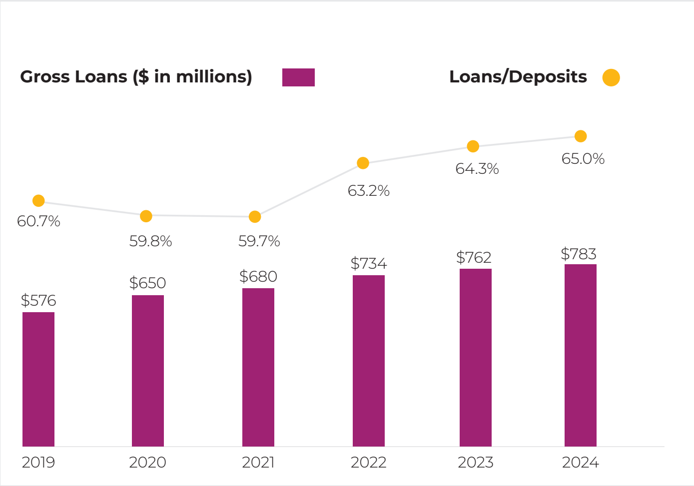
LOOKING TO THE FUTURE

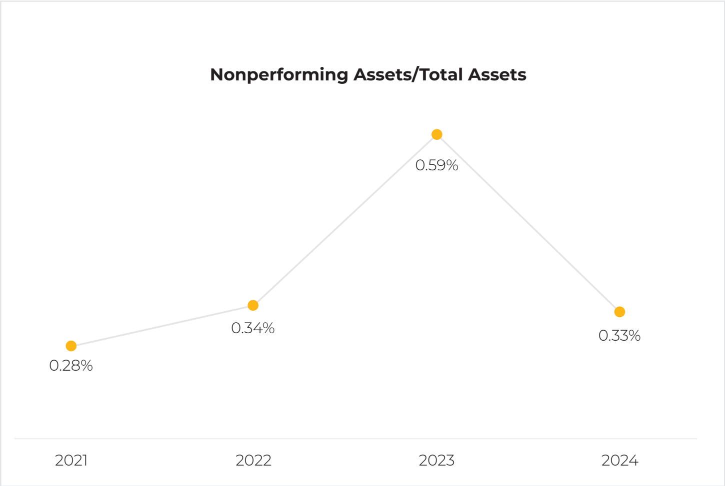
1ST SUMMIT BANCORP
of Johnstown, Inc.

2024 ANNUAL REPORT

FINANCIAL HIGHLIGHTS *(in thousands, except per share data)*

As of and for the Years Ended December 31	2024	2023	2022
Income Statement:			
Interest income	$ 54,654	$ 50,537	$ 45,040
Interest expense	32,346	25,157	8,159
Net interest income	22,308	25,380	36,881
Provision for credit losses	86	700	368
Noninterest income	12,007	7,669	5,890
Noninterest expense	31,588	30,570	29,315
Income before income taxes	2,641	1,779	13,088
Net income	3,193	2,646	11,513
Balance Sheet Data:			
Period end balance sheet data			
Loans	$ 782,768	$ 762,411	$ 734,035
Earning assets	1,348,242	1,311,183	1,304,679
Total assets	1,415,163	1,371,717	1,361,775
Noninterst-bearing deposits	114,898	117,464	129,978
Total deposits	1,204,113	1,185,556	1,160,735
Stockholders' equity	93,961	101,487	101,285
Common Shares Data:			
Earnings per common share	$ 1.46	$ 1.21	$ 5.26
Cash dividends per common share	1.72	1.72	1.71
Book value per share	44.00	46.33	46.23
Tangible book value per share	43.84	46.18	46.05
Adjusted book value per share (excluding impact of AOCI)	59.21	59.11	60.18
Weighted average number of shares	2,180,921	2,190,783	2,189,596
Shares outstanding	2,135,540	2,190,510	2,191,010
Performance and other data:			
Return on average assets	0.23%	0.19%	0.84%
Return on average equity	3.40%	2.74%	10.90%
Tangible common equity	6.62%	7.38%	7.41%
Net interest margin (tax-equivalent)	1.80%	2.06%	2.93%
Efficiency ratio	92.05%	92.50%	68.54%
Allowance for credit loss as a percentage of total loans	0.91%	1.03%	1.02%
Annualized net charge-offs to average loans	0.10%	0.16%	0.11%
Nonperforming assets to total assets	0.33%	0.59%	0.34%
FTE headcount	211	213	212





To Our Valued Shareholders

I want to begin by expressing my sincere gratitude for your continued trust and investment in our bank. Your confidence in our institution, particularly in these challenging times, is something we do not take for granted. As shareholders, you are more than investors; you are partners in our shared commitment to financial stability and community service.

The past two years have presented extraordinary challenges across the financial sector. A sustained period of higher interest rates has increased our cost of funds, compressed our net interest margin, and created a difficult operating environment. Like many financial institutions, we have had to take decisive actions to navigate these headwinds while remaining committed to preserving and ultimately restoring shareholder value.

Despite market related obstacles, we have made meaningful progress in strengthening our financial position. We reported net income of $3.2 million for the year ended December 31, 2024, an increase of 21% over the prior year. Revenue increased $1.3 million, or 4% from the previous year. The increase in profitability was driven by several factors, including reducing reliance on expensive short-term funding and implementing strategic hedging techniques to stabilize our net interest margin. We also executed structured transactions that generated realized gains throughout the year. These strategies were designed to bolster our resilience and provide flexibility for the future. Additionally, we saw improvement in our credit quality metrics during 2024. Total nonperforming assets to total assets decreased 26 basis points to 0.33% and net charge-offs to average assets decreased 6 basis points to 0.10%. Internal key performance indicators related to credit quality and capital adequacy continue to remain strong.

While these steps have been instrumental in stabilizing our position, they have not fully offset the broader financial pressures we face. As we approach the end of the first quarter of 2025, we are keenly aware that the road ahead remains uncertain. Economic and regulatory pressures persist, and our leadership team is evaluating all strategic options available to preserve and enhance shareholder value. Our commitment to transparency and disciplined decision-making remains steadfast, and we will continue to assess the best course of action for our shareholders and stakeholders alike.

We recognize that the coming months will require continued adaptability and careful financial stewardship. While the immediate future presents challenges, we remain focused on continuing to serve our markets with the same quality our customers have come to expect over the past century while evaluating any and all opportunities to deliver shareholder value wherever possible.

J. Eric Renner

President & CEO

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

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

J. Eric Renner
President & CEO
1st Summit Bancorp
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MCS Logistics, Inc.
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Et, al.

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

BANCORP CORPORATE OFFICERS

J. Eric Renner
President &
Chief Executive Officer

Allison S. Johnson
Executive Vice President,
Treasurer, Chief Financial
Officer & Chief Enterprise
Risk Officer

Timothy W. Smith
Senior Vice President &
Secretary

Polly A. Previte
Senior Vice President

Michael J. Paulman
Senior Vice President

SENIOR LEADERSHIP TEAM

J. Eric Renner
President
Chief Executive Officer

Timothy W. Smith
Senior Vice President
Chief Information Officer

Karen M. Mento
Senior Vice President
Chief Administrative Officer

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

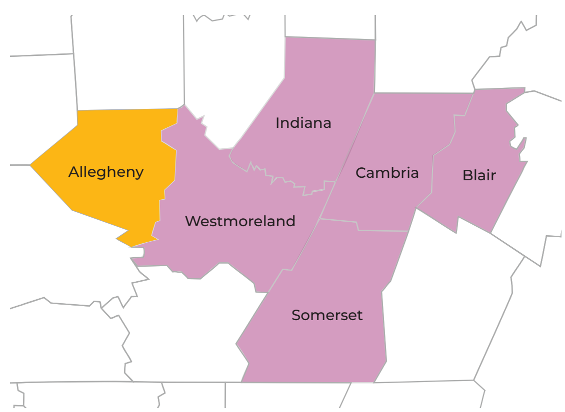
Tobie Gunby
Vice President
Chief Human Resources Officer

Allison S. Johnson
Executive Vice President
Chief Financial Officer
Chief Enterprise Risk Officer

Polly A. Previte
Senior Vice President
Head of Retail Banking

Michael J. Paulman
Senior Vice President
Chief Lending Officer

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



To support our expansion into the Greater Allegheny County market, 1st Summit Bank added two new Senior Regional Business Relationship Managers to our team. This strategic appointment is a key milestone in the bank's growth, reinforcing our commitment to expanding our presence in the Allegheny County area.

FOR THE COMMUNITY.
FOR BRIGHTER TOMORROWS.

