2023 ANNUAL REPORT

Banking that Transforms

Relationships • Experiences • Communities • Lives

KISH BANCORP
expect more

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Kish Bank's Pleasant Valley Boulevard branch in Altoona.

Front Cover (Top Row): Cory and Gene Stocker; Thomas Yoder; Emily and David Miller

Front Cover (Bottom Row): Clark Adelman; Matt Patterson and Megan Lantz

From Watershed to Bellwether: Banking That Transforms

In the world of banking and financial services, language is usually precise and analytical. For Kish Bancorp over the past decade, the use of banking terminology has largely failed to capture the full magnitude of our progress. While we were, and remain, proud of the extraordinary expansion in total assets, earnings per share, return on shareholders' equity, market share gains, and return on assets we achieved, it remained a struggle with each annual report to capture the true essence of our accomplishments for the year just passed. Was it just an exceptional moment in time reflecting a disciplined focus on performance? Or was it a watershed moment, with Kish's results representing the culmination of years of investment in our team and infrastructure?

Ultimately, both were true. As we reflect on the significant gains and incredible progress of recent years, and the watershed period they represent for Kish, it becomes clear that this was indeed a transformative period in Kish's history. It is one that marks a critical turning point in the company's evolution that will have a profound impact on the years that follow. Instead of speaking of Kish's performance as another outstanding year in a succession of compelling annual results, we can now speak of 2023 as the year in which Kish emerged with a new, robust, and powerful model for the future of community banking. One in which strong and industry-leading financial performance remains a top priority, but also where Kish's strategic vision for the future has been transformed. 2023 will stand as a bellwether year for Kish Bancorp, reflecting a dramatic and permanent elevation in the capacity of the company to operate as a community banking powerhouse going forward. As we enter 2024, we have reached the point where we can say that Kish is truly banking transformed.

The highlights of our accomplishments and financial results for 2023 affirm that the transformation of the Kish franchise has been validated not only by the permanent high levels of traditional performance metrics, but also by Kish's capacity to break new ground in terms of digital delivery, speed to market, sustained growth in market share, team capacity, industry leadership, and expanding revenues. We are doing this through the implementation of new digital solutions infused with personal attention and new metrics for service quality. Metrics that include response times, products developed, team knowledge, customer satisfaction, digital adoption, and financial performance that supports and drives innovation.

What are the indicators that 2023 will stand as a truly bellwether year? The Kish Bank branch of the future is fully emerging in 2024 in State College, Altoona, Huntingdon, and Mifflintown. Kish Bank's new ATM + Live Banker experience will soon be rolled out through Advanced ITMs (Interactive Teller Machines) throughout Kish's five-county PA market. This advanced technology will be especially critical to maintaining service levels to smaller rural communities as well as busy population centers. Our new 38,000 square foot Kish Innovation Center in Reedsville now represents the nerve center for this innovative approach to banking in a digital world infused with a commitment to a deeply personal experience.

William P. Hayes
Executive Chairman

Gregory T. Hayes
President and Chief Executive Officer

American Eagle Paper Mills serves as the lifeblood of the town of Tyrone. The mill operated for nearly 120 years until it unexpectedly closed in 2001, devastating local families. AEPM reopened in 2003 with a vision of producing paper sustainably with recycled fiber. In 2016, they turned to Kish to finance a highly efficient natural gas boiler that was critical to their mission. The new energy source has helped position AEPM for future sustainable growth, and the mill now employs 190 people, up over 10% from the startup in 2003.

"Kish provided the funding for us to build our new warehouse and install our gas-fired boiler. This helped our company grow and helped keep jobs in Tyrone. Kish has been a wonderful partner in our success."

Clark Adelman

VP of Finance & Administration, American Eagle Paper Mills

None of this would be possible without an overriding dedication to the banking fundamentals of credit quality, relationship profitability, product development, customer satisfaction, team development, and sustained performance for shareholders. That combines with growing contributions from our non-bank units and our optimism for their futures as well.

So, as we review the extraordinary milestones and outcomes achieved in 2023, and as you review the financial results contained in these pages, please understand that cumulatively they represent a validation of a vision for the future of Kish that is not only sustainable but truly industry-leading. It is a picture of Kish Bancorp that validates 2023 as a bellwether year. Here are the highlights:

CEO SUCCESSION TO GREG HAYES

During 2023, we celebrated a successful transition in leadership, with Greg Hayes assuming the role of President and CEO. In his 17 years with Kish, his strategic vision and focus on execution have contributed significantly to the bank's growth and success. After 40 years as Kish's CEO, I assumed the role of Executive Chairman on July 1, 2023. In that capacity, my objective has been to remain a resource to Greg and to our dynamic leadership team while maintaining a strong focus on performance for shareholders.

ASSET GROWTH SURPASSES $1.5 BILLION

Kish Bancorp achieved a new milestone in the recent dramatic expansion of total assets, crossing the $1.5 billion mark in total assets, nearly doubling in just over five years. This high-water mark reflects the bank's priority of successfully pursuing profitable customer acquisition and market share expansion coupled with advanced capital, balance sheet, and financial management strategies.

MARKET EXPANSION

Kish successfully expanded its market footprint into Blair and Juniata Counties in central Pennsylvania. Together, this expansion opens markets that represent the opportunity to access over $4 billion in new deposits. We have positioned ourselves for success with the acquisition of exceptional new teams in both markets. Additionally, our commercial lending team in Ohio sustained its robust commercial lending production—in particular, loans to fund multi-family housing projects throughout the upper Midwest and eastern seaboard.

NEW STOCK ISSUANCE

The bank issued $8 million in new stock to local investors to fund sustained growth. This infusion of capital, which will continue into 2024, demonstrates both confidence and optimism regarding Kish Bancorp's future. Combined with $11 million in retained earnings and an improving AOCI valuation, Kish Bancorp's capital position expanded by $20.8 million in 2023, capable of supporting over $240 million in additional earning assets, much of which is already in the central Pennsylvania and northeastern Ohio pipeline. Notably, 2023 represented the eighth consecutive year of increased dividends for Kish shareholders. Kish Bancorp shares are traded on the OTCQX exchange under the ticker symbol KISB.

SUSTAINED COMMUNITY INVESTMENT

Augmented by thousands of hours of volunteerism by Kish team members, Kish's financial support of local charities and nonprofit organizations continued to expand at a double-digit rate. We have been especially pleased with the success of our flagship fundraising effort. For the second year running, the organization-wide Kish for the Cure campaign raised $75,000 to provide financial support for local cancer victims and their families who are struggling financially as they fight this horrific disease. Additionally, we have identified several key new charitable opportunities in Blair and Juniata Counties. Kish's innovative Giv Local merchant services program has allowed local businesses to direct a portion of their credit card charges to local charities of their choosing.

"We have always worked to forge relationships with like-minded businesses that align with our mission to enhance our community. Community involvement is one of our greatest passions. Our relationship with Kish has provided opportunities to give back, like their Giv Local Community Gifting Program, which will allow local businesses like ours to help our communities well into the future."

Cory Stocker

VP & Partner, Stocker Chevrolet

Pictured with father Gene Stocker, President & Owner

Stocker Chevrolet is in its 63rd year of business and third generation of management under the Stocker family. In addition to maintaining a family business environment, taking great care of their employees, and always focusing on the customer experience, Cory Stocker ranks their support of and from the community as one of the keys to their long-term success.

SUPPORT FOR EDUCATION

A pillar of Kish's core values is support for the education and health of our region's young people. Emblematic of that passion has been the broad participation by our team in the American Bankers Association's *Teach Children to Save* program, which in 2023 reached over 2,500 elementary students across our five-county area. Kish also supports Juniata College's *Science in Motion* program that travels to high schools across central PA. Additionally, we dramatically elevated Kish's college scholarships to deserving high school students who need financial support to pursue their continuing education.

FOSTERING ECONOMIC DEVELOPMENT

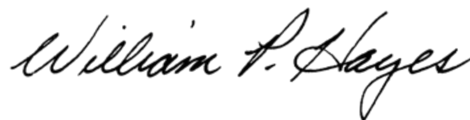
Through community development loans, multi-family housing development loans, municipality loans, services to small businesses, and active leadership of Kish bankers in economic development organizations across the region, Kish's focus is to stimulate economic growth, support job creation, and improve infrastructure.

CONCLUSION

There is much more I could add in documenting Kish's bellwether year in 2023, and I urge you to digest the financial information in the ensuing pages. However, I want to return to the theme of Banking That Transforms, which President and CEO Greg Hayes will address in a discussion of Kish Bank's recent nominations for several awards in innovation excellence, including Celent's *Model Bank Award* and Banking Tech USA's *Best Community Bank Modernization Award*.

I will close by thanking you for your investment in Kish Bancorp. As shareholders, you support a bank that has developed as a regional banking power—one that is transforming how banking and financial services are delivered. As always, we welcome any questions you may have regarding your investment.

Sincerely,



William P. Hayes
Executive Chairman

Founded in 2008, Penn State Construction is a family owned and operated business in Mifflin County. The growing company takes pride in the client experience and has built a powerful reputation in the industry. The majority of their work comes from repeat customers and word of mouth among satisfied clients. Integrity and focus on excellence are the foundation from which success has been built.

"As a growing business, we needed a bank that could grow with us. We were introduced to Kish and found a professional, eager team that was interested in collaborating with us on our future. The working relationships we've developed with Kish, and the financial support they've provided, have accelerated our growth."

David Miller
President, Penn State Construction
Pictured with wife Emily Miller, Secretary

The "Your Kish, Your Way" Promise

A LETTER FROM GREG HAYES

As a son, a Kish team member, and now as the new CEO and President of Kish Bank, I have watched and engaged with my father, Bill Hayes, as Kish Bank grew from a two-branch community bank in the Kishacoquillas Valley with $10 million in total assets to a highly sophisticated regional community bank, serving five counties and beyond, with total assets of $1.5 billion. That growth has come from an unwavering commitment to providing personalized attention with local, knowledgeable, caring, and responsive financial professionals who deliver customized financial solutions to people and businesses that want to build a strong financial future. Over the past 45 years, Kish has consistently differentiated itself through relationships and innovation.

In 2015, we set out to transform Kish Bank's community banking approach through the utilization of innovative technology, and with a commitment to maintaining, at our core, the most critical element of our success: our unwavering focus on fulfilling our clients' financial needs. Over the past decade, the banking industry has seen the most rapid period of technological change ever experienced. Banking technologies have been amplified by FinTech companies providing banking services and cloud-based technology solutions, and challenged by increased cyber threats and fraud, the evolution of cryptocurrencies, and the pandemic's impact on how people work. And, as we face the massive shift that will come with Artificial Intelligence, we know that the pace of innovation is only going to increase.

That is why it is more critical than ever that Kish Bank doubles down on its focus not just on human relationships and interactions, but those that are supported by technology innovation. Unlike other institutions that look to replace human interactions with technology, Kish is enhancing client access to our bankers and services with technology and innovation.

We call it **"Your Kish, Your Way."** It is Kish Bank's human-enabled digital experience, and it comes with a promise to our customers that technology will never replace personal relationships—it will enhance them. Within every Kish digital tool or service, our customers can easily reach a Kish representative any time they want or need, allowing us to accommodate customers who prefer a fully digital relationship, a more traditional experience, and all those in between.

The result is a community bank that takes great pride in all aspects of its customer service experience and its ability to remain connected with clients, while at the same time understanding that one of the greatest challenges to remaining relevant is our ability to innovate human interaction with convenience, speed, experience, and technology solutions.

