Financial instruments are considered Level III when their values are determined using pricing models and discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. In addition to these unobservable inputs, the valuation models for Level III financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Level III financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The Company had no recurring Level III measurements during 2023 or 2022.

The following tables present the assets measured on a nonrecurring basis on the Consolidated Balance Sheet at their fair value, by level within the fair value hierarchy (in thousands):

December 31, 2023	Level I	Level II	Level III	Total
ASSETS:				
Other real estate owned	$ –	$ –	$ 468	$ 468
Collateral-dependent loans	–	–	3,555	3,555
	$ –	$ –	$ 4,023	$ 4,023

December 31, 2022	Level I	Level II	Level III	Total
ASSETS:				
Other real estate owned	$ –	$ –	$ 519	$ 519
Impaired loans	–	–	1,623	1,623
	$ –	$ –	$ 2,142	$ 2,142

16. FAIR VALUE MEASUREMENTS *(continued)*

Other real estate owned (“OREO”) is carried at the lower of cost or fair value, which is measured at the foreclosure date. If the fair value of the collateral exceeds the carrying amount of the loan, no charge-off or adjustment is necessary, the loan is not considered to be carried at fair value, and is therefore not included in the table above. If the fair value of the collateral is less than the carrying amount of the loan, management will charge the loan down to its estimated realizable value. The fair value of OREO is based on the appraised value of the property, which is generally unadjusted by management and is based on comparable sales for similar properties in the same geographic region as the subject property, and is included in the above table as a Level II measurement. In some cases, management may adjust the appraised value due to the age of the appraisal, changes in market conditions, or observable deterioration of the property since the appraisal was completed. In these cases, the loans are categorized in the above table as level III measurement since these adjustments are considered to be unobservable inputs. Income and expenses from operations and further declines in the fair value of the collateral subsequent to foreclosure are included in net expenses from OREO.

The Company has measured impairment on collateral-dependent and impaired loans generally based on the fair value of the loan’s collateral. Fair value is generally determined based upon independent third-party appraisals of the properties. In some cases, management may adjust the appraised value due to the age of the appraisal, changes in market conditions, or observable deterioration of the property since the appraisal was completed. Additionally, management makes estimates about expected costs to sell the property which are also included in the net realizable value. If the fair value of the collateral dependent loan is less than the carrying amount of the loan a specific reserve for the loan is made in the allowance for loan losses or a charge-off is taken to reduce the loan to the fair value of the collateral (less estimated selling costs) and the loan is included in the table above as a level III measurement. If the fair value of the collateral exceeds the carrying amount of the loan, then the loan is not included in the table above as it is not currently being carried at its fair value. At December 31, 2023 and 2022, the fair values shown above exclude estimated selling costs of $821 thousand and $121 thousand, respectively.

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Company uses Level III inputs to determine fair value (in thousands):

	Quantitative Information About Level III Fair Value Measurements			
December 31, 2023	**Estimate**	**Valuation Techniques**	**Unobservable Input**	**Average**
ASSETS:				
Other real estate owned	**$ 468**	Appraisal of collateral (1)	Appraisal adjustments (2)	16%
			Liquidation expenses (2)	16%
Collateral-dependent loans	**$ 3,555**	Fair value of collateral (1)	Appraisal adjustments (2)	49%
			Liquidation expenses (2)	24%

	Quantitative Information About Level III Fair Value Measurements			
December 31, 2022	**Estimate**	**Valuation Techniques**	**Unobservable Input**	**Average**
ASSETS:				
Other real estate owned	$ 519	Appraisal of collateral (1)	Appraisal adjustments (2)	3%
			Liquidation expenses (2)	10%
Impaired loans	$ 1,623	Fair value of collateral (1)	Appraisal adjustments (2)	3%
			Liquidation expenses (2)	5%

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level III inputs which are not identifiable.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

17. FAIR VALUE DISCLOSURE

The fair value of the Company's financial instruments not recorded at fair value on a recurring basis as of December 31 is as follows (in thousands):

	2023				
	Carrying Value	**Fair Value**	**Level I**	**Level II**	**Level III**
Financial assets:					
Investment securities held to maturity	**$ 236,798**	**$ 211,348**	**$ –**	**$ 211,348**	**$ –**
Net loans	**754,540**	**654,715**	**–**	**–**	**654,715**
Financial liabilities:					
Deposits	**$1,185,556**	**$1,177,293**	**$ 745,257**	**$ –**	**$ 432,036**
Other borrowed funds	**12,186**	**12,172**	**–**	**–**	**12,172**

	2022				
	Carrying Value	**Fair Value**	**Level I**	**Level II**	**Level III**
Financial assets:					
Investment securities held to maturity	$ 250,751	$ 222,530	$ –	$ 222,530	$ –
Net loans	726,537	642,683	–	–	642,683
Financial liabilities:					
Deposits	$ 1,160,735	$ 1,145,247	$ 788,520	$ –	$ 356,727
Other borrowed funds	28,435	28,179	–	–	28,179

For cash and due from banks, interest bearing deposits in banks, accrued interest receivable, FHLB stock, bank owned life insurance, short-term borrowings, and accrued interest payable, the carrying value is a reasonable estimate of fair value.

18. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The following table presents the significant amounts reclassified out of accumulated other comprehensive (loss) income and the changes in accumulated other comprehensive (loss) income by component for the years ended December 31, 2023 and 2022 (in thousands):

	2023	2022	
	Net Unrealized Gains (Losses) on Investment Securities	**Net Unrealized Gains (Losses) on Investment Securities**	**Affected Line on the Consolidated Statement of Income**
Accumulated other comprehensive (loss) income, beginning of year	**$ (30,914)**	$ 4,823	
Unrealized gain (loss) on available-for- sale securities	**3,155**	(45,237)	
Tax effect	**(663)**	9,500	
Net unrealized gain (loss) on available-for-sale securities	**2,492**	(35,737)	
Reclassification adjustment for loss realized in income	**113**	–	Loss on sale of debt investment securities, net
Tax effect	**(24)**	–	Income tax (benefit) expense
Reclassification adjustment for loss realized in income after tax	**89**	–	
Accumulated other comprehensive (loss) income, end of year	**$ (28,333)**	$ (30,914)	

19. PARENT COMPANY

Following are condensed financial statements for the parent company (in thousands):

CONDENSED BALANCE SHEET

December 31,	2023	2022
ASSETS		
Cash in bank subsidiary	$ 1,969	$ 781
Investment securities available for sale,net of allowance for credit losses, held at fair value	3,308	3,578
Equity securities held at fair value	4,230	5,308
Investment in bank subsidiary	97,134	95,470
Investment in non-bank subsidiaries	186	1,736
Premises and equipment, net	542	477
Other assets	1,586	1,327
TOTAL ASSETS	$108,955	$ 108,677
LIABILITIES		
Long-term note payable	$ 6,186	$ 6,186
Other liabilities	1,282	1,206
TOTAL LIABILITIES	7,468	7,392
STOCKHOLDERS' EQUITY	101,487	101,285
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$108,955	$ 108,677

CONDENSED STATEMENT OF INCOME AND COMPREHENSIVE INCOME (LOSS)

Year Ended December 31,	2023	2022
INCOME		
Dividends from bank subsidiary	$ 3,768	$ 4,745
Dividends from non-bank subsidiary	–	24
Interest and dividends on investment securities	351	348
(Loss) gain on equity securities change in fair value, net	(500)	(719)
TOTAL INCOME	3,619	4,398
EXPENSES		
Interest expense	520	309
Operating expenses	347	362
Income before income tax (benefit) expense	2,752	3,727
Income tax (benefit) expense	(237)	(245)
Income before equity in undistributed net income of subsidiaries	2,989	3,972
Equity in undistributed net (loss) income of subsidiaries	(343)	7,541
NET INCOME	$ 2,646	$ 11,513
COMPREHENSIVE INCOME (LOSS)	$ 5,227	$ (24,224)

CONDENSED STATEMENT OF CASH FLOWS

Year Ended December 31,	2023	2022
OPERATING ACTIVITIES		
Net income	$ 2,646	$ 11,513
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed net income of subsidiaries	343	(7,541)
Loss on equity securities change in fair value, net	501	719
Other, net	(177)	(774)
Net cash provided by operating activities	3,313	3,917
INVESTING ACTIVITIES		
Purchases of investment securities	–	(1,262)
Proceeds from maturities and paydowns	291	419
Proceeds from equity securities	577	167
Purchases of premises and equipment	(75)	–
Dissolution of subsidiary	888	–
Net cash provided by (used for) investing activities	1,681	(676)
FINANCING ACTIVITIES		
Dividends paid	(3,768)	(3,745)
Purchases of treasury stock	(38)	(7)
Proceeds from sales of treasury stock	–	123
Net cash used for financing activities	(3,806)	(3,629)
Increase (Decrease) in cash	1,188	(388)
CASH AT BEGINNING OF YEAR	781	1,169
CASH AT END OF YEAR	$ 1,969	$ 781

20. LEGAL PROCEEDINGS

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's results of operations.