CELEBRATING **100 YEARS** IN BUSINESS

In 2024, we proudly marked the 100th anniversary of 1st Summit Bank, a milestone that reflects our deep commitment to serving our communities. We celebrated this remarkable achievement by continuing to give back, kicking off a series of events on Monday, April 29. The celebrations included weekly giveaways, chances to win prizes, special account offers, and charity nominations to support local organizations.

It was truly special to connect with our customers at each of our offices, reflecting on the bank's rich history. Many shared fond memories spanning several decades, making these moments even more meaningful for both our employees and customers.

The festivities culminated on the actual 100th Anniversary Date of Friday, May 24, with refreshments at each of our community offices, as well as a live radio broadcast at our headquarters. The charity nomination initiative saw a large number of deserving organizations put forward, demonstrating the strong sense of community we strive to support.

While the official celebrations have ended, our dedication to the theme "For the Community. For Brighter Tomorrows." remains unwavering. As we look ahead to the next 100 years, we continue to focus on our commitment to the communities we serve.

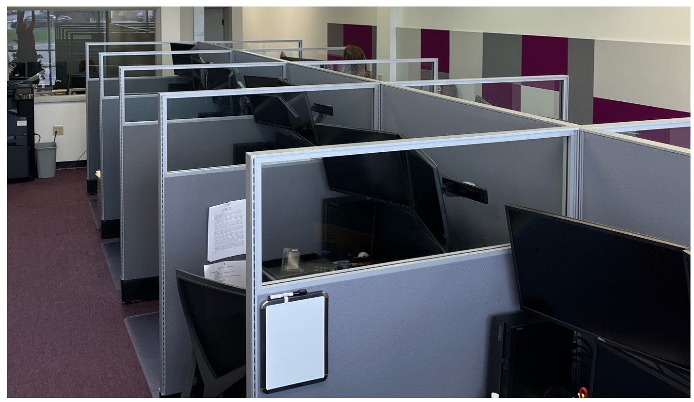
Customer Care Center Launched

After several months of planning, software and procedure development, building renovations, and network and equipment installations, 1st Summit Bank officially began operating its Customer Care Center in late Q3 of 2024. This new addition allows our customers to access expert, well-trained support over the phone, even outside of regular branch hours.

The transition of branch calls to the Care Center has streamlined service delivery. Our dedicated Customer Service Specialists are equipped with the latest technology to efficiently resolve a wide variety of issues—from account inquiries, online banking, and debit card concerns, to fraud prevention. With the right resources and training, they can quickly research and resolve customer issues.

To ensure top-quality service, we've set clear service level standards and key performance metrics. As a result, we've seen consistent improvement in call handling efficiency. In Q4 2024 alone, the team handled over 18,220 calls, achieving an average handle time of under 3.5 minutes and an average wait time of just 1 minute and 16 seconds.

Looking ahead, we plan to transition the final two branches' calls to the Care Center by Q1 2025. In addition, Saturday hours will be introduced to provide enhanced support for our customers.



Continuing Our Commitment to the Communities We Serve

In April of 2024, 1st Summit Bank completed the execution of the difficult decision to close its office in the Beaverdale community, consolidating customers and staff into surrounding locations of Portage, Sidman, and Salix. While this allowed us to more efficiently utilize our resources, it also provided us with an opportunity to support the Beaverdale community in a meaningful way.

In November 2024, we proudly announced the successful transfer of the former Beaverdale office building to the Summerhill Township Volunteer Fire Company. We chose to donate the property to this vital local organization, ensuring it would continue to serve the community for years to come.

On Friday, December 6, 2024, bank professionals and Fire Department representatives gathered to formally mark the transition of ownership with the symbolic handing over of the keys. Though the moment was bittersweet for the bank, the positive impact of the donation on the Fire Company was clear.

Supporting local businesses and nonprofits in the communities we serve has been a priority for over 100 years, and it remains a cornerstone of our operations as we look forward to the next century of service.

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 subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023; the related consolidated statements of income, comprehensive (loss) income, 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, 2024 and 2023, 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, 2024, 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 March 17, 2025, 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.

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.

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 Financial Highlights and the Letter to Our Shareholders 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
March 17, 2025

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STEUBENVILLE, OH
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Steubenville, OH 43952
(304) 233-5030

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

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

As of December 31	2024	2023
Assets:		
Cash and due from banks	$ 10,666	$ 12,893
Interest-bearing deposits in other banks	7,310	455
Total cash and cash equivalents	17,976	13,348
Investment securities:		
Equity securities	655	7,191
Available-for-sale securities, at fair value (amortized cost $371,820 and $327,299); allowance for credit losses $0 and $0	329,949	291,435
Held-to-maturity securities, at amortized cost (fair value $188,782 and $211,348); allowance for credit losses $0 and $0	216,894	236,798
Total investment securities	547,498	535,424
Loans:		
Loans held for investment	782,768	762,411
Less: allowance for credit losses	(7,160)	(7,871)
Loans, net	775,608	754,540
Operating lease right-of-use assets	9,202	3,215
Premises and equipment, net	11,919	14,599
Accrued interest receivable	5,126	4,995
Goodwill	339	339
Deferred tax asset, net	10,888	9,423
Bank-owned life insurance	24,678	24,376
Federal Home Loan Bank and other bank stock, at cost	4,665	4,003
Other assets	7,264	7,455
Total assets	$ 1,415,163	$ 1,371,717
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Transaction accounts:		
Noninterest-bearing	$ 114,898	$ 117,464
Interest-bearing	649,837	649,749
Total transaction accounts	764,735	767,213
Time deposits	439,378	418,343
Total deposits	1,204,113	1,185,556
Accrued interest payable	4,528	3,301
Short-term borrowings	30,000	59,291
Long-term borrowings	66,186	12,186
Operating lease liability	9,428	3,293
Other liabilities	6,947	6,603
Total liabilities	$ 1,321,202	$ 1,270,230
Stockholders' Equity:		
Preferred stock, no par value; 300,000 shares authorized; none issued or outstanding at December 31, 2024 and December 31, 2023	–	–
Common stock, $5 par value; 4,800,000 shares authorized; 2,203,038 issued; 2,135,540 outstanding at December 31, 2024 and 2,190,510 at December 31, 2023	$ 11,015	$ 11,015
Capital surplus	5,825	5,825
Retained earnings	113,223	113,784
Accumulated other comprehensive income (loss)	(32,825)	(28,333)
Treasury stock, at cost; 67,498 and 12,528 shares at December 31, 2024 and December 31, 2023	(3,277)	(804)
Total stockholders' equity	93,961	101,487
Total liabilities and stockholders' equity	$ 1,415,163	$ 1,371,717

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

(Dollars in thousands, except per share data)

For the Years Ended December 31	2024	2023
Interest and dividend income:		
Interest and fees on loans	$ 39,980	$ 36,156
Interest and dividends on investment securities	14,315	14,303
Other interest income	359	78
Total interest and dividend income	54,654	50,537
Interest expense:		
Interest on deposits	28,733	20,074
Interest on FHLB advances and other borrowings	3,613	5,083
Total interest expense	32,346	25,157
Net interest income	22,308	25,380
Provision for credit losses	86	700
Net interest income after provision for credit losses	$ 22,222	$ 24,680
Noninterest income:		
Service charges and fees	2,532	2,577
Wealth management income	2,299	2,072
Earnings on bank-owned life insurance	664	500
Death benefit on bank-owned life insurance	172	430
Interchange income	2,272	2,526
Gain (loss) on sales of debt and equity securities	169	(245)
Change in fair value of equity securities	(508)	(328)
Gain on sale leaseback transaction	3,269	–
Gain on sale of loans held for investment	459	–
Other noninterest income	679	137
Total noninterest income	$ 12,007	$ 7,669
Noninterest expense:		
Salaries and employee benefits	17,347	17,068
Occupancy and equipment expenses	3,821	4,271
Professional services	1,664	961
Data processing and network	3,446	2,805
Regulatory assessments and insurance	672	627
Shares tax expense	914	898
Other operating expenses	3,724	3,940
Total noninterest expense	$ 31,588	$ 30,570
Income before income tax expense	2,641	1,779
Income tax expense (benefit)	(552)	(867)
Net income	$ 3,193	$ 2,646
Earnings per common share	$ 1.46	$ 1.21
Weighted Average Shares Outstanding	2,180,921	2,190,783

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

(Dollars in thousands)

For the Years Ended December 31	2024	2023
Net income	$ 3,193	$ 2,646
Other comprehensive gain (loss):		
Unrealized gains (losses) arising during the period on available-for-sale securities, net of income tax (cost) benefit of $1,275 and ($663), respectively(1)	(4,796)	2,492
Reclassification adjustment for net (gains) losses on sales of available-for-sale securities included in net income, net of income tax arising during the period on available-for-sale securities, net of income tax cost (benefit) of ($14) and ($24), respectively(1)(2)	50	89
Unrealized holding gains arising during the period on interest rate derivatives used in cash flow hedges, net of income tax (cost) benefit of ($0) and ($0), respectively(1)	254	–
Total other comprehensive income (loss)	(4,492)	2,581
Total comprehensive income (loss)	$ (1,299)	$ 5,227

(1) The income tax impacts of the components of other comprehensive income are calculated using the 21% statutory tax rate for 2024 and 2023.