While this strategic focus has enabled Kish to grow tremendously over the past five years, more importantly, it has created the capacity for us to succeed long-term. Our vision is to meet every customer where they are, regardless of their preferred banking channel or product and where/how they use it. Our progress has been marked by significant achievements that include:

- **A new, more integrated and feature-rich Digital Banking solution** that has the same omnichannel look and feel across all devices. Its features include instant person-to-person transfer of funds; the ability to manage debit card alerts and limits and to turn cards on and off; the aggregation of external bank account and credit card transactions into one holistic view with included budgeting tools; credit monitoring and coaching; and the ability to easily live chat with our dedicated Client Solutions Center team.
- **Expanded hours of support from our Client Solutions Center** (7 a.m. to 7 p.m.) via our enhanced call center phone system, in addition to live chat for our website and Digital Banking.

Thomas Yoder, longtime Kish customer and community leader, is entering his third year as Mayor of Huntingdon. Tom retired from a lifelong career as an educator to focus on the revitalization and economic development of the Huntingdon Borough. Tom served on the Borough Council for 12 years and understands the kind of leadership and commitment a community needs to thrive.

"As the mayor of the Borough of Huntingdon, community is very important to me. I want people to be proud of their town and enjoy living and working here. I want to be affiliated with organizations that make a difference in their communities and our citizens' lives. From all my experiences with Kish, I know they are here to serve."

Thomas Yoder
Mayor, Borough of Huntingdon

- **Increased access to our banking team** with the opening of three new branches (and current construction of a fourth) as we continue to expand into Juniata and Blair Counties. Clients can also go online to easily schedule appointments with our branch teams through our completely redesigned website.
- **New online account opening and loan application solutions** that allow us to provide more convenience to our clients while maintaining the connection to our bankers.
- **Contactless purchase and mobile wallet capabilities** for the Kish Debit Card, which can now be instantly printed and issued to clients at any of our financial centers.
- **ATM + Live Banker,** the key element of our Branch of the Future model currently in its live pilot phase. This video-based ATM capability provides full-service teller transactions—from check cashing to loan payments—across expanded hours for more convenience, all while maintaining live, local, and caring human engagement.

Equally important to "Your Kish, Your Way" are the improvements we have made to the employee experience that enable our team to better support customers. In the last few years alone, we have:

- **Opened our 38,000-square foot Kish Innovation Center** on our Reedsville campus, which provides an elevated focus on team member education and collaboration through dedicated innovative space, housing our Client Solutions Center as well as our new Employee Solutions Center dedicated to supporting front-line employees.
- **Migrated to a highly secure, cloud-hosted, virtual desktop environment** and implemented Microsoft 365 office productivity tools in support of our team's work-life integration, giving our team the capacity to work more efficiently and provide solutions from anywhere, at any time.
- **Positioned ourselves for the future by integrating a new core banking processor, state-of-the-art technology stack, and network infrastructure** that have been built to provide the highest levels of information security and data management, supporting technological advancements that will enable Kish to grow with scale and efficiency.

These critical elements of our strategy represent the ongoing transformation occurring at Kish. The "Your Kish, Your Way" promise never stops. It's an embedded philosophy and a promise to which we are committed.

Finally, we recognize that the most important proof of success will always come directly from those we serve—those who share the stories of our team's focus on making their lives better. Clients, like those highlighted in this annual report, who consistently affirm the importance of our people and our support to their financial well-being.

Sincerely,

Gregory T. Hayes

Gregory T. Hayes
President and Chief Executive Officer

Matt Patterson is a franchisee of 21 Jersey Mike's stores in Central PA. He and his wife, Kristie (not pictured), opened their first store in 2012 and have grown their business exponentially in the last 12 years. Matt attributes part of their rapid growth to Kish's ability to respond to funding needs, and the relationships he has built with his banking, insurance, and benefits teams at Kish.

"My Kish team understands my business and has my back. I call on them and they take action and personal care, as if they have a stake in my business. The relationships I've developed with Kish have helped to propel our business at a speed that other banks could not keep up with. We have grown from 30 to over 500 employees with Kish by our side."

Matt Patterson
Franchisee, Jersey Mike's Subs
Pictured with Megan Lantz, Director of Operations

FOR THE YEAR	2023	2022	2021	2020	2019
Net Income	$ 13,499,712	$ 12,860,301	$ 9,881,340	$ 8,039,287	$ 7,006,914
Net Income Before Taxes	16,154,155	15,283,348	11,232,900	9,278,885	7,903,452
Total Dividends Declared	3,883,501	3,448,214	2,988,353	2,804,384	2,585,444
AT YEAR END (IN $000s)					
Total Assets	$ 1,542,776	$ 1,295,448	$ 1,232,779	$ 1,106,609	$ 918,309
Total Loans (Net)	1,225,317	1,013,170	868,153	755,960	679,519
Total Deposits	1,179,069	1,037,120	1,002,645	877,796	710,226
Stockholders' Equity	92,765	71,972	77,100	69,962	64,352
Allowance for Loan Credit Losses	7,545	10,335	10,560	9,771	7,499
Net Loan Losses (Recoveries)	44	225	(9)	(4)	(467)
RATIO ANALYSIS					
Return on Average Assets*	0.94%	1.02%	0.85%	0.79%	0.79%
Return on Average Equity*	13.02%	14.95%	14.08%	12.90%	11.56%
Dividend Declared/Net Income	28.77%	26.81%	30.24%	34.88%	36.90%
Loans/Deposits	103.92%	97.69%	86.59%	86.12%	95.68%
Primary Capital/Total Assets	6.50%	6.35%	7.11%	7.21%	7.82%
Total Capital/Risk Weighted Assets	10.70%	11.57%	12.78%	12.32%	11.86%
Allowance for Credit Losses/Loans	0.61%	1.01%	1.20%	1.28%	1.09%
Net Loan Losses to Total Loans (Net)	0.00%	0.02%	0.00%	0.00%	(0.07%)
PER SHARE DATA					
Basic Earnings	$ 5.22	$ 5.02	$ 3.88	$ 3.20	$ 2.80
Fully Diluted Earnings	5.13	4.90	3.76	3.12	2.70
Dividends Paid	1.46	1.31	1.14	1.08	1.00
Equity (Book Value)	35.28	27.41	29.39	26.93	24.90
Equity Plus Allowance for Credit Losses	38.15	31.35	33.42	30.69	27.80
Average Shares Outstanding (#)	2,629,167	2,625,612	2,626,931	2,597,978	2,499,536

Net Income (in millions)

Earnings & Dividends (per share)

Stock Valuation (per share)

*Due to fluctuations in the mark to market valuation for investment securities, these are not included in the totals for average assets and average equity.

KISH expect more

Grow with Us

Add to Your Investment in Kish Bancorp, Inc. (KISB)

The 2023 Annual Report includes information that chronicles the growth of your corporation. That growth is the result of the Kish team's execution of carefully developed strategies to grow your business. Shareholders may purchase additional shares through the open market. KISB is also listed on the OTCQX exchange and trades with regular frequency through any brokerage account. Shareholders who hold their shares with our transfer agent, Computershare, may participate in the Kish Bancorp Dividend Reinvestment Plan. Please contact us if we may be of assistance.

INQUIRIES

Questions or requests for investment information may be directed to:

KISBinfo@kishbank.com
814-325-7252
Contact: Amanda Dutrow

INVESTOR RELATIONS

Additional information about Kish Bancorp, including quarterly and annual financial reports, stock and dividend information, and news, is available at:
ir.kishbancorp.com and otcmarkets.com/stock/KISB

STOCK LISTING

Kish Bancorp, Inc. stock is traded on the OTCQX market under the stock ticker symbol "KISB."

COMPANY INFORMATION

Corporate Headquarters:
4255 East Main Street
P.O. Box 917
Belleville, PA 17004

Principal Executive Offices:
2610 Green Tech Drive
State College, PA 16803

MARKET MAKERS

Janney Montgomery Scott, LLC
Contact: Eugene Bodo
215-665-6566
1717 Market Street
Philadelphia, PA 19103

Raymond James and Associates, Inc.
Contact: Anthony Lanfranca
312-655-2961
222 South Riverside Plaza, 7th Floor
Chicago, IL 60606

Board of Directors and Stockholders
Kish Bancorp, Inc.

OPINION

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

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

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 13, 2024, expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

BASIS FOR OPINION

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

CHANGE IN ACCOUNTING PRINCIPLE

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

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

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:

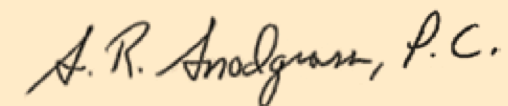
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 THE ANNUAL REPORT

Management is responsible for the other information included in the annual report. The other information comprises the Chairman's Letter to the Stockholders and Financial Highlights 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.



Cranberry Township, Pennsylvania
March 14, 2024

S.R. Snodgrass, P.C.
2009 Mackenzie Way, Suite 340
Cranberry Township, PA 16066
724-934-0344

KISH BANCORP, INC.
CONSOLIDATED BALANCE SHEET

	December 31, 2023	December 31, 2022
ASSETS		
Cash and due from banks	$ 13,288,999	$ 11,082,445
Interest-bearing deposits with other institutions	16,448,736	9,024,003
Cash and cash equivalents	29,737,735	20,106,448
Certificates of deposit in other financial institutions	245,000	245,000
Investment securities available for sale, at fair value	178,977,804	155,308,551
Investment securities held to maturity, net of allowance for credit losses of $112,624 and $0, fair value of $9,972,415 and $10,070,997	10,891,602	10,763,833
Equity securities	2,712,968	2,858,117
Loans held for sale	663,017	631,414
Loans	1,232,861,975	1,023,505,114
Less allowance for credit losses - loans	7,544,973	10,335,231
Net loans	1,225,317,002	1,013,169,883
Premises and equipment, net	27,397,616	26,795,671
Goodwill	3,560,942	3,560,942
Regulatory stock	9,772,000	7,256,300
Bank-owned life insurance	24,302,468	23,628,587
Accrued interest and other assets	29,197,801	31,123,166
TOTAL ASSETS	$ 1,542,775,955	$ 1,295,447,912
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 182,035,638	$ 189,976,622
Interest-bearing demand	111,134,914	115,230,051
Savings	104,757,107	131,688,405
Money market	378,495,532	331,948,502
Time	402,646,217	268,276,138
Total deposits	1,179,069,408	1,037,119,718
Short-term borrowings	194,541,362	100,326,547
Other borrowings	41,418,608	52,413,653
Accrued interest and other liabilities	34,981,433	33,616,318
TOTAL LIABILITIES	1,450,010,811	1,223,476,236
STOCKHOLDERS' EQUITY		
Preferred stock, $.50 par value; 500,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $.50 par value; 8,000,000 shares authorized, 2,960,591 and 2,697,500 shares issued; 2,881,086 and 2,639,544 shares outstanding at December 31, 2023 and 2022, respectively	1,480,296	1,348,750
Additional paid-in capital	10,890,781	2,897,790
Retained earnings	96,878,445	85,844,293
Accumulated other comprehensive loss	(14,000,592)	(16,140,949)
Treasury stock, at cost (79,505 and 57,956 shares at December 31, 2023 and 2022, respectively)	(2,483,786)	(1,978,208)
TOTAL STOCKHOLDERS' EQUITY	92,765,144	71,971,676
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,542,775,955	$ 1,295,447,912

See accompanying notes to the consolidated financial statements.

KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31, 2023	Year Ended December 31, 2022
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	$ 65,808,264	$ 41,423,419
Exempt from federal income tax	810,709	965,252
Interest and dividends on investment securities:		
Taxable	5,181,614	3,654,621
Exempt from federal income tax	203,777	229,151
Interest-bearing deposits with other institutions	456,243	369,155
Other dividend income	936,379	552,108
Total interest and dividend income	73,396,986	47,193,706
INTEREST EXPENSE		
Deposits	21,124,267	5,072,657
Short-term borrowings	887,863	239,630
Other borrowings	7,757,440	3,636,717
Total interest expense	29,769,570	8,949,004
NET INTEREST INCOME	43,627,416	38,244,702
Provision for credit losses - loans	328,965	-
Provision for credit losses - investment securities held to maturity	2,460	-
Provision for credit losses - off balance sheet credit exposures	379,620	-
Total provision for credit losses	711,045	-
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	42,916,371	38,244,702
NONINTEREST INCOME		
Service fees on deposit accounts	2,339,661	2,152,592
Investment securities gains (losses), net	(158)	440
Equity securities gains (losses), net	(145,149)	164,537
Gain on sale of loans	340,336	1,095,550
Earnings on bank-owned life insurance	646,640	1,042,850
Insurance commissions	3,060,586	2,848,821
Travel agency commissions	261,836	219,286
Wealth management	2,545,185	2,485,063
Benefit management	623,299	604,037
Other	1,698,737	1,494,717
Total noninterest income	11,370,973	12,107,893
NONINTEREST EXPENSE		
Salaries and employee benefits	22,198,014	21,140,174
Occupancy and equipment	3,896,516	4,623,738
Data processing	4,184,820	2,673,625
Professional fees	783,991	796,698
Advertising	622,786	460,155
Federal deposit insurance	1,134,670	756,961
Pennsylvania shares tax	692,127	741,375
Other	4,620,265	3,876,521
Total noninterest expense	38,133,189	35,069,247
Income before income taxes	16,154,155	15,283,348
Income tax expense	2,654,443	2,423,047
NET INCOME	$ 13,499,712	$ 12,860,301
EARNINGS PER SHARE		
Basic	$ 5.22	$ 5.02
Diluted	$ 5.13	$ 4.90

See accompanying notes to the consolidated financial statements.

KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net income	$ 13,499,712	$ 12,860,301
Other comprehensive income (loss)		
Securities available for sale:		
Change in unrealized holding gains (losses) on available for sale securities	3,940,791	(24,578,671)
Tax effect	(827,565)	5,161,521
Change in unrealized gains (losses) related to cash flow hedges	(1,231,637)	6,138,078
Tax effect	258,644	(1,288,996)
Reclassification adjustment for net investment securities losses (gains) realized in net income	158	(440)
Tax effect	(33)	92
Total other comprehensive income (loss)	2,140,357	(14,568,416)
Total comprehensive income (loss)	$ 15,640,069	$ (1,708,115)

See accompanying notes to the consolidated financial statements.

KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2021	$ 1,348,750	$ 2,885,343	$ 76,432,206	$ (1,572,533)	$ (1,994,126)	$ 77,099,640
Net income			12,860,301			12,860,301
Other comprehensive loss				(14,568,416)		(14,568,416)
Stock option compensation expense		188,519				188,519
Purchase of shares by restricted stock plan (17,355 shares)		(516,031)			516,031	-
Exercise of stock options (30,608 shares)		(357,472)			265,573	(91,899)
Forfeiture of shares by restricted stock plan (1,208 shares)		36,436			(36,436)	-
Amortization of restricted stock plan shares		557,833				557,833
Cash dividends ($1.31 per share)			(3,448,214)			(3,448,214)
Purchase of treasury stock (36,061 shares)					(1,262,273)	(1,262,273)
Sale of treasury stock (28,776 shares)		103,162			533,023	636,185
Balance, December 31, 2022	1,348,750	2,897,790	85,844,293	(16,140,949)	(1,978,208)	71,971,676
Cumulative effect of change in accounting principle (Note 1) net of deferred tax effect of $376,921			1,417,941			1,417,941
Net income			13,499,712			13,499,712
Other comprehensive income				2,140,357		2,140,357
Stock option compensation expense		233,159				233,159
Purchase of shares by restricted stock plan (22,428 shares)		(804,558)			804,558	-
Exercise of stock options (32,484 shares)		(286,929)			203,502	(83,427)
Forfeiture of shares by restricted stock plan (5,737 shares)		162,441			(162,441)	-
Amortization of restricted stock plan shares		439,194				439,194
Cash dividends ($1.46 per share)			(3,883,501)			(3,883,501)
Sale of new issue common stock (174,653 shares)	87,327	5,501,585				5,588,912
Subordinated debt redeemed for new issue common stock (88,439 shares)	44,219	2,785,781				2,830,000
Purchase of treasury stock (62,722 shares)					(1,972,726)	(1,972,726)
Sale of treasury stock (24,482 shares)		(37,682)			621,529	583,847
Balance, December 31, 2023	$ 1,480,296	$ 10,890,781	$ 96,878,445	$ (14,000,592)	$ (2,483,786)	$ 92,765,144

See accompanying notes to the consolidated financial statements.

KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF CASH FLOW

	Year Ended December 31, 2023	2022
OPERATING ACTIVITIES		
Net income	$ 13,499,712	$ 12,860,301
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	711,045	-
Investment securities (gains) losses, net	158	(440)
Equity security (gains) losses	145,149	(164,537)
Proceeds from sale of loans held for sale	18,022,375	61,468,762
Origination of loans held for sale	(17,713,642)	(57,749,556)
Gain on sales of loans	(340,336)	(1,095,550)
Depreciation, amortization, and accretion	1,185,446	1,661,670
Deferred income taxes	(29,206)	179,626
Increase in accrued interest receivable	(1,801,696)	(1,450,648)
Increase in accrued interest payable	3,829,552	1,025,784
Earnings on bank-owned life insurance	(646,640)	(1,042,850)
Gain on sale of other assets	(573,052)	(482,001)
Non-cash compensation - equity awards	672,353	746,352
Other, net	(413,607)	236,415
Net cash provided by operating activities	16,547,611	16,193,328
INVESTING ACTIVITIES		
Bank owned life insurance:		
Benefit proceeds	-	1,048,651
Investment securities available for sale:		
Proceeds from repayments and maturities	19,429,376	24,949,600
Purchases	(39,242,073)	(26,954,481)
Investment securities held to maturity:		
Proceeds from repayments and maturities	-	1,000,000
Purchases	(244,963)	(1,500,000)
Increase in loans, net	(208,910,301)	(144,785,142)
Purchase of regulatory stock	(9,918,200)	(3,691,600)
Redemption of regulatory stock	7,402,500	2,404,000
Purchase of premises and equipment	(3,124,810)	(2,977,122)
Proceeds from sale of other assets	1,929,582	727,704
Net cash used for investing activities	(232,678,889)	(149,778,390)
FINANCING ACTIVITIES		
Increase in deposits, net	141,949,690	34,474,371
Increase in short-term borrowings, net	94,214,815	32,892,590
Proceeds from other borrowings	59,282	14,051,077
Repayments of other borrowings	(8,224,327)	(28,822,044)
Collateral received (repaid) on interest rate derivatives, net	(2,470,000)	11,500,000
Proceeds from sale of common stock	5,588,912	-
Purchases of treasury stock	(1,972,726)	(1,262,273)
Proceeds from sale of treasury stock	787,349	901,758
Exercise of stock options	(286,929)	(357,472)
Cash dividends	(3,883,501)	(3,448,214)
Net cash provided by financing activities	225,762,565	59,929,793
Increase (Decrease) in cash and cash equivalents	9,631,287	(73,655,269)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,106,448	93,761,717
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 29,737,735	$ 20,106,448
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest on deposits and borrowings	$ 25,966,419	$ 7,964,220
Income taxes	2,650,000	2,185,000
SUPPLEMENTAL DISCLOSURE OF NON-CASH CASH FLOW INFORMATION		
Right of use assets and lease liabilities	$ 409,650	$ 156,379

See accompanying notes to the consolidated financial statements.

KISH BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

Kish Bancorp, Inc. (the "Company") is a diversified financial services organization whose principal activity is the ownership and management of its subsidiaries, Kish Bank (the "Bank"), Kish Travel Services, Inc., and the Bank's subsidiaries, Tri-Valley Properties, LLC, Kish Agency, Inc., and Kish Equities, LLC. The Company generates commercial and industrial, agricultural, commercial mortgage, residential real estate, and consumer loans and deposit services to its customers located primarily in central Pennsylvania and the surrounding areas. The Bank operates under a Pennsylvania Department of Banking and Securities bank charter and provides full banking services. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") to the extent provided by law. Kish Agency, Inc. provides insurance products and services. Kish Travel Services, Inc. is a Pennsylvania business established to provide travel services to its customers. Kish Equities, LLC is a subsidiary established to hold investments in equity securities.

The consolidated financial statements include the accounts of Kish Bancorp, Inc. and its subsidiaries, Kish Bank and Kish Travel Services, Inc., after elimination of all significant intercompany transactions.

The accounting principles followed by the Company and the methods of applying these principles conform to U.S. generally accepted accounting principles ("GAAP") and to general practice within the banking industry. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the Consolidated Balance Sheet date and revenues and expenses for that period. Actual results could differ from those estimates.

Allowance for Credit Losses - Available-for-Sale Securities

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

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

Accrued interest receivable on available-for-sale debt securities totaled $1,003,499 at December 31, 2023 and is included within *Accrued interest and other assets* on the Consolidated Balance Sheet. This amount is excluded from the estimate of expected credit losses.

Available-for-sale debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available-for-sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Allowance for Credit Losses - Held-to-Maturity Securities

The Bank measures expected credit losses on its portfolio of held-to-maturity debt securities, which is comprised of corporate securities. Accrued interest receivable on held-to-maturity debt securities totaled $106,231 at December 31, 2023 and is included within *Accrued interest and other assets* 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 Securities Prior to Adopting ASU 2016-13

Investment securities are classified at the time of purchase, based on management's intention and ability, as securities held to maturity, available for sale, or trading. Debt securities acquired with the intent and ability to hold to maturity are stated at cost, adjusted for amortization of premium and accretion of discount, which are computed using the interest method and recognized as adjustments of interest income. Debt securities which are held principally as a source of liquidity are classified as available for sale. Unrealized holding gains and losses for available-for-sale securities are reported as a separate component of stockholders' equity, net of tax, until realized. Realized security gains and losses are computed using the specific identification method. Debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in current earnings. The Company does not have trading securities as of December 31, 2023 and 2022. Interest and dividends on investment securities is recognized as income when earned.

Securities are evaluated at least on a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in their value is other than temporary. For debt securities, management considers whether the present value of cash flows expected to be collected are less than the security's amortized cost basis (the difference defined as the credit loss), the magnitude and duration of the decline, the reasons underlying the decline and the Company's intent to sell the security or whether it is more likely than not that the Company would be required to sell the security before its anticipated recovery in fair value, to determine whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, if the investor does not intend to sell the security, and it is more likely than not that it will not be required to sell the security before recovery of the security's amortized cost basis, the charge to earnings is limited to the amount of credit loss. Any remaining difference between fair value and amortized cost (the difference defined as the non-credit portion) is recognized in other comprehensive income (loss), net of applicable taxes. Otherwise, the entire difference between fair value and amortized cost is charged to earnings.

Equity Securities

Equity securities are held at fair value. Holding gains and losses are recorded in non-interest income. Dividends are recognized as income when earned.

Regulatory Stock

Common stock of the Federal Home Loan Bank ("FHLB") of Pittsburgh represents ownership in an institution that is wholly owned by other financial institutions. These equity securities are accounted for at cost and are shown separately on the Consolidated Balance Sheet as regulatory stock.

The Bank is a member of the FHLB 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 by management. 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. Management evaluated the stock and concluded that the stock was not impaired for the periods presented herein.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their principal amount, net of the allowance for credit losses and deferred origination fees or costs. Interest on loans is recognized as income when earned on the accrual method. Generally, the policy has been to stop accruing interest on loans when it is determined that a reasonable doubt exists as to the collectability of additional interest. Interest previously accrued but deemed uncollectible is deducted from current interest income. Payments received on nonaccrual loans are recorded as income or applied against principal according to management's judgment as to the collectability of such principal. Nonaccrual loans will generally be put back on accrual status after demonstrating six consecutive months of no delinquency.

Loan origination fees and certain direct loan origination costs are being deferred and the net amount amortized is accounted for as an adjustment of the related loan's yield. Management is amortizing these amounts over the contractual life of the related loans using the level yield method.