21. SUBSEQUENT EVENTS

Management has reviewed events occurring through February 29, 2024 the date the financial statements were issued and no other subsequent events occurred requiring accrual or disclosure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management's discussion and analysis and related financial data are presented to assist in the understanding and evaluation of the financial condition and results of operations of 1ST SUMMIT BANCORP of Johnstown, Inc. (the "Company") and its main subsidiaries, 1ST SUMMIT BANK (the "Bank") and Value Finance, Inc. ("Value"), for the years ended December 31, 2023 and 2022. This section should be read in conjunction with the consolidated financial statements and related footnotes.

Sections of this financial review, as well as the notes to the consolidated financial statements, contain certain forward-looking statements which reflect management's beliefs and expectations based on information currently available and may contain the words "expect," "estimate," "anticipate," "should," "intend," "probability," "risk," "target," "objective," and similar expressions or variations on such expressions. These forward-looking statements are inherently subject to significant risks and uncertainties which could cause actual results to differ materially from those projected. Those risks and uncertainties include changes in interest rates, economic conditions, costs of opening new offices, and the ability to control costs and expenses. You should not place undue reliance on our forward-looking statements. Forward-looking statements speak only as of the date on which they were made. The Company undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof.

RESULTS OF OPERATIONS SUMMARY

Net income for the year was $2,646 thousand compared to $11,513 thousand for the year 2022. This represents a decrease of $8,867 thousand, or 77.0% from the prior year. Earnings per share for 2023 were $1.21, declining from $5.26 in 2022, after adjusting for the stock dividend issued on April 19, 2022. The return on average assets for the year ended December 31, 2023, was 0.19% and 0.84% for the year ended December 31, 2022. The return on average equity for 2023 was 2.74%, and 10.90% for 2022.

The decrease in earnings was principally attributable to a lower net interest margin and higher operating expenses which included liquidation expenses for the closing of Value, partially offset by higher non-interest income, including service charges on deposit accounts, higher bank card income, and higher wealth management income. Net interest income totaled $25,665 thousand compared to $36,881 thousand in 2022. Net interest income decreased as a result of higher interest rates with funding costs rising much faster than earning asset yields despite an increase of $18.3 million more in average earning assets during 2023. The net interest margin, on a fully tax equivalent basis, for 2023 was 2.06% compared to 2.93% in 2022.

Other income for 2023, was $7,384 thousand, an increase of $1,494 thousand or 25.4% over 2022. This category of income increased primarily due to higher service charges on deposit accounts, wealth management income, bank owned life insurance income, and bank card interchange income. Net losses on equity securities were $460 thousand compared to a loss of $890 thousand in 2022. These losses are the result of the decreased value of our equity securities portfolio. Total other income represented 12.7% of total revenues in 2023 compared to 11.6% in 2022.

Other expenses totaled $30,570 thousand in 2023 compared to $29,315 thousand in 2022, an increase of $1,255 thousand or 4.3%. The higher expenses were principally due to higher occupancy costs, federal deposit insurance, and higher data processing costs, along with Value liquidation expenses and ATM and card processing expenses which are included in the other expense category.

FINANCIAL CONDITION

Total Assets

Total assets at December 31, 2023 were $1.372 billion compared to $1.362 billion at December 31, 2022, an increase of $10.0 million or 1.0%. Net loans increased $28.0 million, while debt and equity securities decreased by $24.7 million, cash and equivalents were up $2.7 million, and all other assets combined were up $4.0 million. This increase in assets was funded by deposit growth of $24.8 million with a decrease in short-term debt of $2.6 million, a decrease in other borrowed funds of $16.2 million and an increase in stockholders' equity of $0.2 million.

Loans Receivable

The Company grants credit to commercial, consumer, and real estate customers with the view of serving the community's credit needs. Loan growth was broad based with commercial real estate showing the greatest increase, as well as residential real estate and commercial and industrial loans contributing to growth. Total loans receivable represented the most significant percentage of the Company's assets at 55.6% of total assets. At December 31, 2023, total loans receivable were $762.4 million compared to $734.0 million at December 31, 2022, an increase of $28.4 million, or 3.9%.

Commercial loans consist principally of loans made to small and medium sized businesses within the Company's market and are usually secured by real estate and other assets of the borrower. Commercial and commercial real estate loans combined, increased to $320.5 million at December 31, 2023, from $287.4 million in 2022, an increase of $33.1 million or 11.5%.

Residential real estate loans, which include home equity loans, totaled $392.4 million at December 31, 2023 compared to $375.6 million at

Loans Receivable *(continued)*

December 31, 2022. This increase of $16.8 million was net of payments and refinancing activity. In 2023, fixed rate mortgage products were preferred by customers and accounted for the majority of the lending activity.

Construction loans, which include loans for real estate development along with residential construction, totaled $21.4 million at December 31, 2023 compared to $37.6 million at December 31, 2022, a decrease of $16.2 million or 43.1%.