(2) Amounts are included in net gain on sales of investment securities on the Consolidated Statements of Income as a separate component within total noninterest income.

See accompanying notes to the consolidated financial statements.

	Common Stock						
	Outstanding Shares	Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
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 adoptions 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
Net Income	–	–	–	3,193	–	–	3,193
Other Comprehensive loss	–	–	–	–	(4,492)	–	(4,492)
Cash dividends ($1.72 per share)	–	–	–	(3,754)	–	–	(3,754)
Purchase of treasury stock	(54,970)	–	–	–	–	(2,473)	(2,473)
Balance, December 31, 2024	2,135,540	$ 11,015	$ 5,825	$ 113,223	$ (32,825)	$ (3,277)	$ 93,961

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(Dollars in thousands)

For the Years Ended December 31	2024	2023
Operating Activities		
Net income	$ 3,193	$ 2,646
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	86	700
Depreciation and amortization	1,372	2,296
Amortization (accretion) on investments - available-for-sale	545	608
Amortization (accretion) on investments - held-to-maturity	417	503
(Gain) loss on sales of investment securities	275	573
(Gain) loss on sales of other real estate owned	(21)	–
(Gain) loss on sales of premises and equipment	(3,269)	–
Donation of premises and equipment	33	–
Deferred tax expense (benefit)	(203)	(796)
Increase in cash surrender value of BOLI	(664)	(930)
Net change in:		
Accrued interest receivable	(131)	(188)
Accrued interest payable	1,227	2,147
Other	(681)	(933)
Net cash provided by (used in) operating activities	$ 2,179	$ 6,626
Investing Activities		
Purchase of securities available-for-sale	(90,612)	(4,941)
Sales of securities available-for-sale	25,770	794
Paydown and maturities of investment securities available-for-sale	19,778	15,733
Paydown and maturities of investment securities held-to-maturitiy	19,487	19,287
Purchase of securities held-to-maturity	–	(5,837)
Proceeds from sale of equities	6,261	767
Proceeds from call of equities	–	500
Redemption of FHLB and other bank stock	8,736	6,765
Purchase of FHLB and other bank stock	(9,398)	(6,500)
Proceeds from sale of Visa B shares	458	–
Sale of loans held for investment	4,301	–
Net change in loans	(25,119)	(29,291)
Proceeds from sale of other real estate owned	884	91
Purchase of premises and equipment	(720)	(2,846)
Proceeds on the sale of premises and equipment	5,222	–
Death benefit on bank-owned life insurance	362	2,599
Purchase of BOLI	–	(3,252)
Net cash provided by (used in) investing activities	$ (34,50)	$ (6,131)
Financing Activities		
Net change in deposits	18,557	24,821
Proceeds from long term borrowings	60,000	–
Repayment of long term borrowings	(6,000)	(16,249)
Proceeds from short term borrowings	30,000	(2,598)
Repayment of short term borrowings	(59,291)	
Common stock dividends	(3,754)	(3,768)
Purchase of treasury stock	(2,473)	(38)
Net cash provided by (used in) by financing activities	$ 37,039	$ 2,168
Increase in cash	4,628	2,663
Cash at beginning of year	13,348	10,685
Cash at end of year	17,976	13,348
Supplemental disclosure of cash flow information:		
Interest paid	$ 31,119	$ 23,000
Income taxes paid	–	100
Supplemental disclosure of noncash investing and financing information:		
Transfer of loans to other real estate owned	844	50
Increase in right of use asset	(4,929)	(1,516)
Increase in lease liabilities	4,929	1,516

See accompanying notes to the 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" or "1st Summit"), and its wholly owned subsidiary, 1ST SUMMIT BANK (the "Bank"). Value Finance, Inc. 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 eighteen 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 and the LPO are regulated by the Pennsylvania Department of Banking.

The accounting and reporting policies of 1st Summit conform with accounting principles generally accepted in the United States ("GAAP") and to general practice with the financial industry. Following is a description of the more significant accounting policies.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Material estimates subject to significant change include the allowance for credit losses, the expected cash flows and collateral values associated with loans that are individually evaluated for credit losses, the carrying value of other real estate owned ("OREO"), the fair value of financial instruments, and deferred income tax assets.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, balances due from banks, and federal funds sold, all of which mature within ninety days.

Restrictions on Cash and Due from Bank Accounts

The Bank is required to maintain certain minimum cash reserves. As of both December 31, 2024 and 2023, there was no cash reserve balances required to be maintained at the Federal Reserve Bank of Philadelphia because the Bank had sufficient cash available.

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 Company 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 Company'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 Company 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.

The Company reports its equity securities with readily determinable fair values at fair value on the Consolidated Balance sheet, with realized and unrealized gains and losses reported on the Consolidated Statements of Income. During the year ended December 31, 2024, the Company sold $6.0 million of equity securities, and recognized a gain of $233 thousand. Dividends on equity securities are recognized as income when earned. Dividends recognized for the years ended December 31, 2024 and 2023 were $167 thousand and $347 thousand, respectively.

Allowance for Credit Losses – Available-for-Sale Securities

The Company measures expected credit losses on available-for-sale debt securities when the Company 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 Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the

Company 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 Company 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 $1.8 million at December 31, 2024 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 Company 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 Company'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 Company'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 $727 thousand at December 31, 2024 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.

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, 2024 or 2023.

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 $2.6 million at December 31, 2024 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 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 an eight-quarter 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 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 2024.

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 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.

1st Summit is also a party to certain Split-Dollar Life Insurance Agreements, and in accordance with GAAP, has accrued a liability related to the post-retirement benefits covered by an endorsement split-dollar life insurance arrangement, and a liability for the future death benefit.

Trust Assets and Income

Assets held by the Bank in a fiduciary or agency capacity for customers of the trust department of the Bank are not included in the Consolidated Financial Statements since such items are not assets of the Bank. Most trust income is recognized on the cash basis, which is not materially different than if it were reported on the accrual basis.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the Consolidated Balance Sheets at fair value as components of other assets and other liabilities. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

For derivatives designated as hedging the exposure to changes in the fair value of an asset or liability (fair value hedge), the gain or loss is recognized in earnings in the period of the fair value change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. Derivatives designated as hedging exposure to variable cash flows of a forecasted transaction (cash flow hedge), are reported as a component of other comprehensive income or loss and subsequently reclassified into earnings when the forecasted transaction affects earnings or, in certain circumstances, when the hedge is terminated, with the full impact of hedge gains and losses recognized in the period in which the hedged transaction impacts the entity's earnings. For derivatives that are not designated as hedging instruments, changes in the fair value of the derivatives are recognized in earnings immediately. Note 13 – Derivatives describes the derivative instruments currently used by the Company and discloses how these derivatives impact the Company's financial condition and results of operations.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs included in other expense on the Consolidated Statement of Income were $441 thousand in 2024 and $378 thousand in 2023.

Income Taxes

Income tax expense is determined using the asset and liability method and consists of income taxes that are currently payable and deferred income taxes. Deferred income tax expense (benefit) is determined by recognizing deferred tax assets and liabilities for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that are expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. Changes in tax rates on deferred tax assets and liabilities are recognized in income in the period that includes the enactment date.

A valuation allowance is established for deferred tax assets when management determines that it is more likely than not that some portion or all of a deferred tax asset will not be realized. In making such determinations, the Company considers all available positive and negative evidence that may impact the realization of deferred tax assets. These considerations include future reversals of existing taxable temporary differences, projected future taxable income, and available tax planning strategies.

The Company files a consolidated federal income tax return including the results of its wholly-owned subsidiaries. The Company estimates income taxes payable based on the amount it expects to owe the various tax authorities (i.e., federal and state). Income taxes represent the net estimated amount due to, or to be received from, such tax authorities. In estimating income taxes, management assesses the relative merits and risks of the appropriate tax treatment of transactions, taking into account statutory, judicial, and regulatory guidance in the context of the Company's tax position. Although the Company uses the best available information to record income taxes, underlying estimates and assumptions can change over time as a result of unanticipated events or circumstances such as changes in tax laws and judicial guidance influencing its overall tax position.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. Management believes it is no longer subject to income tax examinations for years prior to 2021.

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, the reclassification adjustment for realized gains (losses) recognized in income and unrealized holding gains (losses) arising during the period on interest rate derivatives used in cash flow hedges.

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.