In general, fixed rate, permanent residential mortgage loans originated by the Bank are classified as held for sale and are carried in the aggregate at the lower of cost or fair value. The Bank sells these loans to various other financial institutions. Currently, the Bank retains the servicing of those loans sold to the FHLB and releases the servicing of loans sold to all other institutions.

Allowance for Loan Losses - Prior to Adopting ASU 2016-13

Prior to adoption of ASU 326-13, *"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"*, the Bank calculated Allowance for Loan Losses using the incurred loan loss methodology. The following policy relates to reporting for years ended December 31, 2022 and prior.

For years ended December 31, 2022 and prior, the allowance for loan losses was established through provisions for loan losses charged against income. Loans deemed to be uncollectible were charged against the allowance for loan losses and subsequent recoveries, if any, were credited to the allowance.

The allowance for loan losses represents the amount that management estimates is adequate to provide for probable losses inherent in its loan portfolio as of the Consolidated Balance Sheet date. The allowance method is used in providing for loan losses. Accordingly, all loan losses are charged to the allowance, and

all recoveries are credited to it. The allowance for loan losses is established through a provision for loan losses charged to operations. The provision for loan losses is based on management's periodic evaluation of individual loans, economic factors, past loan loss experience, changes in the composition and volume of the portfolio, and other relevant factors. The estimates used in determining the adequacy of the allowance for loan losses, including the amounts and timing of future cash flows expected on impaired loans, are particularly susceptible to change in the near term.

Impaired loans are those for which it is probable the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. The Company evaluates commercial and industrial, agricultural, state and political subdivisions, commercial real estate, and all troubled debt restructuring loans for possible impairment. Consumer and residential real estate loans are also evaluated if part of a commercial lending relationship. The Company individually evaluates such loans for impairment and does not aggregate loans by major risk classifications. The definition of "impaired loans" is not the same as the definition of "nonaccrual loans," although the two categories overlap. Factors considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of loans is determined by the difference between the present value of the expected cash flows related to the loan using the original interest rate and its recorded value, or as a practical expedient in the case of collateralized loans, the difference between the fair value of the collateral and the recorded amount of the loans. When foreclosure is probable, impairment is measured based on the fair value of the collateral.

Mortgage loans secured by one-to-four family properties and all consumer loans are large groups of smaller-balance homogeneous loans and are measured for impairment collectively. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as impaired. Management determines the significance of payment delays on a case-by-case basis taking into consideration all circumstances concerning the loan, the creditworthiness and payment history of the borrower, the length of the payment delay, and the amount of shortfall in relation to the principal and interest owed.

In addition to the allowance for loan losses, the Company also estimates probable losses related to unfunded lending commitments, such as letters of credit, financial guarantees, and unfunded loan commitments. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Company's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions, performance trends within specific portfolio segments, and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments. Provision for credit losses related to the loan portfolio and unfunded lending commitments are reported in the Consolidated Statement of Income.

Allowance for Credit Losses (ACL) - Following Adoption of ASU 2016-13

Disclosures of the allowance for credit losses (ACL) for the year ended December 31, 2023 are presented in accordance with ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"*. Refer to Summary of Significant Accounting Policies, *"Adoption of New Accounting Standards"*.

The 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, 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 (pooled segments) that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans. The ACL is measured on a pooled segment basis when similar risk characteristics exist. The Company has identified the following portfolio segments based on Federal Call Code groupings and measures the ACL using the following methods:

Loan Portfolio - Pooled Segments	Loss Rate Methodology
Construction, land development and other land loans	Discounted cash flows
Loans secured by farmland	Discounted cash flows
Revolving loans secured by 1-4 family residential properties	Discounted cash flows
Mortgages secured by first liens	Discounted cash flows
Mortgages secured by second liens	Discounted cash flows
Loans secured by multi-family residential properties	Discounted cash flows
Loans secured by nonfarm, nonresidential properties	Discounted cash flows
Agricultural loans	Discounted cash flows
Commercial and industrial loans	Discounted cash flows
Automobile loans	Remaining life method
Other consumer loans	Discounted cash flows
Loans to state and municipal subdivisions	Discounted cash flows

Historical credit loss experience is the basis for the estimation of expected credit losses. The Company applies historical loss rates to pools of loans with similar risk 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 forecasted national unemployment rates and application of management judgments. For periods beyond our reasonable and supportable forecast, we revert to historical loss rates utilizing a straight-line method over a one year reversion period. The qualitative adjustments for current conditions are based upon changes in lending policies and practices, experience and ability of lending staff, quality of the bank's 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.

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 individually evaluated 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 that 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 following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) 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.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 7 years for furniture, fixtures, and equipment, and 31 to 39½ years for building premises. Leasehold improvements are depreciated over shorter of the term of the lease or useful life. 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 a two-step process for testing the impairment of goodwill 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.

Bank-Owned Life Insurance ("BOLI")

The Company purchased life insurance policies on certain key employees. BOLI is recorded at its cash surrender value, or the amount that can be realized.

Real Estate Owned

Real estate acquired by foreclosure is included with other assets on the Consolidated Balance Sheet at the lower of the recorded investment in the property or its fair value less estimated costs of sale. Prior to foreclosure, the value of the underlying collateral is written down by a charge to the allowance for loan losses if necessary. Any subsequent write-downs are charged against operating expenses. Operating expenses of such properties, net of related income and losses on their disposition, are included in other noninterest expense.

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 of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Treasury Stock

Treasury stock is carried at cost. Sales are determined by the first-in, first-out method.

Advertising Costs

Advertising costs are expensed as the costs are incurred.

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Earnings Per Share

The Company provides dual presentation of basic and diluted earnings per share. Basic earnings per share are calculated utilizing net income as reported in the numerator and average shares outstanding in the denominator. The computation of diluted earnings per share differs in that the dilutive effects of any stock options and restricted stock awards are adjusted in the denominator. Treasury shares are not deemed outstanding for earnings per share calculations.

Stock Options

For purposes of computing stock compensation expense, the Company estimated the fair values of stock options using the Black-Scholes option-pricing model. The model requires the use of subjective assumptions that can materially affect fair value estimates. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the option and each vesting date. The fair value of each stock option granted was estimated using the following weighted-average assumptions:

Grant Year	Expected Dividend Yield	Risk-Free Interest Rate	Expected Volatility	Expected Life (in Years)
2023	3.96 %	3.50 %	27.59 %	6.0
2022	3.31 %	2.56 %	27.32 %	6.0

The weighted-average fair value of each stock option granted for 2023 and 2022 was $6.78 and $7.25, respectively.

Mortgage Servicing Rights ("MSRs")

The Company has agreements for the express purpose of selling loans in the secondary market. The Company retains servicing rights for certain loans. Originated MSRs are recorded by allocating total costs incurred between the loan and servicing rights based on their relative fair values. MSRs are amortized in proportion to the estimated servicing income over the estimated life of the servicing portfolio. The Company performs an impairment review of the MSRs and recognizes impairment through a valuation account. MSRs are a component of accrued interest and other assets on the Consolidated Balance Sheet. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made with limited recourse. For the years ended December 31, 2023 and 2022, the Company recorded gross servicing rights of $248,594 and $279,743, respectively, with a reserve for impairment of $86,182 and $104,060, respectively.

Transfer of Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Cash Flow Information

The Company has defined cash and cash equivalents as those amounts included in the balance sheet captions "Cash and due from banks" and "Interest-bearing deposits with other institutions" that have original maturities of less than 90 days.

Reclassification of Comparative Amounts

Certain items previously reported have been reclassified to conform to the current year's format. Such reclassifications did not affect net income or stockholders' equity.

Derivatives and Hedging Activities

The Company engages in a number of business activities that are vulnerable to interest rate risk. The associated variability in cash flows related to interest rate risk may impact the results of operations of the Company. The Company's hedging objective is to reduce, to the extent possible, unpredictable cash flows associated with interest rate risk, via approved hedging strategies, related to business strategies and business objectives.

All derivatives are recorded on the Consolidated Balance Sheet at fair value. The accounting for changes in the fair value of derivatives depends on 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, such as interest rate 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.

Changes in the fair value of derivatives designated as fair value hedges are recorded in earnings, together and in the same income statement line item with changes in the fair value of the related hedged item. Changes in the fair value of derivatives designated as cash flow hedges are recorded in accumulated other comprehensive income (loss) and are reclassified into the line item in the income statement in which the hedged item is recorded and in the same period in which the hedged item affects earnings. Hedge ineffectiveness and gains and losses on the excluded component of a derivative in assessing hedge effectiveness are recorded in earnings.

Revenue Recognition

The Company's revenue is comprised of net interest income on financial assets and liabilities, and noninterest income. Under FASB Accounting Standards Codification ("ASC") Topic 606, "*Revenue from Contracts with Customers*", management determined that net interest income on financial assets and liabilities and certain components of noninterest income resulting from investment securities gains, loan servicing, gains on sales of loans, earnings on bank owned life insurance, gains on sales of mortgage loans and gains on sales of securities available for sale are accounted for under other U.S. GAAP standards and are not within the scope of ASC Topic 606.

Descriptions of revenue-generating activities reported in our Consolidated Statement of Income that are within the scope of Topic 606 include:

- Service fee income on deposit accounts
- Insurance and travel agency commissions
- Trust and investment advisory fees
- Benefit management consulting income
- ATM and debit card transaction fees
- Loan servicing fees
- Wire transfer fees
- Safe deposit box rentals

Non-transaction-based fees such as account maintenance fees, monthly statement fees, loan servicing fees and safe deposit box rentals are considered to be provided to the customer under short-term contracts with ongoing renewals. Revenue for these non-transaction-based fees is earned on a monthly basis, representing the period over which the Company satisfies the performance obligations. Transaction-based fees such as non-sufficient fund charges, stop payment charges and wire fees are recognized at the time the transaction is executed as the contract duration does not extend beyond the service performed.

The Company earns fees from ATM transactions fees and debit card transaction fees from cardholder transactions conducted through third party payment network providers which consist of interchange fees earned from the payment networks as a debit card issuer. These fees are recognized when the transaction occurs and are settled on a daily or monthly basis.

Revenues from trust and investment advisory services are generally recognized on a monthly basis and are typically based on a percentage of the customer's assets under management or based on investment solutions that are implemented for the customer.

Commission and fee income from insurance, benefit consulting and travel services are recognized as the performance obligations are satisfied, either over the contract policy period or as sales commissions are received when the performance obligation period does not extend beyond the sales transaction event.

Adoption of New Accounting Standards

On January 1, 2023, the Company adopted ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables, held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost are presented at the net amount expected to be collected by using an allowance for credit losses.

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

The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL included a decrease in the allowance for credit losses on loans of $3.1 million, which is presented as an increase to net loans outstanding, an increase in the allowance for credit losses on unfunded loan commitments of $1.2 million, which is recorded within Other Liabilities, and an allowance for credit losses for held to maturity securities of $110.2 thousand, which is presented as a reduction to held to maturity securities outstanding. The Company recorded a net increase to retained earnings of $1.4 million as of January 1, 2023 for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax liabilities recorded. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with the previously applicable accounting standards (incurred loss reporting).