Consumer loans, which include loans to individuals for household, family, personal, and consumer autos decreased to $28.1 million at December 31, 2023, down $5.4 million or 16.2%, from $33.5 million at December 31, 2022.

Non-Performing Assets and Allowance for Credit Losses

Non-performing assets consist of non-performing loans, (non-accrual and credits delinquent 90 days and over) real estate acquired through foreclosure, and non-performing investment securities. Commercial, real estate and consumer loans are generally placed on non-accrual status when interest is 90 days delinquent or when management ascertains that an obligor's financial condition renders collection of interest doubtful.

The Company's emphasis on asset quality as a key objective continued in 2023. Non-performing assets totaled $8.0 million, representing 0.59% of total assets at year-end 2023, compared to $4.7 million and 0.34% of assets at December 31, 2022. Non-performing assets include loans of $7.6 million and foreclosed real estate of $0.4 million at December 31, 2023, compared to $4.2 million and $0.5 million, respectively, at December 31, 2022.

The allowance for credit losses on loans and leases ("ACL") is a reserve to provide for possible loan portfolio losses. The ACL increased to $7.9 million, representing 1.03% of total loans at December 31, 2023 and totaled $7.5 million or 1.02% of total loans at December 31, 2022. The ACL increase in 2023 is due to increases in portfolio size, changes in the estimation of expected credit losses, and the adoption of ASU 2016-13 on January 1, 2023. The provision for credit losses ("provision") is an expense charged to earnings to fund the ACL. The provision of $700 thousand or 0.09% of loans during 2023 is higher mainly due to the increase in portfolio size and changes in the estimation of expected credit losses. This compares with the provision of $368 thousand or 0.05% of loans during 2022. Net loan charge-offs in 2023 were $1,165 thousand or 0.16% of average loans compared to net loan charge-offs of $314 thousand or 0.04% of average loans in 2022.

Adequacy of the allowance for credit losses is evaluated on a monthly basis. The evaluation includes, but is not restricted to, the historical credit loss experience of peer banks, the composition of risks inherent in the loan portfolio, the analysis of impaired loans and a historical review of loans. The current allowance of $7.9 million at December 31, 2023 is deemed adequate and at 1.03% of loans, represents a favorable ratio. The reserve has increased 34.7% over the past five years.

The following table sets forth information relative to the Company's allowance for credit losses for loans and leases on the indicated dates:

	(In thousands)				
Allowance for Credit Losses	**2023**	**2022**	**2021**	**2020**	**2019**
Allowance balance, January 1	**$ 7,498**	$ 7,444	$ 6,395	$ 5,645	$ 5,843
Impact of adopting ASU 2016-13	**838**	–	–	–	–
Charge-offs:					
Consumer	**(1,070)**	(292)	(365)	(429)	(273)
Residential real estate	**(158)**	(14)	(35)	(62)	(63)
Commercial and all other	**(113)**	(315)	(494)	(716)	(593)
Total charge-offs	**(1,341)**	(621)	(894)	(1,207)	(929)
Recoveries:					
Consumer	**134**	65	76	80	47
Residential real estate	**7**	24	6	15	4
Commercial and all other	**35**	218	105	51	62
Total recoveries	**176**	307	187	146	113
Provisions	**700**	368	1,756	1,811	618
Allowance balance, December 31	**$ 7,871**	$ 7,498	$ 7,444	$ 6,395	$ 5,645
Allowance for loan losses as a percent of total loans outstanding	**1.03%**	1.02%	1.10%	0.98%	0.98%
Net loans charged-off as a percent of average loans outstanding	**0.16%**	0.04%	0.11%	0.17%	0.15%

Non-Performing Assets and Allowance for Credit Losses *(continued)*

The following table sets forth information relative to non-accrual loans, non-performing loans and non-performing assets on the indicated dates:

	December 31, (In thousands)				
Non-Performing Assets	**2023**	**2022**	**2021**	**2020**	**2019**
Non-accrual loans:					
Consumer	**$ 24**	$ 128	$ 82	$ 132	$ 139
Residential real estate	**1,018**	471	389	483	516
Commercial and all other	**5,691**	2,558	2,554	1,008	452
Total non-accrual loans	**6,733**	3,157	3,025	1,623	1,107
Accruing loans which are contractually past due 90 days or more	**842**	1,022	717	828	1,791
Total non-performing loans	**7,575**	4,179	3,742	2,451	2,898
Foreclosed real estate	**468**	519	13	128	336
Non-performing investments	**–**	–	–	–	–
Total non-performing assets	**$ 8,043**	$ 4,698	$ 3,755	$ 2,579	$ 3,234
Non-performing loans to total loans	**0.99%**	0.57%	0.55%	0.38%	0.50%
Non-performing loans to total assets	**0.59%**	0.31%	0.28%	0.19%	0.26%
Non-performing assets to total assets	**0.59%**	0.34%	0.28%	0.21%	0.29%