Reportable Segment Disclosures

Accounting standards require that information be reported about a company's operating segments using a "management approach." Reportable segments are identified in these standards as those revenue-producing components for which discrete financial information is produced internally and which are subject to evaluation by the chief operating decision maker in deciding how to allocate resources to segments. The Company has identified the President and Chief Executive Officer as the chief operating decision maker. Consistent with the Company's strategy that is focused on providing a consistent package of banking products and services across all markets, the Company has identified its overall banking operations, which comprises substantially all of the consolidated operations, as its only reportable segment.

The President and Chief Executive Officer primarily uses net income and return on average assets to make operational and financial decisions and manage the Company. The accounting policies used to measure the profit and loss of the segment are the same as those described elsewhere within this footnote. The significant segment expenses included in net income and reported to the President and Chief Executive Officer are consistent with the financial statement captions shown on the face of the Consolidated Statements of Income. There are no other segment items needed to reconcile expenses included in net income to significant segment expenses reviewed by the chief operating decision maker.

Accounting Pronouncements Adopted in 2024

In November 2023, the FASB issued ASU No. 2023-07, *"Segment reporting (Topic 280): Improvements to Reportable Segment Disclosures,"* to improve the disclosures about an entity's reportable segments and to enable investors to develop a more decision-useful financial analyses. The amendments in this update require that an entity disclose on an annual and interim basis the following: 1) significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss (collectively referred to as the "significant expense principle) 2) require that an entity disclose on an annual and interim basis an amount for other segment items by reportable segment and a description of its composition 3) require that an entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods 4) disclose the title of the CODM and clarify which measure of a segment's profit or loss the CODM uses in assessing segment performance and deciding how to allocate resources, and 5) require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this update and all existing segment disclosures in Topic 280. The amendments were effective for the Company December 31, 2024 and all required disclosures are included in Note 1.

In December 2023, the FASB issued ASU No. 2023-09, *"Income Taxes (Topic 740): Improvements to Income Tax Disclosures,"* to enhance the transparency and decision usefulness of income tax disclosures surrounding rate reconciliation, income taxes paid and other matters. Regarding rate reconciliation, the provisions in this update require an entity to disclose in tabular format a specific set of categories within the reconciliation with separate disclosures required for certain items that meet a quantitative threshold. Regarding income taxes paid, the amendments in this update require that all entities disclose on an annual basis the amount of income taxes paid (net of funds received) disaggregated by federal, state and foreign taxes, and also by individual jurisdictions in which income taxes paid (net of refunds received) meets a quantitative threshold. The amendments in this update also require that all entities disclose income or loss from continuing operations before income tax expense or benefit disaggregated between domestic and foreign income tax expense or benefit. Further, the amendments in this update eliminate the requirement for all entities to disclose the nature and estimate range of the reasonably possible change in unrecognized tax benefits balance in the next twelve months or make a statement that an estimate of the range cannot be made, and remove the requirement to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures. The amendments in this update are effective for annual periods beginning after December 15, 2024. The Company is assessing the impact to its income tax disclosures. Adoption of this guidance will not have an impact to the Company's results of operations or financial condition.

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. 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 are summarized as follows:

	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
AVAILABLE-FOR-SALE	(Dollars in thousands)				
U.S Treasury and U.S. government agencies	$ –	$ –	$ –	$ –	$ –
Mortgage-backed U.S. government agencies	197,213	–	(20,575)	–	176,637
Other mortgage-backed securities	15,854	–	(276)	–	15,578
State and political subdivision obligations	140,129	–	(20,341)	–	119,788
Corporate debt securities	18,624	27	(705)	–	17,946
Total debt securities	$ 371,820	$ 27	$ (41,897)	$ –	$ 329,949

	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
HELD-TO-MATURITY	(Dollars in thousands)				
U.S. Treasury and U.S. government agencies	$ 18,229	$ –	$ (2,463)	$ –	$ 15,766
Mortgage-backed U.S. government agencies	157,480	55	(22,612)	–	134,923
Other mortgage-backed securities	–	–	–	–	–
State and political subdivision obligations	41,185	18	(3,110)	–	38,093
Corporate debt securities	–	–	–	–	–
Total debt securities	$ 216,894	$ 73	$ (28,185)	$ –	$ 188,782

					2023
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
AVAILABLE-FOR-SALE	(Dollars in thousands)				
U.S Treasury and U.S. government agencies	$ –	$ –	$ –	$ –	$ –
Mortgage-backed U.S. government agencies	155,827	108	(18,682)	–	137,253
Other mortgage-backed securities	–	–	–	–	–
State and political subdivision obligations	154,427	61	(16,146)	–	138,342
Corporate debt securities	17,045	–	(1,205)	–	15,840
Total debt securities	$ 327,299	$ 169	$ (36,033)	$ –	$ 291,435

	2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
HELD-TO-MATURITY	(Dollars in thousands)				
U.S Treasury and U.S. government agencies	$ 18,188	$ –	$ (2,576)	$ –	$ 15,612
Mortgage-backed U.S. government agencies	176,341	238	(21,121)	–	155,458
Other mortgage-backed securities	–	–	–	–	–
State and political subdivision obligations	42,269	49	(2,040)	–	40,278
Corporate debt securities	–	–	–	–	–
Total debt securities	$ 236,798	$ 287	$ (25,737)	$ –	$ 211,348

At year end 2024 and 2023, 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 $25.7 million from the sale of debt securities during 2024, resulting in gross realized losses of $64 thousand. The Company had proceeds of $794 thousand from the sale of debt securities during 2023, resulting in gross realized losses of $113 thousand. The Company sold no held-to-maturity securities during 2024 or 2023.

Investment securities with a carrying value of $334.5 million and $324.4 million at December 31, 2024 and 2023, respectively, were pledged to secure public deposits, borrowings, and for other purposes as required by law. As of December 31, 2024 there were $8.8 million in FHLB Letters of Credit outstanding to secure public deposits. The Company did not have any FHLB Letters of Credit outstanding in 2023.

Net losses on the change in fair value of equity securities were $508 thousand in 2024, and net losses on the change in fair value of equity securities were $460 thousand in 2023. The Company had proceeds of $6.3 million from sales on equity securities during 2024 and $578 thousand in 2023. Resulting in gross realized gains of $988 thousand and gross realized losses of $755 in 2024. In 2023, there were no gross realized gains on equity sales and $132 thousand in gross realized losses. In addition, the Bank did not receive any proceeds on preferred stock in 2024, but had proceeds from equity securities of $500 thousand as a result of a full call on preferred stock in 2023. There were no proceeds from equity securities as a result of business combinations in 2024 and the company had proceeds of $189 thousand in 2023 as a result of business combinations.

The amortized cost and fair value of investment securities at December 31, 2024, 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.

	2024			
	AVAILABLE-FOR-SALE		HELD-TO-MATURITY	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Due in one year or less	$ 1,375	$ 1,360	$ 2,931	$ 2,916
Due after one year through five years	3,997	3,920	17,268	16,351
Due after five years through ten years	80,405	73,563	43,488	38,900
Due after ten years	286,043	251,106	153,207	130,615
	$ 371,820	$ 329,949	$ 216,894	$ 188,782

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, 2024, aggregated by security type and length of time in a continuous loss position, at December 31 (in thousands):

	2024					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(Dollars in thousands)					
U.S Treasury and U.S. government agencies	$ –	$ –	$ –	$ –	$ –	$ –
Mortgage-backed U.S. government agencies	63,081	(571)	113,556	(20,004)	176,637	(20,575)
Other mortgage-backed securities	15,578	(276)	–	–	15,578	(276)
State and political subdivision obligations	591	(19)	119,197	(20,322)	119,788	(20,341)
Corporate debt securities	997	(3)	10,493	(702)	11,490	(705)
Total debt securities	$ 80,247	$ (869)	$ 243,246	$ (41,028)	$ 323,493	$ (41,897)

	2023					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(Dollars in thousands)					
U.S Treasury and U.S. government agencies	$ –	$ –	$ –	$ –	$ –	$ –
Mortgage-backed U.S. government agencies	–	–	130,501	(18,682)	130,501	(18,682)
Other mortgage-backed securities	–	–	–	–	–	–
State and political subdivision obligations	32,182	(778)	99,981	(15,368)	132,163	(16,146)
Corporate debt securities	–	–	12,239	(1,205)	12,239	(1,205)
Total debt securities	$ 32,182	$ (778)	$ 242,721	$ (35,255)	$ 274,903	$ (36,033)

At December 31, 2024, the Company had 1 U.S. government agency security, 8 obligations of state and political subdivisions, 16 mortgage-backed securities in government-sponsored entities, 3 other mortgage-backed securities, and 2 corporate debt securities that have been in a gross unrealized loss position for less than 12 months. At December 31, 2024, the Company had 12 U.S. government agency securities, 482 obligations of state and political subdivisions, 482 mortgage-backed securities in government-sponsored entities, 0 other mortgage-backed securities, and 25 corporate debt securities that have been in a gross unrealized loss position for greater than 12 months.