The following table illustrates the impact of adopting ASC 326:

	ASC 326 Adopted Effective January 1, 2023		
	Prior to ASC 326 Adoption	Impact of ASC 326 Adoption	As Reported under ASC 326
Assets:			
Allowance for credit losses on debt securities held to maturity	$ -	$ 110,164	$ 110,164
Allowance for credit losses on loans			
Commercial real estate	$ 6,108,863	$ (2,132,318)	$ 3,976,545
Commercial and industrial	1,578,840	(252,955)	1,325,885
Agricultural	286,469	(56,603)	229,866
State and political subdivisions	106,944	(56,672)	50,272
Consumer	41,680	18,710	60,390
Residential real estate	2,212,435	(594,903)	1,617,532
Total allowance for credit losses on loans	$ 10,335,231	$ (3,074,741)	$ 7,260,490
Liabilities:			
Allowance for credit losses on off-balance-sheet credit exposures	$ 193,261	$ 1,169,715	$ 1,362,976
Total pretax effect of ASC 326 adoption		$ (1,794,862)	
Deferred tax impact		376,921	
Total effect of ASC 326 adoption, net of deferred tax impact		$ (1,417,941)	

Effective January 1, 2023, the Company adopted ASU 2022-02 *"Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings (TDR) and Vintage Disclosures"*, which removed the existing measurement and disclosure requirements for TDR loans and added additional disclosure requirements related to modifications provided to borrowers experiencing financial difficulty. Prior to adoption a change in contractual terms of a loan where a borrower was experiencing financial difficulty and received a concession not available through other sources the loans was required to be disclosed as a TDR, whereas now a borrower that is experiencing financial difficulty and receives a modification in the form of principal forgiveness, interest rate reduction, an other-than-insignificant payment delay or a term extension in the current period needs to be disclosed. The Company may modify loans to borrowers experiencing financial difficulty as a way of managing risk and mitigating credit loss from the borrower and may make various types of modifications and may in certain circumstances use a combination of modification types in order to mitigate future loss. The amount of defined modifications given to borrowers experiencing financial difficulty is disclosed in Note 5 to the Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, *"Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting"*, to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate (SOFR). Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls "reference rate reform" if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Also, entities can elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform if certain criteria are met and can make a one-time election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. The amendments in this ASU are effective for all entities upon issuance. In December 2022, the FASB issued ASU 2022-06, *"Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848"*, which extends the sunset (or expiration) date of SC Topic 848 to December 31, 2024. This gives reporting entities two additional years to apply the accounting relief provided under ASC Topic 848 for matters related to reference rate reform. ASC 2022-06 is effective for all reporting entities

immediately upon issuance and must be applied on a prospective basis. It is too early to predict whether a new rate index replacement and the adoption of the ASU will have a material impact on the Company's financial statements.

2. EARNINGS PER SHARE

There are no convertible securities that would affect the numerator in calculating basic and diluted earnings per share; therefore, net income as presented on the Consolidated Statement of Income will be used as the numerator. The following table sets forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation.

	2023	2022
Weighted-average common shares issued	2,694,597	2,697,500
Weighted-average treasury stock shares	(59,639)	(67,350)
Weighted-average unvested restricted stock awards	(48,956)	(70,807)
Basic weighted-average shares outstanding	2,586,002	2,559,343
Dilutive effect of outstanding restricted stock awards	18,716	31,181
Dilutive effect of outstanding stock options	24,449	35,088
Diluted weighted-average shares outstanding	2,629,167	2,625,612

For the year ended December 31, 2023, the Company excluded from the computation of diluted weighted-average shares the impact of 79,924 options to purchase shares of the Company's common stock, and 11,580 shares of restricted stock, as the effect would have been anti-dilutive.

For the year ended December 31, 2022, the Company excluded from the computation of diluted weighted-average shares the impact of 42,059 options to purchase shares of the Company's common stock, as the effect would have been anti-dilutive.

3. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, and fair value of investment securities are as follows:

	2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Available for Sale:					
U.S. treasury securities	$ 27,863,700	$ -	$ (1,355,955)	$ 26,507,745	$ -
U.S. government agency securities	63,816,922	340	(5,444,033)	58,373,229	-
Obligations of states and political subdivisions	40,926,071	288	(6,143,267)	34,783,092	-
Corporate securities	1,506,202	-	(68,488)	1,437,714	-
Mortgage-backed securities in government-sponsored entities	34,032,633	10,486	(3,974,921)	30,068,198	-
Collateralized mortgage obligations	31,967,800	9,194	(4,169,168)	27,807,826	-
Total Available for Sale	$ 200,113,328	$ 20,308	$ (21,155,832)	$ 178,977,804	$ -
Held to Maturity:					
Corporate Securities	$ 11,004,226	$ -	$ (1,031,811)	$ 9,972,415	$ (112,624)

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale:				
U.S. treasury securities	$ 20,886,392	$ -	$ (1,753,897)	$ 19,132,495
U.S. government agency securities	49,881,118	-	(6,873,567)	43,007,551
Obligations of states and political subdivisions	41,934,666	3,345	(7,661,301)	34,276,710
Corporate securities	6,564,965	490	(113,026)	6,452,429
Mortgage-backed securities in government-sponsored entities	30,857,100	1,976	(4,387,180)	26,471,896
Collateralized mortgage obligations	30,260,783	-	(4,293,313)	25,967,470
Total Available for Sale	$ 180,385,024	$ 5,811	$ (25,082,284)	$ 155,308,551
Held to Maturity:				
Corporate Securities	$ 10,763,833	$ -	$ (692,836)	$ 10,070,997

The following tables show the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at December 31, 2023 and 2022.

	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
Available for Sale:						
U.S. treasury securities	$ 6,943,810	$ (18,808)	$ 19,563,935	$ (1,337,147)	$ 26,507,745	$ (1,355,955)
U.S. government agency securities	15,936,186	(110,762)	41,436,702	(5,333,271)	57,372,888	(5,444,033)
Obligations of states and political subdivisions	-	-	33,941,003	(6,143,267)	33,941,003	(6,143,267)
Corporate securities	-	-	1,437,714	(68,488)	1,437,714	(68,488)
Mortgage-backed securities in government-sponsored entities	6,898,550	(185,293)	21,900,186	(3,789,628)	28,798,736	(3,974,921)
Collateralized mortgage obligations	9,072,572	(181,985)	16,168,122	(3,987,183)	25,240,694	(4,169,168)
Total Available for Sale	$ 38,851,118	$ (496,848)	$ 134,447,662	$ (20,658,984)	$ 173,298,780	$ (21,155,832)

	2022					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for Sale:						
U.S. treasury securities	$ 19,132,495	$ (1,753,897)	$ -	$ -	$ 19,132,495	$ (1,753,897)
U.S. government agency securities	10,219,323	(554,800)	32,788,228	(6,318,767)	43,007,551	(6,873,567)
Obligations of states and political subdivisions	18,746,763	(3,690,444)	13,765,525	(3,970,857)	32,512,288	(7,661,301)
Corporate securities	4,529,899	(35,071)	422,045	(77,955)	4,951,944	(113,026)
Mortgage-backed securities in government-sponsored entities	5,561,090	(605,497)	19,490,124	(3,781,683)	25,051,214	(4,387,180)
Collateralized mortgage obligations	14,034,828	(837,805)	11,932,642	(3,455,508)	25,967,470	(4,293,313)
Total Available for Sale	$ 72,224,398	$ (7,477,514)	$ 78,398,564	$ (17,604,770)	$ 150,622,962	$ (25,082,284)
Held to Maturity:						
Corporate Securities	$ 8,502,470	$ (511,364)	$ 1,568,528	$ (181,473)	$ 10,070,998	$ (692,836)

The Company had 191 investment securities, consisting of 46 U.S. government agency securities, 66 obligations of states and political subdivisions, 19 different corporate securities, 33 mortgage-backed securities, and 27 collateralized mortgage obligations that were in unrealized loss positions at December 31, 2023. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis or par value, which may be maturity, the Company does not consider those investments to have an allowance for credit losses recorded against them. As of December 31, 2023, there were no investment securities past due.

Credit Quality Indicators

The held-to-maturity securities portfolio consists of sixteen subordinated corporate notes and one senior corporate note. All securities are issued by banking financial companies in the United States or United States territories. The notes consisting primarily of community bank issued debt, are generally unrated. The Company regularly monitors the corporate banking sector of the market and reviews collectability including such factors as the financial condition of the issuers as well as general market credit trends in effect as of the reporting period.

The amortized cost and fair value of debt securities at December 31, 2023, by contractual maturity, are shown below. Expected maturities of mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 11,714,445	$ 11,614,645	$ -	$ -
Due after one year through five years	61,344,421	58,255,669	3,000,000	2,815,640
Due after five years through ten years	59,265,264	50,454,023	8,004,226	7,156,775
Due after ten years	67,789,198	58,653,467	-	-
	200,113,328	178,977,804	11,004,226	9,972,415
Allowance for credit losses	-	-	(112,624)	-
Total	$ 200,113,328	$ 178,977,804	$ 10,891,602	$ 9,972,415

Investment securities with a carrying value of $123,767,259 and $70,917,500 at December 31, 2023 and 2022, respectively, were pledged to secure deposits and other purposes as required by law.

The following is a summary of proceeds received, gross gains, and gross losses realized on the sale and calls of investment securities available for sale for the years ended December 31:

	2023	2022
Proceeds from sales	$ -	$ -
Proceeds from calls	718,679	999,560
Gross gains	188	440
Gross losses	346	-

Equity Securities

The Company recognized changes in fair value of equity securities in equity securities gains (losses), net. The following is a summary of unrealized and realized gains and losses recognized in net income on equity securities during the years ended December 31, 2023 and 2022:

	2023	2022
Net gains (losses) recognized in equity securities during the year	$ (145,149)	$ 164,537
Less: Net gains (losses) realized on sale of equity securities during the year	-	-
Unrealized gains (losses) recognized in equity securities	$ (145,149)	$ 164,537

4. LOANS

Major classifications of loans are summarized as follows at December 31:

	2023	2022
Commercial real estate	$ 590,694,766	$ 489,329,128
Commercial and industrial	144,234,974	132,681,835
Agricultural	28,493,121	28,535,279
State and political subdivisions	31,283,590	24,226,289
Consumer	5,243,094	5,030,762
Residential real estate	432,912,430	343,701,821
	1,232,861,975	1,023,505,114
Less: Allowance for credit losses	7,544,973	10,335,231
Net loans	$ 1,225,317,002	$ 1,013,169,883

Mortgage loans serviced by the Company for others amounted to $25,907,491 and $29,009,755 at December 31, 2023 and 2022, respectively.

The Company grants residential, commercial, and consumer loans to customers throughout its trade area, which is predominantly in greater central Pennsylvania. The Company also has a limited purpose office located in Hudson, Ohio, focusing primarily on multi-family commercial real estate loans. The office serves established commercial developers in the Cleveland to Columbus markets, providing loans for development projects that extend to the Mid-Atlantic and Southeast regions. All loan originations are subject to credit risk assessment by management following the Company's lending policies. Although the Company has a diversified loan portfolio at December 31, 2023 and 2022, a substantial portion of its debtors' ability to honor their loan agreements is dependent upon the economic stability of their immediate geographic areas. The Company had a lending concentration in lessors of residential buildings and dwellings of 34% and 18% as of December 31, 2023 and 2022, respectively.

Loans to Officers and Directors

In the normal course of business, loans are extended to directors, executive officers, and their associates. A summary of loan activity for those directors, executive officers, and their associates with loan balances in excess of $60,000 for the years ended December 31, 2023, and 2022, is as follows:

Balance 2021	Additions	Amounts Collected	Balance 2022	Additions	Amounts Collected	Balance 2023
$ 7,376,354	$ 2,026,246	$ (2,223,781)	$ 7,178,819	$ 1,704,510	$ (5,895,527)	$ 2,987,802

5. ALLOWANCE FOR CREDIT LOSSES - LOANS

Management has an established methodology to determine the adequacy of the allowance for credit losses (ACL) that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the ACL, the Company has segmented certain loans in the portfolio by Federal Call Code designations, then by product type. Loans are segmented into the following pools: commercial real estate loans, commercial and industrial loans, agricultural loans, state and political subdivision loans, consumer loans, and residential real estate loans. Following adoption of ACS 326 effective January 1, 2023, the Company calculates the ACL for pooled loan segments using the Discounted Cash Flow (DCF) method for all pools other than automobile loans, which is calculated using the Remaining Life method.

The 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. The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our 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.