Securities

The securities portfolio consists principally of issues of United States Government agencies, including mortgage-backed securities, municipal obligations, corporate debt, and equity securities of other financial institutions. The Company classifies its investments in three categories at the time of purchase as held to maturity ("HTM"), available for sale ("AFS"), and equity securities. The Company does not have a trading account. Securities classified as HTM are those in which the Company has the ability and intent to hold the security until contractual maturity. At December 31, 2023, the HTM portfolio totaled $236.8 million and consisted of longer-term municipal obligations, U.S. Government agencies, and mortgage-backed securities. Securities classified as AFS are eligible to be sold for liquidity needs or interest rate risk management. These securities are adjusted to and carried at their fair value with any unrealized gains or losses, net of tax, recorded in the equity section of the consolidated balance sheet as accumulated other comprehensive income (loss). At December 31, 2023, $291.4 million in securities were so classified and carried at their fair value, with unrealized losses, net of tax of $28.3 million, included in accumulated other comprehensive loss in stockholders' equity. Equity securities are adjusted to and carried at their fair value with any changes in fair value recorded as gains or losses in income. At December 31, 2023, equity securities were $7.0 million. At December 31, 2023, the allowance for credit losses on securities was zero as mortgage backed securities are issued by and explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The Company's obligations of state and political subdivisions holdings are also highly rated by major rating agencies and have a long history of no credit losses.

At December 31, 2023, the effective duration of the portfolio was 5.4 years compared to 5.3 years at the prior year end. The increase was principally due to the purchase of longer-term amortizing securities, coupled with natural amortization in the portfolio. Total purchases for the year were $10.8 million, securities matured or called with cash flows of $35.8 million, and equity proceeds of $1.2 million. The purchases were funded principally by cash flow from the portfolio.

At December 31, 2023, the Company's securities portfolio (HTM, AFS, and equities) totaled $535.2 million with the mix as follows: U. S. Government agencies 3.4%, mortgage-backed securities 58.6%, municipal obligations 33.7%, corporate obligations, equity securities of other financial institutions, and mutual funds combined 4.3%. The portfolio contained no structured notes, step-up bonds, and no off-balance sheet derivatives were in use. The portfolio totaled $560.0 million at December 31, 2022.

Deposits

The Company provides a complete range of deposit products to its customers through the Bank's nineteen community offices. These products include interest-bearing and noninterest-bearing demand deposit accounts, statement savings, and money market accounts. Time deposits consist of certificates of deposit with terms of up to ten years and include individual retirement accounts.

Deposits, the main source of funding for the Company, grew $24.8 million or 2.1% to a year-end total of $1,186 million. In 2023, the time deposit category showed the most significant growth. As of December 31, 2023, the Company's time deposits increased $68.1 million or 18.3% to $440.3 million. Money market account deposits totaled $163.6 million, increasing $17.0 million from the prior year. Noninterest-bearing checking deposits decreased $9.4 million, or 7.2% to $120.6 million. Interest-bearing checking deposits totaled $306.6 million, decreasing $17.0 million from the prior year while savings deposits totaled $154.4 million, decreasing $33.8 million from the prior year. Time deposits of

Deposits *(continued)*

$250,000 or more, which include public funds, were $108.5 million at December 31, 2023, compared with $95.8 million at year end 2022. These deposits are usually subject to competitive bids and the Company bases its bids on current interest rates, loan demand, and the relative cost of other funding sources.

Interest Rate Risk

Interest rate sensitivity and market risk of assets and liabilities are managed by the Asset and Liability Management Committee. The principal objective of the committee is to maximize net interest income within acceptable levels of risk which are established by policy. Interest rate risk is monitored and managed by using financial modeling techniques to measure the impact of changes in interest rates.

Net interest income, which is the primary source of the Company's earnings, is impacted by changes in interest rates. To manage the impact of interest rate changes, the balance sheet must be structured so that repricing opportunities exist for both assets and liabilities. The Company uses net interest income simulation to assist in interest rate risk management. The process includes simulating various interest rate scenarios and their respective impact on net interest income. It is assumed that a change in rates is instantaneous and that all rates move in a parallel manner. Assumptions are also made concerning prepayment speeds on loans and securities. While management believes such assumptions to be reasonable, there can be no assurance that modeled results will approximate actual results. The following is a rate shock for a twelve-month period, assuming a static balance sheet as of December 31, 2023:

Parallel rate shock in basis points	**-200**	**-100**	**+100**	**+200**	**+300**
Net interest income change (in thousands):	$ 3,042	$ 1,784	$(2,293)	$(4,653)	$(7,027)
Percentage change from static	11.6%	6.8%	-8.7%	-17.7%	-26.7%

After two years, with 525 basis points of rate increases, additional rate increases would put additional strain on the Company's net interest margin. At December 31, 2023, the level of net interest income at risk in all downward and up +100 scenarios was within the Company's policy threshold and above the policy threshold in up +200 and higher scenarios.