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

At December 31, 2024 and 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, 2024.

As of December 31, 2024 and 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, 2024, all rated available-for-sale and held-to-maturity securities were rated above investment grade. There was 1 held-to-maturity security that was not rated. 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, 2024.

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 the 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, 2024, 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		(Dollars in thousands)	
AAA/AA/A	$ 18,229	$ 40,885	$ 157,480
BBB/BB/B	–	–	–
Lower than B or unrated	–	300	–
Total	$ 18,229	$ 41,185	$ 157,480

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, 2024.

3. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The composition of net loans receivable at December 31:

	2024	2023
	(Dollars in thousands)	
Consumer	$ 18,696	$ 28,070
Residential real estate	401,247	392,421
Construction	16,877	21,386
Commercial and industrial	138,555	139,962
Commercial real estate - nonowner occupied	113,091	94,981
Commercial real estate - all other	94,302	85,591
	782,768	762,411
Less allowance for credit losses	7,160	7,871
Net loans	$ 775,608	$ 754,540

Gross loan balances at December 31, 2024 and 2023, are net of unearned income including net deferred loans fees and purchase premiums and discounts of $139 thousand and $189 thousand, respectively. The Company did not purchase any loans in 2024 or 2023. During the year ended December 31, 2024, the Company sold its $4.3 million credit card portfolio and recognized a gain of $459 thousand on the Consolidated statements of income. There were no loan sales during the year ended December 31, 2023.

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, 2024 and 2023, 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 for the year ended December 31, 2024 is as follows:

	For the Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Principal outstanding, beginning of year	$ 20,729	$ 23,155
Additions (reductions) of affiliates	(65)	–
Credit cards sold	(31)	–
New loans made in current year	3,728	4,524
Repayments	(1,324)	(6,950)
Overdrafts	151	–
Principal outstanding, end of year	$ 23,188	$ 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 following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2024:

For the Year Ended December 31, 2024	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
	(Dollars in thousands)				
Allowance for credit losses:					
Consumer	$ 1,493	$ 586	$ 196	$ (757)	$ 346
Residential real estate	1,650	189	53	45	1,559
Construction	191	60	–	114	245
Commercial and industrial	2,114	84	10	447	2,487
Commercial real estate - nonowner occupied	1,200	120	–	(77)	1,003
Commercial real estate - all other	1,223	49	32	314	1,520
Total allowance for credit losses	$ 7,871	$ 1,088	$ 291	$ 86	$ 7,160

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

For the Year Ended December 31, 2023	Beginning Balance	Impact of adopting ASC 326	Charge-offs	Recoveries	Provision	Ending Balance
	(Dollars in thousands)					
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

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 judgment 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 an eight quarter 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 loan 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. During 2024, the allowance for credit losses for consumer loans decreased due to the sale of the credit card portfolio.

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 due. The following table presents the classes of the loan portfolio summarized by the past-due status as of December 31:

At December 31, 2024	Current	30-89 Days Past Due	90 Days+ Past Due	Total Past Due	Total Loans
			(Dollars in thousands)		
Consumer	$ 18,413	$ 247	$ 36	$ 283	$ 18,696
Residential real estate	398,084	2,012	1,151	3,163	401,247
Construction	16,647	–	230	230	16,877
Commercial and industrial	137,735	149	671	820	138,555
Commercial real estate - nonowner occupied	112,520	264	307	571	113,091
Commercial real estate - all other	91,132	1,566	1,604	3,170	94,302
Total	$ 774,531	$ 4,238	$ 3,999	$ 8,237	$ 782,768

At December 31, 2023	Current	30-89 Days Past Due	90 Days+ Past Due	Total Past Due	Total Loans
			(Dollars in thousands)		
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

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:

At December 31, 2024	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due 90+ Still Accruing	Total Nonperforming
			(Dollars in thousands)		
Consumer	$ 6	$ –	$ 6	$ 31	$ 37
Residential real estate	764	–	764	566	1,330
Construction	–	230	230	–	230
Commercial and industrial	19	646	665	25	690
Commercial real estate - nonowner occupied	307	–	307	–	307
Commercial real estate - all other	448	1,156	1,604	–	1,604
Total	$ 1,544	$ 2,032	$ 3,576	$ 622	$ 4,198

At December 31, 2023	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due 90+ Still Accruing	Total Nonperforming
	(Dollars in thousands)				
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	1217	390	1,607
Total	$ 3,680	$ 3,053	$ 6,733	$ 842	$ 7,575

The Company recognized no interest income on nonaccrual loans during the years ended December 31, 2024 or 2023.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability to 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 nonhomogeneous 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 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 tables present the recorded investment in homogenous loans by internal risk rating system as of December 31:

At December 31, 2024	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
	Term Loans Amortized Cost Basis by Origination Year						
				(Dollars in thousands)			
Construction							
Risk Rating							
Pass	$ 10,844	$ 2,831	$ 921	$ 677	$ 1,123	$ 250	$ 16,646
Special Mention	–	–	–	–	–	–	–
Substandard	–	230	–	–	1	–	231
Doubtful	–	–	–	–	–	–	–
Total	$ 10,844	$ 3,061	$ 921	$ 677	$ 1,124	$ 250	$ 16,877
Current period gross charge-offs	$ –	$ –	$ –	$ –	$ 60	$ –	$ 60
Commercial and industrial							
Risk Rating							
Pass	$ 13,342	$ 16,256	$ 31,972	$ 12,259	$ 21,613	$ 38,370	$ 133,812
Special Mention	–	1,520	–	48	910	1,353	3,831
Substandard	–	–	194	15	280	423	912
Doubtful	–	–	–	–	–	–	–
Total	$ 13,342	$ 17,776	$ 32,166	$ 12,322	$ 22,803	$ 40,146	$ 138,555
Current period gross charge-offs	$ –	$ –	$ –	$ –	$ 49	$ 35	$ 84
Commercial real estate - nonowner occupied							
Risk Rating							
Pass	$ 29,443	$ 13,453	$ 23,536	$ 23,982	$ 19,474	$ 710	$ 110,598
Special Mention	–	–	–	–	1,141	–	1,141
Substandard	–	1,220	84	–	48	–	1,352
Doubtful	–	–	–	–	–	–	–
Total	$ 29,443	$ 14,673	$ 23,620	$ 23,982	$ 20,663	$ 710	$ 113,091
Current period gross charge-offs	$ –	$ –	$ –	$ –	$ 120	$ –	$ 120
Commercial real estate - all other							
Risk Rating							
Pass	$ 17,151	$ 9,199	$ 19,430	$ 8,556	$ 27,728	$ 1,763	$ 83,827
Special Mention	–	–	–	2,190	4,423	–	6,613
Substandard	148	–	–	233	3,410	71	3,862
Doubtful	–	–	–	–	–	–	–
Total	$ 17,299	$ 9,199	$ 19,430	$ 10,979	$ 35,561	$ 1,834	$ 94,302
Current period gross charge-offs	$ –	$ –	$ –	$ –	$ 48	$ 1	$ 49
Total							
Risk Rating							
Pass	$ 70,780	$ 41,739	$ 75,859	$ 45,474	$ 69,938	$ 41,093	$ 344,883
Special Mention	–	1,520	–	2,238	6,474	1,353	11,585
Substandard	148	1,450	278	248	3,739	494	6,357
Doubtful	–	–	–	–	–	–	–
Total	$ 70,928	$ 44,709	$ 76,137	$ 47,960	$ 80,151	$ 42,940	$ 362,825
Current period gross charge-offs	$ –	$ –	$ –	$ –	$ 277	$ 36	$ 313

At December 31, 2023	Term Loans Amortized Cost Basis by Origination Year 2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
			(Dollars in thousands)			
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

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 tables present the amortized cost in residential and consumer loans based on payment activity at December 31:

	Term Loans Amortized Cost Basis by Origination Year						
At December 31, 2024	**2024**	**2023**	**2022**	**2021**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Total**
				(Dollars in thousands)			
Consumer							
Payment Performance							
Performing	$ 5,125	$ 5,066	$ 3,689	$ 2,178	$ 2,601	$ –	$ 18,659
Nonperforming	–	8	7	–	22	–	37
Total	$ 5,125	$ 5,074	$ 3,696	$ 2,178	$ 2,623	$ –	$ 18,696
Current period gross charge-offs	$ 64	$ 120	$ 170	$ 16	$ 90	$ 126	$ 586
Residential real estate							
Payment Performance							
Performing	$ 29,511	$ 45,444	$ 77,704	$ 66,918	$ 178,743	$ 1,597	$ 399,917
Nonperforming	–	46	145	230	909	–	1,330
Total	$ 29,511	$ 45,490	$ 77,849	$ 67,148	$ 179,652	$ 1,597	$ 401,247
Current period gross charge-offs	$ –	$ 23	$ 17	$ –	$ 149	$ –	$ 189
Total							
Payment Performance							
Performing	$ 34,636	$ 50,510	$ 81,393	$ 69,096	$ 181,344	$ 1,597	$ 418,576
Nonperforming	–	54	152	230	931	–	1,367
Total	$ 34,636	$ 50,564	$ 81,545	$ 69,326	$ 182,275	$ 1,597	$ 419,943
Current period gross charge-offs	$ 64	$ 143	$ 187	$ 16	$ 239	$ 126	$ 775

At December 31, 2023	Term Loans Amortized Cost Basis by Origination Year 2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
	(Dollars in thousands)					
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

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 Sheets. As of December 31, 2024 and 2023, a total of $449 thousand and $468 thousand, respectively, of foreclosed assets were included with other assets. As of December 31, 2024 and 2023, included within foreclosed assets is $0 and $20 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, 2024 and 2023, the Company had initiated formal foreclosure procedures on $596 thousand and $420 thousand of consumer residential mortgages, respectively, that have not yet been moved to foreclosed assets.