Management uses a DCF model to calculate the present value of the expected cash flows for pools of loans that share similar risk characteristics and compares the results of this calculation to the amortized cost basis to determine its allowance for credit loss balance. The contractual term used in projecting the cash flows of a loan is based on the maturity date of a loan, and is adjusted for prepayment or curtailment assumptions which may shorten that contractual time period. Options to extend are considered by management in determining the contractual term.

The key inputs to the DCF model are (1) probability of default, (2) loss given default, (3) prepayment and curtailment rates, (4) reasonable and supportable economic forecasts, (5) forecast reversion period, (6) expected recovery delays on charged off loans, and (7) discount rate.

Probability of Default ("PD")
In order to incorporate economic factors into forecasting within the DCF model, management elected to use the Loss Driver method to generate the PD rate inputs. The Loss Driver method analyzes how one or more economic factors change the default rate using statistical regression analysis. Management selected to use forecasted National Unemployment Rates as the economic factor having a strong correlation to historical default rates.

Loss Given Default ("LGD")
Management elected to use the Frye Jacobs parameter for determining the LGD input, which is an estimation technique that derives an LGD input from segment-specific risk curves that correlates LGD with PD.

Prepayment and Curtailment Rates
Prepayment Rates: Loan-level transaction data is used to calculate semi-annual prepayment rates. These semi-annual rates are annualized, and the average of the annualized rates is used in the DCF calculation for fixed payment or term loans. Rates are calculated for each pool.

Curtailment Rates: Loan-level transaction data is used to calculate annual curtailment rates using available historical loan-level data. The average of the historical rates is used in the DCF model for interest-only payment or line-of-credit type loans. Rates are calculated for each pool.

Reasonable and Supportable Forecasts
The forecast data used in the DCF model is obtained via a subscription to a widely recognized and relied-upon company that publishes various forecast scenarios. Management evaluates the various scenarios to determine a reasonable and supportable scenario.

Forecast Reversion Period
Management uses forecasts to predict how economic factors will perform and has determined to use a four-quarter forecast period and a four-quarter straight-line reversion period to historical averages (the mean reversion period).

Expected Recovery Delays on Charged-off Loans
Management performs an analysis to estimate the delay recovery periods for recoveries of charged off loan balances.

Discount Rate
The effective interest rate of the underlying loans of the Company serves as the discount rate applied to the expected periodic cash flows. Management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Remaining Life Loss Rate Method
The Company utilizes the Remaining Life loss rate method for calculating the allowance for credit losses for the pooled loan segment of automobile loans. The allowance is determined by calculating the estimated remaining life of the outstanding loan balances and applying a projected charge-off rate derived from both internal and peer group historical loss experience for similar loans.

Individual Evaluation
Management evaluates individual instruments for expected credit losses when those instruments do not share similar risk characteristics with instruments evaluated using a collective (pooled) basis. These instruments will not be included in the collective analyses. The individual analysis will establish a specific reserve for instruments in scope.

Prior to adopting ASC 326, historical loss percentages for each pooled loan segment category were calculated and used as the basis for calculating allowance allocations. The historical loss percentages are calculated over a five-year period for all portfolio segments. Certain qualitative factor adjustments are then added to the historical loss percentages to calculate the adjusted factor applied to non-classified loans. Qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the Bank's operating environment.

We consider commercial real estate loans, commercial and industrial loans, agricultural loans, and consumer loans to be riskier than one-to-four family residential mortgage loans. Commercial real estate loans entail significant additional credit risks compared to one-to-four family residential mortgage loans, as they involve large loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties typically depends on the successful operation of the related real estate project and/or business operation of the borrower who is also the primary occupant, and thus may be subject to a greater extent to adverse conditions in the real estate market and in the general economy. Commercial and industrial loans, along with agricultural loans, involve a higher risk of default than residential mortgage loans of like duration since their repayment is generally dependent on the successful operation of the borrower's business and the sufficiency of collateral, if any.

Qualitative Factors

For credit loss allowances calculated under both the current ACL model framework and under the previous Incurred Loss model, the following qualitative factors are used in developing the overall loss rate estimates applied to the pooled loan segments:

- Changes in lending policies and procedures
- Changes in economic and business conditions
- Changes in nature and volume of the loan portfolio
- Changes in lending staff experience and ability
- Changes in past-due loans, nonaccrual loans, and classified loans
- Changes in credit risk management
- Changes in underlying value of collateral-dependent loans
- Levels of credit concentrations
- Effects of external factors, such as legal and regulatory requirements

The following tables present, by portfolio segment, the changes in the allowance for loan credit losses and the recorded investment in loans as of and for the years ended December 31:

	2023							
	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan credit losses:								
Beginning balance, prior to adoption of ASC 326	$ 6,108,863	$ 1,578,840	$ 286,469	$ 106,944	$ 41,680	$ 2,212,435	$ -	$ 10,335,231
Impact of adopting ASC 326	(2,132,318)	(252,955)	(56,603)	(56,672)	18,710	(594,903)	-	(3,074,741)
Charge-offs	-	(39,572)	-	-	(7,609)	-	-	(47,181)
Recoveries	-	-	-	-	2,699	-	-	2,699
Provision	446,856	(136,823)	(23,947)	18,709	4,999	19,171	-	328,965
Ending balance	$ 4,423,402	$ 1,149,490	$ 205,919	$ 68,981	$ 60,479	$ 1,636,703	$ -	$ 7,544,973
Ending balance individually evaluated for credit loss	$ 1,255	$ 19,183	$ 21,679	$ -	$ -	$ 101,393	$ -	$ 143,510
Ending balance collectively evaluated for credit loss	4,422,147	1,130,307	184,240	68,981	60,479	1,535,310	-	7,401,463
	$ 4,423,402	$ 1,149,490	$ 205,919	$ 68,981	$ 60,479	$ 1,636,703	$ -	$ 7,544,973
Loans:								
Individually evaluated for credit loss	$ 13,064	$ 390,373	$ 21,679	$ -	$ -	$ 1,331,192		$ 1,756,308
Collectively evaluated for credit loss	590,681,702	143,844,601	28,471,442	31,283,590	5,243,094	431,581,238		1,231,105,667
Ending balance	$ 590,694,766	$ 144,234,974	$ 28,493,121	$ 31,283,590	$ 5,243,094	$ 432,912,430		$ 1,232,861,975

	2022							
	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 5,270,205	$ 1,516,700	$ 325,746	$ 176,685	$ 46,552	$ 1,961,277	$ 1,262,687	$ 10,559,852
Charge-offs	-	(335,107)	-	-	(16,990)	(1,153)	-	(353,250)
Recoveries	-	125,000	-	-	3,629	-	-	128,629
Provision	838,658	272,247	(39,277)	(69,741)	8,488	252,311	(1,262,687)	(0)
Ending balance	$ 6,108,863	$ 1,578,840	$ 286,469	$ 106,944	$ 41,680	$ 2,212,435	$ -	$ 10,335,231
Ending balance individually evaluated for impairment	$ 6,479	$ 19,801	$ 40,344	$ -	$ 283	$ 148,327	$ -	$ 215,234
Ending balance collectively evaluated for impairment	6,102,384	1,559,038	246,125	106,944	41,397	2,064,108	-	10,119,997
	$ 6,108,863	$ 1,578,840	$ 286,469	$ 106,944	$ 41,680	$ 2,212,435	$ -	$ 10,335,231
Loans:								
Individually evaluated for impairment	$ 205,972	$ 273,127	$ 208,702	$ -	$ 9,317	$ 1,564,707		$ 2,261,825
Collectively evaluated for impairment	489,123,156	132,408,708	28,326,577	24,226,289	5,021,445	342,137,114		1,021,243,289
Ending balance	$ 489,329,128	$ 132,681,835	$ 28,535,279	$ 24,226,289	$ 5,030,762	$ 343,701,821		$ 1,023,505,114

Credit Quality Information

The Company's internal credit risk grading system is based on experience and estimates the capability of the borrower to repay the contractual obligations under the loan agreements. Pass grade loans are loans which are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. Special Mention loans are loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected. Substandard loans are loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Doubtful loans have all the weaknesses inherent in a substandard asset and these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances. Finally, loans classified as Loss are considered uncollectible, or of such value that continuance as an asset is not warranted.

The following tables represent the outstanding loan balances by credit quality indicators and vintage year by class of financing receivable and current period charge-offs by year of origination under ASC 326 as of December 31, 2023:

	As of December 31, 2023					
	Term Loans Amortized Cost Basis by Origination Year				Revolver Total at Amortized Cost Basis	
	2023	2022	2021	Prior		Total
Commercial real estate						
Risk Rating						
Pass	$ 109,029,405	$ 111,862,871	$ 157,513,271	$ 196,936,447	$ 8,027,943	$ 583,369,937
Special Mention	-	3,012,892	-	429,483	-	3,442,375
Substandard	-	-	-	3,869,390	-	3,869,390
Doubtful	-	-	-	-	13,064	13,064
Total Commercial real estate	$ 109,029,405	$ 114,875,763	$ 157,513,271	$ 201,235,320	$ 8,041,007	$ 590,694,766
Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -
Commercial and industrial						
Risk Rating						
Pass	$ 21,835,352	$ 33,525,894	$ 18,496,738	$ 11,789,033	$ 56,591,176	$ 142,238,193
Special Mention	30,798	172,140	235,289	266,576	24,319	729,122
Substandard	-	-	666,758	263,898	241,697	1,172,353
Doubtful	-	-	-	95,306	-	95,306
Total Commercial & Industrial	$ 21,866,150	$ 33,698,034	$ 19,398,785	$ 12,414,813	$ 56,857,192	$ 144,234,974
Current period gross write offs	$ -	$ -	$ 9,982	$ 29,590	$ -	$ 39,572
Agriculture						
Risk Rating						
Pass	$ 2,784,201	$ 2,178,394	$ 6,287,102	$ 14,264,598	$ 2,957,147	$ 28,471,442
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	21,679	-	21,679
Total Agriculture	$ 2,784,201	$ 2,178,394	$ 6,287,102	$ 14,286,277	$ 2,957,147	$ 28,493,121
Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -
State and political subdivisions						
Risk Rating						
Pass	$ 1,279,565	$ 8,613,108	$ 956,571	$ 20,217,301	$ 217,045	$ 31,283,590
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total State and political subdivisions	$ 1,279,565	$ 8,613,108	$ 956,571	$ 20,217,301	$ 217,045	$ 31,283,590
Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -
Total by Risk Rating						
Pass	$ 134,928,523	$ 156,180,267	$ 183,253,682	$ 243,207,379	$ 67,793,311	$ 785,363,162
Special Mention	30,798	3,185,032	235,289	696,059	24,319	4,171,497
Substandard	-	-	666,758	4,133,288	241,697	5,041,743
Doubtful	-	-	-	116,985	13,064	130,049
Total	$ 134,959,321	$ 159,365,299	$ 184,155,729	$ 248,153,711	$ 68,072,391	$ 794,706,451
Total current period gross write offs	$ -	$ -	$ 9,982	$ 29,590	$ -	$ 39,572

	As of December 31, 2023					
	Term Loans Amortized Cost Basis by Origination Year				Revolver Total at Amortized Cost Basis	
	2023	2022	2021	Prior		Total
Consumer						
Payment Performance						
Performing	$ 533,637	$ 207,561	$ 143,149	$ 376,618	$ 3,982,129	$ 5,243,094
Nonperforming	-	-	-	-	-	-
Total Consumer	$ 533,637	$ 207,561	$ 143,149	$ 376,618	$ 3,982,129	$ 5,243,094
Current period gross write offs	$ -	$ -	$ -	$ 7,609	$ -	$ 7,609
Residential real estate						
Payment Performance						
Performing	$ 78,756,431	$ 100,654,054	$ 65,294,982	$ 148,531,171	$ 39,107,407	$ 432,344,044
Nonperforming	-	-	56,211	512,174	-	568,386
Total Residential real estate	$ 78,756,431	$ 100,654,054	$ 65,351,193	$ 149,043,345	$ 39,107,407	$ 432,912,430
Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -
Total by Payment Performance						
Performing	$ 79,290,068	$ 100,861,615	$ 65,438,131	$ 148,907,789	$ 43,089,536	$ 437,587,138
Nonperforming	-	-	56,211	512,174	-	568,386
Total	$ 79,290,068	$ 100,861,615	$ 65,494,342	$ 149,419,963	$ 43,089,536	$ 438,155,524
Total current period gross write offs	$ -	$ -	$ -	$ 7,609	$ -	$ 7,609