The Company also projects future cash flows from assets and liabilities over a long-term horizon and then discounts these cash flows using instantaneous parallel shocks to interest rates. The aggregation of these discounted cash flows is the Economic Value of Equity ("EVE"). At December 31, 2023, the EVE at risk in all downward and up +100 scenarios was within the Company's policy threshold and above the policy threshold in up +200 and higher scenarios.

Liquidity

Liquidity can be viewed as the ability to fund customers' borrowing needs and withdrawal requests while supporting asset growth. The Company's primary sources of liquidity include deposit generation and cash flow from asset maturities and securities repayments.

At December 31, 2023, the Company had cash and cash equivalents of $13.3 million in the form of cash, due from banks, and short-term interest-bearing deposits with other institutions. In addition, the Company had securities available for sale of $291.4 million which could be used for liquidity needs. Cash and securities available for sale totaled $304.8 million and represented 22.2% of total assets compared to 22.8% of total assets at December 31, 2022. The Company also monitors other liquidity measures, all of which were well within the Company's policy guidelines at December 31, 2023. The Company believes its liquidity position is adequate.

The Company maintains established lines of credit with the Federal Home Loan Bank ("FHLB") of Pittsburgh and other correspondent banks which support liquidity needs. The approximate borrowing capacity from the FHLB was $417.4 million. At December 31, 2023, the Company had $65.3 million in borrowings from the FHLB, which is $8.6 million lower than at December 31, 2022.

Off-Balance Sheet Arrangements

The Company's financial statements do not reflect various commitments that are made in the normal course of business which may involve some liquidity risk. These commitments consist primarily of unfunded loans, standby letters of credit, and financial guarantees made under the same standards as on-balance sheet instruments. Unused commitments at December 31, 2023 totaled $166.3 million and consisted of $163.6 million of unfunded loans and $2.7 million in standby letters of credit and financial guarantees. Since these instruments generally have fixed expiration dates within one year of their original origination, and because many of them will expire without being drawn upon, they do not present significant liquidity risk. With the implementation of ASU 2016-13 an allowance for credit losses on unfunded commitments was established. At December 31, 2023 this allowance was $705 thousand.

Management believes any amounts actually drawn upon can be funded in the normal course of operations. The Company has no investment in, or financial relationship with, any unconsolidated entities that are reasonably likely to have a material effect on liquidity or the availability of capital resources.

Contractual Obligations

The following table represents the aggregate on- and off-balance sheet contractual obligations to make future payments:

	December 31, 2023 (In thousands)				
	Less Than 1 Year	**1–3 Years**	**4–5 Years**	**Over 5 Years**	**Total**
Time Deposits	**$ 341,420**	**$ 86,158**	**$ 12,721**	**$ –**	**$ 440,299**
Short-and long-term debt	**65,291**	**–**	**–**	**6,186**	**71,477**
Operating leases	**800**	**891**	**690**	**1,428**	**3,809**
	$ 407,511	**$ 87,049**	**$ 13,411**	**$ 7,614**	**$ 515,585**

The Company is not aware of any known trends, demands, commitments, events, or uncertainties which would result in any material increase or decrease in liquidity.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income is the difference between income earned on loans and securities and interest paid on deposits and borrowings. For the year ended December 31, 2023, net interest income was $25,665 thousand, a decrease of $11,216 thousand or 30.4% from 2022. The resulting interest spread, on a fully tax equivalent basis, for 2023 was 2.06% compared to 2.93% in 2022.

Interest income for the year ended December 31, 2023 totaled $50,822 thousand compared to $45,040 thousand in 2022. The increase of $5,782 thousand was principally due to higher yields on earning assets along with a higher level of earning assets during the year. On average, loans represented 56.3% of earning assets, compared to 54.4% in 2022. Investment securities represented 43.7% of average earning assets in 2023, compared to 45.6% in 2022. Average federal funds sold and interest-bearing balances were not significant in 2023 or in 2022.

Interest income earned on loans totaled $36,441 thousand in 2023, with a yield of 4.90% on a fully tax equivalent basis, increasing from $31,814 thousand in 2022, with a yield of 4.49% on a fully tax equivalent basis. The increase in yield was applicable to higher reinvestment rates on loans for the year with an average prime rate of 8.20% in 2023, compared to 4.87% in 2022. Loans averaged $748.2 million in 2023, compared to $712.9 million in 2022.