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 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 2024 or 2023.

4. COMMITMENTS AND CONTINGENCIES

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:

		2024		2023
		(Dollars in thousands)		
Commercial loan commitments	$	107,903	$	94,078
14 family commitments		47,524		49,200
Other commitments		8,131		20,372
Standby letters of credit and financial guarantees		1,677		2,654
Total premises and equipment	$	165,235	$	166,304

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 $371 thousand at December 31, 2024 and was $705 thousand at December 31, 2023.

Legal Proceedings

The Company and the Bank 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.

5. PREMISES AND EQUIPMENT

The following is a summary of premises and equipment as of December 31:

		2024		2023
		(Dollars in thousands)		
Land	$	2,681	$	3,284
Buildings		9,787		12,493
Furniture, fixtures, and equipment		14,288		13,806
Leasehold improvements		4,522		4,480
Total cost		31,278		34,063
Less accumulated depreciation		19,359		19,464
Total premises and equipment	$	11,919	$	14,599

Depreciation expense was $1.4 million in both 2024 and 2023.

During 2024, 1ST Summit entered into a sale leaseback transaction on two branches which included $531 thousand of land and $1.3 million of buildings.

6. GOODWILL

For each of the years ended December 31, 2024 and 2023, goodwill has a net carrying amount of $339 thousand.

The gross carrying amount of goodwill is tested for impairment in the fourth quarter, after the annual forecasting process. Based on the fair value of the reporting unit, estimated using a qualitative analysis, no goodwill impairment was recognized in 2024. A goodwill impairment loss was recognized in 2023 of $50 thousand with the liquidation of Value Finance, Inc.

7. DEPOSITS

Deposits consisted of the following as of December 31:

		2024		2023
	(Dollars in thousands)			
Noninterest-bearing demand deposits	$	114,898	$	117,464
Interest-bearing demand deposits		303,631		309,746
Savings and money market accounts		346,206		340,003
Time deposits		439,378		418,343
Total deposits	$	1,204,113	$	1,185,556
Overdrafts	$	348	$	127

The scheduled maturities of time deposits at December 31, 2024 were as follows:

	Time Deposits			
(Dollars in thousands)	Less than $250,000		$250,000 or more	
Maturing in 2025	$	241,570	$	100,497
Maturing in 2026		55,551		14,815
Maturing in 2027		13,546		3,761
Maturing in 2028		4,841		3,297
Maturing in 2029		1,154		–
Maturing thereafter		346		–
Total deposits	$	317,008	$	122,370

1ST Summit had no brokered deposits as of December 31, 2024 or 2023. As of December 31, 2024 and 2023, 1st Summit had $8.6 million and $5.1 million of CDAR deposits, respectively.

Deposits from related parties held by 1st Summit at December 31, 2024 and 2023 amounted to $6.5 million and $7.0 million, respectively.

8. SHORT-TERM BORROWINGS

Total short-term borrowings were $30 million as of December 31, 2024 and $59.3 million as of December 31, 2023. Short-term borrowings generally consist of advances from the FHLB with an original maturity of less than a year. Advances from the FHLB are collateralized by our investment in the common stock of the FHLB and by a blanket lien on selected loan receivables comprised principally of real estate secured loans within the Bank's portfolio totaling $436.5 million at December 31, 2024. The Bank had short-term borrowing capacity from the FHLB up to the Bank's unused borrowing capacity of $331.7 million (equal to $436.5 million of maximum borrowing capacity less the aggregate amount of FHLB letter of credits securing public funds deposits, and other FHLB advances and obligations outstanding) upon satisfaction of any stock purchase requirements of the FHLB.

The Bank also has unused overnight lines of credit with other correspondent banks amounting to $57.9 million at December 31, 2024. No draws have been made on these lines of credit and on December 31, 2024 and 2023, the balance was $0.

9. LONG-TERM BORROWINGS

The following table sets forth information concerning long-term borrowings:

	Maturity Range		Weighted-Average	Stated Interest Rate Range		At December 31,	
Description	From	To	Interest Rate	From	To	2024	2023
			(Dollars in thousands)				
Fixed rate	10/27/25	06/24/26	4.87%	4.58%	5.46%	$ 60,000	$ 6,000
Long-term notes payable	04/24/33	04/06/34	7.88%	7.67%	8.08%	6,186	6,186
						$ 66,186	$ 12,186

Maturities of long-term borrowings at December 31, 2024, are as follows (in thousands):

Other Borrowed Funds - Maturity distribution table

Year Ending December 31,	Amount	Weighted-Average Rate
2025	$ 20,000	5.46%
2026	40,000	4.58%
2027	–	–
2028	–	–
2029	–	–
Thereafter	6,186	7.88%
	$ 66,186	5.15%

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%. At December 31, 2024, the rate was 8.08%. 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%. At December 31, 2024, the rate was 7.67%. 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 equity investment section of the Consolidated Balance Sheet. Neither Entity 1 nor Entity 2 is consolidated as part of the Company’s consolidated financial statements.

10. 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 $419 thousand and $284 thousand in 2024 and 2023, respectively.

The plan assets include 84,267 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 $140 thousand in 2024 and $74 thousand in 2023. Distributions from the plan were $223 thousand in 2024 and $141 thousand in 2023. The Company carried a liability of $2.5 million in 2024 and $3.2 million in 2023.

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 2024, there was no expense recognized under the plan while $50 thousand in expense was recognized during 2023. The Company carried a liability of $0 in 2024 and $68 thousand in 2023.

11. INCOME TAXES

Federal income tax expense consists of the following for the year ended December 31:

	2024	2023
	(Dollars in thousands)	
Current tax expense	$ (349)	$ (71)
Deferred tax expense	(203)	(796)
Total	$ (552)	$ (867)

The components of the net deferred tax assets at December 31 are as follows:

	2024	2023
Deferred tax assets:	*(Dollars in thousands)*	
Allowance for credit losses	$ 1,581	$ 1,801
Deferred directors' fees	623	581
Deferred performance plan	–	14
Lease liability	1,980	691
Swap liability	232	
Net operating loss carry forward	1,144	919
Net unrealized loss on available-for-sale securities	8,793	7,531
Other	196	64
Total	$ 14,549	$ 11,601
Deferred tax liabilities:		
Premises and equipment	$ 939	$ 1,085
Deferred loan origination costs, net	288	249
Investment discount accretion	64	57
Unrealized gain - equity securities	62	93
Right-of-use lease asset	1,932	675
Swap asset	303	–
Other	73	19
Total	3,661	2,178
Net deferred tax assets (liabilities)	$ 10,888	$ 9,423

No valuation allowance was established at December 31, 2024 and 2023, in view of 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 effective income tax rate is as follows:

	2024		2023	
(Dollars in thousands)	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed at statutory rate	$ 555	21.0%	$ 374	21.0%
Effect of tax-free interest income	(1,208)	-45.7%	(1,247)	-70.1%
BOLI earnings	(176)	-6.6%	(195)	-11.0%
Nondeductible interest to carry tax-exempt assets	215	8.1%	181	10.2%
Other	61	2.3%	20	1.2%
Income tax expense and effective rate	$ (552)	-20.9%	$ (867)	-48.7%

The Company prescribes a recognition threshold and a measurement attributable 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 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 Statements of Income. The Bank's federal and PA shares tax returns for taxable years through 2020 have been closed for purposes of examination by the Internal Revenue Service and Pennsylvania Department of Revenue.