The following table presents commercial credit exposures by internally assigned grades for the year ended December 31, 2022:

	2022				
	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Total
Pass	$ 485,441,953	$ 131,670,430	$ 28,513,600	$ 24,226,289	$ 669,852,272
Special Mention	3,872,824	728,203	-	-	4,601,027
Substandard	-	161,676	-	-	161,676
Doubtful	14,351	121,526	21,679	-	157,556
Total	$ 489,329,128	$ 132,681,835	$ 28,535,279	$ 24,226,289	$ 674,772,531

For consumer and residential real estate loans, the Company evaluates credit quality based on whether the loan is considered performing or nonperforming. Nonperforming loans are those loans past due 90 days or more and loans on nonaccrual. The following tables present the balances of consumer and residential real estate loans by classes of loan portfolio based on payment performance as of December 31, 2022:

	Consumer	Residential Real Estate	Total
Performing	$ 5,030,762	$ 343,246,250	$ 348,277,012
Nonperforming	-	455,571	455,571
Total	$ 5,030,762	$ 343,701,821	$ 348,732,583

Age Analysis of Past Due Loans by Class

The following are tables which show the aging analysis of past due loans as of December 31:

	2023						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans	90 Days and Accruing
Commercial real estate	$ -	$ 153,786	$ -	$ 153,786	$ 590,540,980	$ 590,694,766	$ -
Commercial and industrial	76,277	43,205	-	119,482	144,115,492	144,234,974	-
Agricultural	95,130	193,825	-	288,955	28,204,166	28,493,121	-
State and political subdivisions	-	-	-	-	31,283,590	31,283,590	-
Consumer	7,423	-	-	7,423	5,235,671	5,243,094	-
Residential real estate	784,805	285,131	138,780	1,208,716	431,703,714	432,912,430	138,780
Total	$ 963,635	$ 675,947	$ 138,780	$ 1,778,362	$ 1,231,083,613	$ 1,232,861,975	$ 138,780

	2022						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans	90 Days and Accruing
Commercial real estate	$ 211,804	$ -	$ -	$ 211,804	$ 489,117,324	$ 489,329,128	$ -
Commercial and industrial	50,000	208,365	29,990	288,355	132,393,480	132,681,835	-
Agricultural	-	-	21,679	21,679	28,513,600	28,535,279	-
State and political subdivisions	-	-	-	-	24,226,289	24,226,289	-
Consumer	9,289	-	-	9,289	5,021,473	5,030,762	-
Residential real estate	164,520	218,137	455,571	838,228	342,863,593	343,701,821	157,767
Total	$ 435,613	$ 426,502	$ 507,240	$ 1,369,355	$ 1,022,135,759	$ 1,023,505,114	$ 157,767

Consumer mortgage loans held by the Company in the process of foreclosure amounted to $0 and $250,404 as of December 31, 2023 and 2022, respectively.

Impaired Loans - Prior to Adoption of ASC 326, for Year Ended December 31, 2022

Management considers commercial real estate loans, commercial and industrial loans, agricultural loans, and state and political subdivision loans which are 90 days or more past due to be impaired. After becoming 90 days or more past due, these categories of loans are measured for impairment. Any consumer and residential real estate loans related to these delinquent loans are also considered to be impaired. Troubled debt restructurings are measured for impairment at the time of restructuring. These loans are analyzed to determine if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. If management determines that the fair value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), impairment is recognized through a provision or through a charge to the allowance for loan losses.

The following tables include the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount as of December 31, 2022:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate	$ 115,207	$ 115,207	$ -	$ 71,014	$ 7,484
Commercial and industrial	121,526	121,526	-	129,904	-
Agricultural	-	-	-	-	-
State and political subdivisions	-	-	-	-	-
Consumer	-	-	-	-	-
Residential real estate	104,913	104,913	-	101,716	-
	341,646	341,646	-	302,634	7,484
With an allowance recorded:					
Commercial real estate	90,765	90,765	6,479	157,609	5,829
Commercial and industrial	151,601	151,601	19,801	562,859	13,304
Agricultural	208,702	208,702	40,344	226,249	9,649
State and political subdivisions	-	-	-	-	-
Consumer	9,317	9,317	283	5,173	718
Residential real estate	1,459,794	1,459,794	148,327	1,393,733	57,052
	1,920,179	1,920,179	215,234	2,345,623	86,552
Total:					
Commercial real estate	205,972	205,972	6,479	228,623	13,313
Commercial and industrial	273,127	273,127	19,801	692,763	13,304
Agricultural	208,702	208,702	40,344	226,249	9,649
State and political subdivisions	-	-	-	-	-
Consumer	9,317	9,317	283	5,173	718
Residential real estate	1,564,707	1,564,707	148,327	1,495,449	57,052
Total	$ 2,261,825	$ 2,261,825	$ 215,234	$ 2,648,257	$ 94,036

Nonaccrual Loans

Loans are considered nonaccrual upon reaching 90 days of delinquency even though the Company may be receiving partial payments of interest and partial repayments of principal on such loans. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is deducted from interest income. Interest income that would have been recorded on nonaccrual loans in accordance with their original terms totaled approximately $63,692 and $61,839 as of December 31, 2023 and 2022, respectively.

The following table includes the loan balances on nonaccrual status as of December 31:

	2023	2022
Commercial real estate	$ 13,064	$ 14,351
Commercial and industrial	95,306	121,526
Agricultural	21,679	21,679
Consumer	-	-
Residential real estate	429,606	397,867
Total	$ 559,655	$ 555,423

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2023:

	Nonaccrual Loans With No Allowance for Credit Loss	Nonaccrual Loans With a Related Allowance for Credit Loss	Loans Past Due Over 89 Days Still Accruing
Commercial real estate	$ -	$ 13,064	$ -
Commercial and industrial	95,306	-	-
Agricultural	-	21,679	-
State and political subdivisions	-	-	-
Consumer	-	-	-
Residential real estate	92,704	336,902	138,780
Total	$ 188,010	$ 371,645	$ 138,780

Troubled Debt Restructurings - Prior to Adoption of ASC 326

The following discussion provides disclosures previously required by ASC Subtopic 310-40, "*Receivables - Troubled Debt Restructurings by Creditors*", related to loans with troubled debt restructuring modifications during the year ended December 31, 2022.

As of December 31, 2022, the Company's loan portfolio includes certain loans that have been modified in a troubled debt restructuring, where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Company's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance, or other actions.

When the Company modifies a loan, management evaluates any possible impairment based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement. If management determines that the value of the modified loan is less than the recorded investment in the loan, impairment is recognized either through a charge-off to the allowance or a specific reserve. As of December 31, 2022, a specific reserve allocation of $175,363 had been established against the troubled debt restructurings and no charge-offs for the troubled debt restructurings were required. There were no loans modified in a troubled debt restructuring from January 1, 2020 through December 31, 2021, that subsequently defaulted (i.e., 90 days or more past due following a modification) during the year ended December 31, 2022.

Loan modifications considered troubled debt restructurings completed during the year ended December 31, 2022 consist of one residential real estate loan and one unsecured consumer line of credit. The Company's outstanding recorded investment in the loans at the time of the restructuring was $314,487 and $9,823, for the real estate loan and line of credit, respectively. Modifications to the real estate loan include a lengthened maturity date and reduced monthly payment. The maturity date of the credit line was extended. The Company's outstanding recorded investment amount in these loans was not changed by the TDR modifications.

Modifications to Borrowers Experiencing Financial Difficulty

Effective January 1, 2023, the Company implemented ASU *2022-02,* which eliminated the recognition and measure of troubled debt restructurings and enhanced the disclosures for loan modifications to borrowers experiencing financial difficulty.

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extensions, or interest rate reductions. 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 for a single loan.

The following table presents the amortized cost basis of gross loans held for investment made to borrowers experiencing financial difficulty that were modified during the year ended December 31, 2023:

	Rate Reduction and Term Extension	Term Extension	Weighted Average Rate Reduction	Weighted Average Term Extension (Years)
Commercial real estate	$ -	$ -		
Commercial and industrial	-	180,000		0.4
Agricultural	21,679	-	2.500%	8.0
State and political subdivisions	-	-		
Consumer	-	-		
Residential real estate	42,106	5,195	1.675%	9.2
Total	$ 63,785	$ 185,195		

As of December 31, 2023 a single loan with modifications to a borrow experiencing financial difficulty with amortized costs basis of $21,679 was classified as nonaccrual. The Bank did not incur any payment default during the period from loans that were modified in the 12 months before default to borrowers experiencing financial difficulty.

6. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	2023	2022
Land and land improvements	$ 2,066,803	$ 2,959,350
Buildings and leasehold improvements	33,281,636	32,069,851
Buildings - construction in progress	148,950	9,396
Furniture, fixtures, and equipment	11,373,676	9,750,458
	46,871,065	44,789,055
Less accumulated depreciation	19,473,449	17,993,384
Total	$ 27,397,616	$ 26,795,671

Depreciation charged to operations was $1,587,682 in 2023 and $1,464,812 in 2022.

7. GOODWILL

As of December 31, 2023 and 2022, goodwill had a gross carrying amount of $4,174,955, and accumulated amortization of $614,013 for a net carrying value of $3,560,942. The carrying amount of goodwill was tested for impairment in the fourth quarter, after the annual forecasting process. There was no impairment for the years ended December 31, 2023 and 2022.

8. DEPOSITS

The scheduled maturities of time deposits approximate the following:

Year Ending December 31,	Amount
2024	$ 340,954,721
2025	46,891,108
2026	6,024,612
2027	6,177,621
2028	1,500,178
Thereafter	1,097,977
	$ 402,646,217

The aggregate of all time deposit accounts of $250,000 or more amounted to $128,137,681 and $76,886,890 as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, there were no individual depositors with balances in excess of 5% of total deposits.

9. SHORT-TERM BORROWINGS

Short-term borrowings include overnight repurchase agreements through the FHLB, federal funds purchased, and repurchase agreements with customers. The outstanding balances and related information for short-term borrowings are summarized as follows:

	2023	2022
Balance at year-end	$ 194,541,362	$ 100,326,547
Average balance outstanding	153,450,385	83,774,238
Maximum month-end balance	194,541,362	105,337,229
Weighted-average rate at year-end	5.66%	4.71%
Weighted-average rate during the year	1.79%	2.51%

The collateral pledged on the repurchase agreements by the remaining contractual maturity of the repurchase agreements in the Consolidated Balance Sheet as of December 31, 2023 and 2022, is presented in the following table.