Securities averaged $581.0 million in 2023 with interest income of $13,964 thousand and a fully tax equivalent yield of 2.69%, compared to $598.3 million, $13,077 thousand and 2.43%, respectively, in 2022. The increase in yield was principally due to higher interest rates in 2023 with a portion of the investment income from tax exempt municipal obligations. Principal cash flow from securities was reinvested in mortgage-backed securities, U.S. Government agency securities, and tax-exempt municipal obligations.

Interest expense for the year ended December 31, 2023, totaled $25,157 thousand increasing from $8,159 thousand in 2022. The Company's cost of interest-bearing deposits increased to 1.94% from 0.60% in 2022. The average cost of interest-bearing liabilities in 2023 was 2.23%, an increase of 149 basis points from 0.74% in 2022.

Other Income

The following table shows other income by selected categories:

	Year Ended December 31, (In thousands)	
	2023	**2022**
Service charges and fees on deposit accounts	**$ 2,039**	$ 1,899
Fiduciary activities	**1,113**	1,029
Mutual funds and annuities	**959**	995
Bank-owned life insurance income	**930**	363
Debit/check card income	**2,129**	1,689
Credit card income	**397**	409
Other Income	**390**	396
Subtotal	**$ 7,957**	$ 6,780
Loss on sale of debt investment securities, net	**(113)**	–
Loss on equity securities, net	**(460)**	(890)
Total	**$ 7,384**	$ 5,890

Other income totaled $7,384 thousand in 2023, an increase of $1,494 thousand from $5,890 thousand in 2022. Other income is revenue derived from sources other than interest and dividends. Excluding loss on sale of debt securities, net of $113 in 2023 and $0 in 2022, and net loss on equity securities, net of $460 thousand in 2023 and $890 thousand in 2022, other income for the year was $7,957 thousand, compared to $6,780 thousand, an increase of $1,177 thousand or 17.4%.

Service charge income and fees on deposit accounts were $2,039 thousand in 2023 and $1,899 thousand in 2022. Deposit accounts include Consumer "Peak", "Plus", "Prime", and "xPress" checking accounts, Business Regular checking and Business interest-bearing checking accounts. The increase in income was a result of higher fees earned on 1st Perks premium account benefits included with our new consumer deposit products.

Other Income *(continued)*

Wealth management income of $2,072 thousand in 2023 was a 2.4% increase from $2,024 thousand in 2022. This includes trust department income, mutual fund, and annuity fees. Income from trust department activities was $1,113 thousand in 2023, compared to $1,029 thousand in 2022, with the increase principally due to more assets under management in 2023. Commissions on sales of annuities and mutual funds were $959 thousand on sales of $39.9 million in 2023, decreasing from revenues of $995 thousand on sales of $41.0 million in 2022.

Income on bank-owned life insurance was $930 thousand in 2023 and $363 thousand in 2022. The Bank implemented this program in the second quarter of 2004 where key officers are granted life insurance coverage, with the Bank and the officers' beneficiaries to receive insurance proceeds through these split dollar policies. In 2023, $430 thousand of income on bank-owned life insurance was derived from death benefits.

Debit card income was $2,129 thousand in 2023, an increase of $440 thousand, compared with $1,689 thousand in 2022. This revenue source was a result of customers transacting business with VISA merchants.

Credit card fees decreased to $397 thousand from $409 thousand in 2022, a 2.9% decrease attributed to decreased merchant activity.

The balance of other income, $390 thousand, down from $396 thousand was comprised primarily of revenues received from title insurance, credit life/accident and health insurance, stop payments, safe deposit box rents, and secondary market activity.

The Company had losses on sale of debt investment securities, net of $113 thousand in 2023 and $0 in 2022. The Company had net losses on equity securities of $460 thousand in 2023 compared to $890 thousand in 2022. This revenue was from the change in the fair value of equity securities.

The Company had no impairment losses in 2023 or 2022 with no allowance for credit losses on investment securities. Securities are evaluated quarterly to determine if a decline in value is other than temporary. Once a decline in value is determined to be other than temporary, the amount of credit loss is charged to earnings. Any remaining difference between fair value and amortized cost is recognized in other comprehensive income.