12. LEASE COMMITMENTS

The Company utilizes leases for fourteen of its locations. As of December 31, 2024, right-of-use assets representing operating leases amounted to $9.4 million and have remaining lease terms of 4 months to 15 years. As of December 31, 2024 and December 31, 2023, the Company had no financing leases. 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. Lease costs incurred were entirely operating lease costs which approximate rental payments. As of December 31, 2024, the weighted average term for operating leases is 11 years and the weighted average discount rate is 6.07%. As of December 31, 2023, the weighted average term for operating leases is 8 years and the weighted average discount rate is 3.61%. The following table displays the undiscounted cash flows due related to operating leases as of December 31, 2024, along with a reconciliation to the discounted amount recorded on the December 31, 2024 Consolidated Balance Sheet (in thousands):

Undiscounted cash flows due within:	Operating Lease Payments
2025	$ 1,364
2026	1,250
2027	1,224
2028	1,229
2029	1,194
Thereafter	7,824
Total	$ 14,085
Impact of present value discount	(4,657)
Amount reported on Consolidated Balance Sheet	$ 9,428

During the year ended December 31, 2024, the Company entered into a sale leaseback transaction on two branch offices. The transaction resulted in a gain of $3.3 million which is recorded on the Consolidated Statements of Income. The subsequent leases the Company entered into are for a period of 15 years.

13. DERIVATIVES

Risk Management Objective of Using Derivatives

The Company enters into derivative financial instruments to manage risks related to differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments.

Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the notional or contractual amounts and fair values of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets at December 31, 2024. There were no derivative financial instruments at December 31, 2023.

		December 31, 2024		
		Derivative[1]		
(Dollars in thousands)	Type of Hedge	Notional or Contractual Amount	Assets	Liabilities
Derivatives designated as hedging instruments:				
Interest rate swaps - fixed rate borrowings	Cash Flow	$ 20,000	$ 254	$ -
Interest rate swaps – fixed rate loans	Fair Value	125,000	–	1,103
Total derivatives designated as hedging instruments		$ 145,000	$ 254	$ 1,103

[1]Derivative assets and liabilities are reported in other assets and other liabilities, respectively in the consolidated balance sheets. Amounts presented are gross. No contracts have been netted.

Cash Flow Hedges of Interest Rate Risk

The Company is party to a forward-starting interest rate swap agreement designated and qualifying as a cash flow hedge of the Company's fixed cash flows of fixed rate borrowings. The Company receives interest at a variable rate and pays at a fixed rate. The net cash paid for this transaction was recorded as accumulated other comprehensive income/(loss) and is being amortized into earnings through the original maturity date of the contract. The effective date of the contract is in January 2025 and expires in October 2027.

Fair Value Hedges of Interest Rate Risk

Interest rate swaps on fixed rate loans

The Company is party to variable payer swaps that convert certain fixed rate loans to a floating rate. These derivative instruments are designed as fair value hedges of interest rate risk. The fair value of the hedged item attributable to interest rate risk is presented in interest income along with the change in the fair value of the hedging instrument. All of the swap agreements in place at December 31, 2024 expire in 2027.

Effect of Derivative Instruments on the Statements of Income

The effects of derivative instruments on the Consolidated Statements of Income for the year ended December 31, 2024 is presented in the table below:

(Dollars in thousands)		For the Year Ended
Derivative Instrument:	**Location of Gain (Loss) Recognized in the Statements of Income**	**December 31, 2024**
Cash flow hedge:		$
Fixed rate borrowings	Interest Expense - Borrowings	-
Fair value hedges:		
Fixed rate loans	Interest Income - Loans	$ 536

14. REGULATORY MATTERS

The Company and the Bank are subject to regulatory capital requirements administered by banking regulators. Failure to meet minimum capital requirements can trigger certain mandatory, and possibly additional discretionary actions by the regulators that if, undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory account practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

As of December 31, 2024 and 2023, the Company and the Bank met all capital adequacy requirements and the Bank was considered "well-capitalized." However, future changes in regulations could increase capital requirements and may have an adverse effect on capital resources.

Minimum regulatory capital requirements established by Basel III rules require the Company and the Bank to:

- Meet a minimum Common Equity Tier I capital ratio of 4.5% of risk-weighted assets;
- Meet a minimum Tier I capital ratio of 6.0% of risk-weighted assets;
- Meet a minimum Total capital ratio of 8.0% of risk-weighted assets;
- Meet a minimum Tier I leverage capital ratio of 4.0% of average assets;
- Maintain a "capital conservation buffer" of 2.5% above the minimum risk-based capital requirements, which must be maintained to avoid restrictions on capital distributions and certain discretionary bonuses; and
- Comply with the definition of capital to improve the ability of regulatory capital instruments to absorb losses.

The Basel III Rules use a standardized approach for risk weightings. The rules provide that the failure to maintain the "capital conservation buffer" results in restrictions on capital distributions and discretionary cash bonus payments to executive officers. As a result, under the Basel III Rules, if the Bank fails to maintain the required minimum capital conservation buffer, the Company will be subject to limits, and possibly prohibitions, on its ability to obtain capital distributions from the Bank. If the Company does not receive sufficient cash dividends from the Bank, it may not have sufficient funds to pay dividends on its common stock, service its debt obligations or repurchase its common stock.

Certain restrictions exist regarding the ability of the Bank to transfer funds to the Company in the form of cash dividends, loans or advances. The amount of dividends that may be paid from the Bank to the Company in any calendar year is limited to the Bank's current year's net profits, combined with the retained net profits of the preceding two years. For the year ended December 31, 2024, $7.5 million of undistributed earnings of the Bank, including in the consolidated shareholders' equity balance, was available for distribution to the Company as dividends without prior regulatory approval, subject to regulatory capital requirements below.

The following tables present the regulatory capital levels, leverage ratios, and risk-based capital ratios as of December 31:

	Actual		Minimum for Basel III Capital Adequacy		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
1ST SUMMIT BANCORP of Johnstown, Inc.						
2024						
Tier 1 Capital (to Average Assets)	$ 132,447	9.45%	$ 56,035	4.0%	N/A	N/A
Common Equity Tier 1 Captial (to Risk Weighted Assets)	126,447	15.05%	58,798	7.0%	N/A	N/A
Tier 1 Captial (to Risk Weighted Assets)	132,447	15.77%	71,397	8.5%	N/A	N/A
Total Captial (to Risk Weighted Assets)	139,978	16.66%	88,197	10.5%	N/A	N/A

	Actual		Minimum for Basel III Capital Adequacy		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
1ST SUMMIT BANK						
2024						
Tier 1 Capital (to Average Assets)	**$ 124,711**	**8.95%**	**$ 55,734**	**4.0%**	**$ 69,668**	**5.0%**
Common Equity Tier 1 Captial (to Risk Weighted Assets)	**124,711**	**14.91%**	**58,543**	**7.0%**	**54,361**	**6.5%**
Tier 1 Captial (to Risk Weighted Assets)	**124,711**	**14.91%**	**71,088**	**8.5%**	**66,906**	**8.0%**
Total Captial (to Risk Weighted Assets)	**132,242**	**15.81%**	**87,814**	**10.5%**	**83,633**	**10.0%**
1ST SUMMIT BANCORP of Johnstown, Inc.						
2023						
Tier 1 Capital (to Average Assets)	$ 135,481	9.74%	$ 55,626	4.0%	N/A	N/A
Common Equity Tier 1 Captial (to Risk Weighted Assets)	129,481	15.71%	57,686	7.0%	N/A	N/A
Tier 1 Captial (to Risk Weighted Assets)	135,481	16.44%	70,047	8.5%	N/A	N/A
Total Captial (to Risk Weighted Assets)	143,352	17.40%	86,529	10.5%	N/A	N/A
1ST SUMMIT BANK						
2023						
Tier 1 Capital (to Average Assets)	$ 124,867	9.02%	$ 55,355	4.0%	$ 69,194	5.0%
Common Equity Tier 1 Captial (to Risk Weighted Assets)	124,867	15.29%	57,147	7.0%	53,065	6.5%
Tier 1 Captial (to Risk Weighted Assets)	124,867	15.29%	69,393	8.5%	65,311	8.0%
Total Captial (to Risk Weighted Assets)	132,738	16.26%	85,721	10.5%	81,639	10.0%

15. 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 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 III:

Inputs to the valuation methodology are unobservable and significant 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 as of December 31, 2024 and 2023, 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.