Other Expense

The following table shows other expense by selected categories:

	Year Ended December 31, (In thousands)	
	2023	**2022**
Salaries and employee benefits	**$ 17,068**	$ 17,229
Occupancy expense	**2,359**	2,109
Equipment expense	**1,902**	2,228
Federal depository insurance expense	**627**	360
Data processing expense	**2,183**	1,249
Pennsylvania shares tax expense	**898**	1,161
Donations expense	**320**	303
Professional fees expense	**772**	450
Other operating expense	**4,441**	4,226
Total	**$ 30,570**	$ 29,315

Other expense totaled $30,570 thousand in 2023, an increase of $1,255 thousand or 4.3% over $29,315 thousand in 2022. Salaries and employee benefit costs, which represented 55.8% of total other expense, were $17,068 thousand for 2023, a decrease of $161 thousand or 0.9%. Occupancy expense increased $250 thousand or 11.9% in 2023. Equipment expense decreased $326 thousand or 14.6% in 2023. Federal depository insurance expense increased 74.2% to $627 thousand in 2023. Data processing expense was up 74.8% to $2,183 thousand in 2023. Pennsylvania shares tax expense, a tax levied on the book value of shares of stock in banks and trust companies that conduct business in Pennsylvania, decreased $263 thousand or 22.7% in 2023 to $898 thousand. Donations expense increased $17 thousand or 5.6% in 2023 to $320 thousand. Professional fees expense increased $322 thousand in 2023 to $772 thousand. Other operating expense was $4,441 thousand for 2023, an increase of $215 thousand or 5.1%. This other operating expense category includes a wide array of operating expenses.

Income Taxes

Federal income tax (benefit) expense in 2023 was $(867) thousand with an effective tax rate of (48.7)%, compared to expense of $1,575 thousand, with an effective tax rate of 12.0% in 2022. The decrease in the effective tax rate was primarily due to lower taxable income along with higher levels of tax-free income from loans, municipal obligations, and bank-owned life insurance.

Stockholders' Equity

Total stockholders' equity at December 31, 2023 was $101,487 thousand compared to $101,285 thousand at December 31, 2022. Excluding accumulated other comprehensive loss, total stockholders' equity was $129,820 thousand in 2023 and $132,199 thousand in 2022, a 1.8% decrease.

Book value of the common stock was $46.33 per share at December 31, 2023 compared to $46.23 per share at December 31, 2022, after adjusting for the stock dividend paid on April 19, 2022. Tangible common book value per share excluding accumulated other comprehensive loss was $59.11 per share at December 31,2023 compared to $60.18 per share at December 31, 2022. Accumulated other comprehensive loss is the current, unrealized loss position on available for sale securities. This loss will be reduced and accrete back into capital over time as these securities move closer to maturity and as interest rates fall.

At December 31, 2023, the Company had a Total risk-based capital ratio of 17.40%, Common equity tier 1 risk-based capital ratio of 15.71%, Tier 1 risk-based capital ratio of 16.44%, and Tier 1 leverage capital ratio of 9.74%, compared to a Total risk-based capital ratio of 17.87%, Common equity tier 1 risk-based capital ratio of 16.21%, Tier 1 risk-based capital ratio of 16.95%, and Tier 1 leverage capital ratio of 10.08%, for 2022. The Bank was considered well capitalized under the regulatory framework for prompt corrective action. To be considered well capitalized, the Bank must maintain minimum Total risk-based capital, Common equity tier 1 risk-based capital, Tier 1 risk-based capital, and Tier 1 leverage ratios as set forth in the table below:

	Actual	**To Be Considered Well Capitalized**	**Minimum Required**
Ratios		**At December 31, 2023**	
Total capital to risk-weighted assets	**17.40%**	**10.00%**	**8.00%**
Common equity tier 1 capital to risk-weighted assets	**15.71%**	**6.50%**	**4.50%**
Tier 1 capital to risk-weighted assets	**16.44%**	**8.00%**	**6.00%**
Tier 1 leverage ratio	**9.74%**	**5.00%**	**4.00%**
		At December 31, 2022	
Total capital to risk-weighted assets	17.87%	10.00%	8.00%
Common equity tier 1 capital to risk-weighted assets	16.21%	6.50%	4.50%
Tier 1 capital to risk-weighted assets	16.95%	8.00%	6.00%
Tier 1 leverage ratio	10.08%	5.00%	4.00%

NOTES

FINANCIAL INFORMATION

Annual Meeting

The Annual Meeting of the Shareholders of **1st Summit Bancorp** of Johnstown Inc. will be held at 3:00 p.m. on Wednesday, April 17, 2024, at Sunnehanna Country Club, Sunnehanna Drive, Johnstown, PA. We encourage your attendance and look forward to seeing you there. Call Pamela Carroll at 814-262-4148 for reservations.

Stock Information

1st Summit Bancorp of Johnstown, Inc. common stock is traded on OTC Pink under the symbol "FSMK."

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Investor Relations Contact

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Dividend Calendar

1st Summit Bancorp issues quarterly dividend payments. Subject to the approval of the Board of Directors, quarterly cash dividends are paid on or about March 15, June 15, September 15, and December 15.

SUBSIDIARIES

1ST SUMMIT BANK
Member FDIC

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19 Community Offices and 1 Loan Production Office

Serving Cambria, Somerset, Indiana, Blair, and Westmoreland counties.

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