December 31, 2024	Level I	Level II	Level III	Total
ASSETS:		(dollars in thousands)		
State and political subdivision obligations - available-for-sale	$ –	$ 119,788	$ –	$ 119,788
Mortgage-backed U.S. government agencies - available-for-sale	–	176,637	–	176,637
Other mortgage-backed securities - available-for-sale	–	15,578	–	15,578
Corporate debt securities - available-for-sale	–	17,946	–	17,946
Equity securities - mutual fund	432	–	–	432
Equity securities - other	223	–	–	223
Cash flow hedge	–	254	–	254
Total	$ 655	$ 330,203	$ –	$ 330,858

December 31, 2023	Level I	Level II	Level III	Total
ASSETS:		(dollars in thousands)		
State and political subdivision obligations - available-for-sale	$ –	$ 138,342	$ –	$ 138,342
Mortgage-backed U.S. government agencies - available-for-sale	–	137,253	–	137,253
Other mortgage-backed securities - available-for-sale	–	–	–	–
Corporate debt securities	–	15,840	–	15,840
Equity securities - mutual fund	436	–	–	436
Equity securities - other	6,755	–	–	6,755
Cash flow hedge	–	–	–	–
Total	$ 7,191	$ 291,435	$ –	$ 298,626

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 2024 or 2023.

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:

December 31, 2024	Level I	Level II	Level III	Total
ASSETS		(dollars in thousands)		
Other real estate owned	$ –	$ –	$ 449	$ 449
Collateral-dependent loans	–	–	1,592	1,592
Total	$ –	$ –	$ 2,041	$ 2,041

December 31, 2023	Level I	Level II	Level III	Total
ASSETS		(dollars in thousands)		
Other real estate owned	$ –	$ –	$ 468	$ 468
Collateral-dependent loans	–	–	12,525	12,525
Total	$ –	$ –	$ 12,993	$ 12,993

Collateral-dependent loans and other real estate owned ("OREO") – The carrying amount of collateral dependent impaired loans is typically based on the fair value of the underlying collateral, which may be real estate or other business assets, less estimated costs to sell. The carrying value of OREO is initially measured based on the fair value, less estimated costs to sell, of the real estate acquired in foreclosure and subsequently adjusted to the lower of cost or estimated fair value, less estimated costs to sell. Fair values of real estate collateral are typically based on real estate appraisals which utilize market and income valuation techniques incorporating both observable and unobservable inputs. When current appraisals are not available, the Company may use brokers' price opinions, home price indices, or other available information about changes in real estate market conditions to adjust the latest appraised value available. These adjustments to appraised values may be subjective and involve significant management judgment. The fair value of collateral consisting of other business assets is generally based on appraisals that use market approaches to valuation, incorporating primarily unobservable inputs.

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:

	Quantitative Information About Level III Fair Value Measurements			
December 31, 2024	**Estimate**	**Valuation Techniques**	**Unobservable Input**	**Average**
ASSETS:		*(Dollars in thousands)*		
Other real estate owned	$ 449	Appraisal of collateral	Appraisal adjustments	16%
			Liquidation expenses	16%
Collateral-dependent loans	1,592	Fair value of collateral	Appraisal adjustments	19%
			Liquidation expenses	5%

	Quantitative Information About Level III Fair Value Measurements			
December 31, 2023	**Estimate**	**Valuation Techniques**	**Unobservable Input**	**Average**
ASSETS:		*(Dollars in thousands)*		
Other real estate owned	$ 468	Appraisal of collateral	Appraisal adjustments	16%
			Liquidation expenses	16%
Collateral-dependent loans	12,525	Fair value of collateral	Appraisal adjustments	49%
			Liquidation expenses	24%

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:

December 31, 2024	**Carrying Value**	**Fair Value**	**Level I**	**Level II**	**Level III**
FINANCIAL ASSETS:		*(Dollars in thousands)*			
Investment securities held-to-maturity	$ 216,894	$ 188,782	$ –	$ 188,782	$ –
Net loans	775,608	723,156	–	–	723,156
FINANCIAL LIABILITIES:					
Deposits	1,204,113	1,089,150	–	1,089,150	–
Other borrowed funds	66,186	66,552	–	66,552	–

December 31, 2023	Carrying Value		Fair Value		Level I		Level II		Level III
FINANCIAL ASSETS:									*(Dollars in thousands)*
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		–		1,177,293	–
Other borrowed funds		12,186		12,172		–		12,172	–

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

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss), net of taxes, are as follows:

		Unrealized Gain (Loss) on Securities		Unrealized Holding Gain on Interest Rate Derivative used in Cash Flow Hedge		Total
(Dollars in thousands)						
Balance at December 31, 2022	$	(30,914)	$	-	$	(30,914)
OCI before reclassifications		2,492		-		2,492
Amounts reclassified from AOCI		89		-		89
Balance at December 31, 2023	$	(28,333)	$	-	$	(28.333)
OCI before reclassifications		(4,796)		254		(4,542)
Amounts reclassified from AOCI		50		-		50
Balance at December 31, 2024	$	(33,079)	$	254	$	(32,825)

The following table presents significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the years ended December 31, 2024 and 2023.

Details about other comprehensive income	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) (1)		Affected Line Item in the Consolidated Statements of Income
	Year Ended December 31, 2024	Year Ended December 31, 2023	
	(Dollars in thousands)		
Unrealized losses on available-for-sale securities	$ (64)	$ (113)	Gain (loss) on sales of debt and equity securities
	14	24	Income tax benefit
	$ (50)	$ (89)	

17. PARENT COMPANY

The following are condensed financial statements for the parent company:

Condensed Balance Sheets

	As of December 31, 2024	As of December 31, 2023
	(Dollars in thousands)	
Assets:		
Cash in bank subsidiary	$ 3,366	$ 1,969
Equity securities held at fair value	223	4,230
Investment securities available-for-sale, net of allowance for credit losses, held at fair value	2,982	3,308
Investment in bank subsidiary	92,524	97,134
Investment in non-bank subsidiary	-	186
Premises and equipment, net	534	542
Other assets	1,800	1,586
Total assets	$ 101,429	$ 108,955
Liabilities and Stockholders' Equity		
Liabilities:		
Long-term note payable	$ 6,186	$ 6,186
Other liabilities	1,282	1,282
Total liabilities	7,468	7,468
Stockholders' Equity:	$ 93,961	$ 101,487
Total liabilities and stockholders' equity	$ 101,429	$ 108,955

Condensed Statements of Income and Comprehensive Income (Loss)

	For the Years Ended			
	December 31, 2024		December 31, 2023	
	(Dollars in thousands)			
Income				
Dividends from bank subsidiary	$	3,753	$	3,768
Dividends from non-bank subsidiary		–		–
Interest on cash in bank subsidiary		113		–
Interest and dividends on investment securities		234		351
Gain/(loss) on equity securities change in fair value, net		(5)		(500)
Total income		4,095		3,619
Expenses				
Interest expense		530		520
Operating expenses		344		347
Income before income tax expense (benefit)		3,221		2,752
Income tax expense (benefit)		(128)		(237)
Income before equity in undistributed net income of subsidiaries		3,349		2,989
Equity in undistributed net income (loss) of subsidiaries		(156)		(343)
Net Income	$	3,193	$	2,646
Comprehensive Income (Loss)	$	(1,299)	$	5,227

Condensed Statements of Cash Flows

	For the Years Ended			
	December 31, 2024		December 31, 2023	
	(Dollars in thousands)			
Operating Activities				
Net Income	$	3193	$	2646
Adjustments to reconcile net income to net cash provided by operating activities:				
Equity in undistributed net loss of subsidiaries		156		343
Loss on equity securities change in fair value, net		5		500
Other, net		(196)		(176)
Net cash provided by operating activities		3,158		3,313
Investing Activities				
Purchases of investment securities		–		–
Proceeds from maturities paydowns		279		291
Proceeds from equity securities		4,187		577
Purchases of premises and equipment		–		(75)
Dissolution of subsidiary		–		888
Net cash provided by (used for) investing activities		4,466		1,681
Financing Activities				
Dividends paid		(3,754)		(3,768)
Purchases of treasury stock		(2,473)		(38)
Net cash provided by (used for) financing activities		(6,227)		(3,806)
Increase (decrease) in cash		1,397		1,188
Cash at beginning of year	$	1,969	$	781
Cash at end of year	$	3,366	$	1,969

18. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 17, 2025 the date the financial statements were issued and no other subsequent events occurred requiring accrual or disclosure.

1ST SUMMIT BANK ADVISORY BOARDS

NORTHERN Area

George E. Letcher, Jr., CPA
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at Johnstown

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A & M Pacific Associates
Pacific Hospitality

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Choices People Supporting
People, Inc. (retired)

Matthew Finklestine
Full Performance Marine
MPF Properties, LLC

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

SOUTHERN Area

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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

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Indiana University of Pennsylvania
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Bononi and Company, PC

David S. Gehlman
Business Owner (retired)

Douglas R. McIlwain
McIlwain Charters

Steven L. Remaley, CPA
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SUBSIDIARIES

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17 Community Offices and 1 Loan Production Office
Serving Cambria, Somerset, Indiana, Blair,
and Westmoreland counties.

FINANCIAL INFORMATION

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

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