	Remaining Contractual Maturity Overnight and Continuous	
	December 31, 2023	December 31, 2022
Securities of U.S. Government Agencies, U.S. Treasuries, and obligations of state and political subdivisions pledged, fair value	$ 4,860,607	$ 2,161,670
Repurchase agreements	512,349	786,231

10. OTHER BORROWINGS

The following table sets forth information concerning other borrowings:

Description	Maturity Range From	Maturity Range To	Weighted-Average Interest Rate	Stated Interest Rate Range From	Stated Interest Rate Range To	At December 31, 2023	At December 31, 2022
Fixed rate	01/08/24	08/04/26	2.41 %	2.01 %	2.53 %	$ 9,966,000	$ 16,821,000
Fixed rate amortizing	07/15/24	07/15/24	1.33	1.33	1.33	114,532	1,475,655
Subordinated debt	08/25/24	03/03/26	4.18	4.00	4.75	25,152,076	27,930,998
Junior subordinated debt	03/17/35	11/23/35	7.41	7.14	7.67	6,186,000	6,186,000
						$ 41,418,608	$ 52,413,653

Maturities of other borrowings at December 31, 2023, are summarized as follows:

Year Ending December 31,	Amount	Weighted-Average Rate
2024	$ 5,598,532	2.41 %
2025	3,359,000	2.50
2026	1,123,000	2.01
2027	-	-
2028	-	-
2029 and after	31,338,076	4.81
	$ 41,418,608	4.22

Borrowing capacity consists of credit arrangements with the FHLB. FHLB borrowings are subject to annual renewal, incur no service charges, and are secured by a blanket security agreement on certain investment and mortgage-backed securities, outstanding residential mortgages, and the Bank's investment in FHLB stock. As of December 31, 2023, the Bank's maximum borrowing capacity with the FHLB was approximately $585.1 million.

The Bank may request a Federal Reserve Advance secured by acceptable collateral. The Bank's maximum borrowing capacity with the Federal Reserve Bank as of December 31, 2023 is approximately $109.7 million.

The Bank maintains a $10.0 million, $10.0 million, and $5.0 million federal funds line of credit with three other financial institutions. The Bank maintains a $750,000 Letter of Credit Facility with a financial institution. The Bank did not have outstanding borrowings related to these lines of credit at December 31, 2023 or 2022.

In 2014, the Company formed a special purpose entity ("Entity") to issue $3,093,000 of fixed/floating rate subordinated debt securities with a stated maturity of March 17, 2035. The rate on these securities is determined quarterly and floats based on three-month CME Term SOFR plus the spread adjustment of 0.26161 percent, plus margin of 2.00 percent. The Entity may redeem them, in whole or in part, at face value on or after March 17, 2010. The Company borrowed the proceeds from the Entity in the form of a $3,093,000 note payable, which is included in the other borrowings section of the Company's Consolidated Balance Sheet.

In 2015, the Company formed an additional special purpose entity to issue $3,093,000 of fixed/floating rate subordinated debt securities with a stated maturity of November 23, 2035. These securities had a fixed rate of 6.11 percent until November 23, 2015, at which time the rate converted to floating, which is determined quarterly, and floats based on three-month CME Term SOFR plus the spread adjustment of 0.26161 percent, plus margin of 1.50 percent. The Entity may redeem them, in whole or in part, at face value on or after November 23, 2010. The Company borrowed the proceeds from the Entity in the form of a $3,093,000 note payable, which is included in the other borrowings section of the Company's Consolidated Balance Sheet.

In 2020, the Company issued $8,097,000 of fixed rate subordinated capital notes with stated maturities of June 23, 2030 through April 1, 2031. During 2023, holders of these notes exchanged with the Company notes at face value totaling $2,830,000 in exchange for the equivalent value in new common stock share issuances. These securities bear a fixed annual rate of 4.75 percent. The Company may redeem them, in whole or in part, at face value on or after June 23, 2025. These borrowings are included in the liabilities section of the Company's Consolidated Balance Sheet.

In 2021, the Company issued $20,000,000 of fixed rate subordinated capital notes with a stated maturity of April 7, 2031. The fixed securities bear an annual rate of 4.00 percent. The Company may redeem them, in whole or in part, at face value on or after April 7, 2026. These borrowings are included in the liabilities section of the Company's Consolidated Balance Sheet.

The Company's minority interests in these entities were recorded at the initial investment amount and are included in the accrued interest and other assets on the Consolidated Balance Sheet. These entities are not consolidated as part of the Company's consolidated financial statements.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities and through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to certain variable rate borrowings. The Company also has interest rate derivatives that result from a service provided to certain qualifying customers and, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

The Company has contracted with a third party to engage pay-fixed interest rate swap contracts and the outstanding as of December 31, 2023, is being utilized to hedge $115.0 million in floating rate debt. At December 31, 2023 and 2022, the information pertaining to outstanding interest rate swap agreements is as follows:

	2023	2022
Notional amount	$ 208,235,812	$ 147,437,424
Weighted-average pay rate	3.58 %	3.39 %
Receive rate	1 or 3-Mo. Fallback Rate (SOFR); 1-Mo. Term SOFR	1 or 3-Mo. Libor; 1-Mo. Term SOFR
Weighted-average maturity in years	4.0	5.0
Unrealized gain (loss) relating to interest rate swaps	3,719,694	4,757,978

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company has entered into interest rate swaps as part of its interest rate risk management strategy. These interest rate swaps are designated as cash flow hedges and involve the receipt of variable rate amounts from a counterparty in exchange for the Company making fixed interest payments. As of December 31, 2023 and 2022, the Company had eleven interest rate swaps with a notional of $115.0 million associated with the Company's cash outflows associated with various floating-rate amounts.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings), net of tax, and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged transactions. The Company did not recognize any hedge ineffectiveness in earnings during the periods ended December 31, 2023 and 2022. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate liabilities. During the next twelve months, the Company estimates that $0 will be reclassified as an increase in interest expense.

Credit-Risk-Related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain the following provisions:

- If the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations;
- If the Company fails to maintain its status as a well/adequately capitalized institution, then the counterparty could terminate the derivative positions, and the Company would be required to settle its obligations under the agreements;
- If the Company fails to maintain a specified minimum leverage ratio, then the Company could be declared in default on its derivative obligations.

At December 31, 2023, the fair value of derivatives in a net asset position, which includes accrued interest and any credit valuation adjustments related to these agreements, was $3,719,694. At December 31, 2023, the Company had no required cash collateral with its derivative counterparties and was holding cash collateral of certain derivative counterparties in the amount of $9,030,000.

Fair Values of Derivative Instruments on the Balance Sheet

The following table presents the fair values of derivative instruments in the consolidated balance sheet:

	Assets		Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
December 31, 2023				
Interest rate derivatives	Other assets	$ 9,255,978	Other liabilities	$ (5,536,284)
December 31, 2022				
Interest rate derivatives	Other assets	$ 11,650,894	Other liabilities	$ (6,892,916)

Derivative Instruments

The Company enters into interest rate swaps that allow our commercial loan customers to effectively convert a variable-rate commercial loan agreement to a fixed-rate loan agreement. Under these agreements, the Company enters into a variable-rate loan agreement with a customer in addition to an interest rate swap agreement, which serves to effectively swap the customer's variable-rate into a fixed-rate. The Company then enters into a swap agreement with a third party in order to economically hedge its exposure through the customer agreement.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives may use Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, at December 31, 2023, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined they are not significant. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

	Notional Amount December 31,		Interest Rate Paid	Interest Rate Received	Fair Value December 31,	
	2023	2022			2023	2022
Cash flow interest rate swap						
Maturing in 2024	$ 6,000,000	$ 6,000,000	Fixed	3 Mo. SOFR, 0 look back	$ 105,609	$ 254,978
Maturing in 2025	22,000,000	22,000,000	Fixed	3 Mo. SOFR, 0 look back	863,128	1,352,949
Maturing in 2026	32,000,000	22,000,000	Fixed	3 Mo. SOFR / Daily Wtd Avg USA SOFR	969,351	1,550,817
Maturing in 2027	10,000,000	10,000,000	Fixed	3 Mo. SOFR, 0 look back	528,196	707,473
Maturing in 2028	40,000,000	-	Fixed	Daily Wtd Avg USA SOFR	472,589	
Maturing in 2030	5,000,000	5,000,000	Fixed	3 Mo. SOFR, 0 look back	780,821	891,761
	$ 115,000,000	$ 65,000,000			$ 3,719,694	$ 4,757,978
Customer interest rate swap						
Maturing in 2025	$ 9,100,000	$ 9,100,000	1 Mo. SOFR + Margin	Fixed	$ (197,592)	$ (291,326)
Maturing in 2026	9,266,000	9,266,000	1 Mo. SOFR + Margin	Fixed	(163,287)	(232,956)
Maturing in 2027	10,776,388	10,776,388	1 Mo. SOFR CME Term + Margin	Fixed	90,879	45,994
Maturing in 2029	10,470,000	10,470,000	1 Mo. SOFR + Margin	Fixed	(744,976)	(942,636)
Maturing in 2030	30,700,424	19,902,036	1 Mo. SOFR CME Term + Margin	Fixed	(1,699,229)	(2,163,077)
Maturing in 2031	17,203,000	17,203,000	1 Mo. SOFR + Margin	Fixed	(2,044,541)	(2,415,478)
Maturing in 2032	2,000,000	2,000,000	1 Mo. SOFR CME Term + Margin	Fixed	(135,103)	(167,466)
Maturing in 2035	3,720,000	3,720,000	1 Mo. SOFR + Margin	Fixed	(642,434)	(725,971)
	$ 93,235,812	$ 82,437,424			$ (5,536,283)	$ (6,892,916)
Third party interest rate swap						
Maturing in 2025	$ 9,100,000	$ 9,100,000	Fixed	1 Mo. SOFR + Margin	$ 197,592	$ 291,326
Maturing in 2026	9,266,000	9,266,000	Fixed	1 Mo. SOFR + Margin	163,287	232,956
Maturing in 2027	10,776,388	10,776,388	Fixed	1 Mo. SOFR CME Term + Margin	(90,879)	(45,994)
Maturing in 2029	10,470,000	10,470,000	Fixed	1 Mo. SOFR + Margin	744,976	942,636
Maturing in 2030	30,700,424	19,902,036	Fixed	1 Mo. SOFR CME Term + Margin	1,699,229	2,163,077
Maturing in 2031	17,203,000	17,203,000	Fixed	1 Mo. SOFR + Margin	2,044,541	2,415,478
Maturing in 2032	2,000,000	2,000,000	Fixed	1 Mo. SOFR CME Term + Margin	135,103	167,466
Maturing in 2035	3,720,000	3,720,000	Fixed	1 Mo. SOFR + Margin	642,434	725,971
	$ 93,235,812	$ 82,437,424			$ 5,536,283	$ 6,892,916

12. INCOME TAXES

The provision for federal income taxes for the years ended December 31, 2023 and 2022 consists of:

	2023	2022
Current	$ 2,683,649	$ 2,243,421
Deferred	(29,206)	179,626
Total provision	$ 2,654,443	$ 2,423,047

The tax effects of deductible and taxable temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 1,584,444	$ 2,170,398
Deferred compensation	429,821	431,972
Deferred incentive credits	176,110	203,917
Deferred loan fees	79,627	-
Asset valuation allowances	407,694	62,437
Employee compensation accruals	243,278	290,265
Nonaccrual interest receivable	13,375	12,986
Unrealized loss on available-for-sale securities	4,438,460	5,266,059
Partnerships	169,031	105,907
Lease liability	947,835	927,950
Capital loss carryforward	-	978
Other	691	691
Deferred tax assets	8,490,366	9,473,560
Deferred tax liabilities:		
Premises and equipment	976,111	660,323
Goodwill	431,657	405,166
Deferred loan fees	-	35,880
Unrealized gain on swaps - balance sheet hedge	716,784	975,427
Fair value adjustment - equity securities	135,715	166,196
Right of use asset	919,429	904,204
Deferred tax liabilities	3,179,696	3,147,196
Net deferred tax assets	$ 5,310,670	$ 6,326,364

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

The reconciliation between the federal statutory rate and the Company's effective consolidated income tax rate is as follows:

	2023		2022	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	$ 3,392,373	21.0 %	$ 3,209,503	21.0 %
Tax-exempt interest	(213,359)	(1.3)	(250,825)	(1.6)
Life insurance income	(224,309)	(1.4)	(166,018)	(1.1)
Investment tax credits	(329,442)	(2.0)	(329,442)	(2.2)
Other	29,180	0.1	(40,171)	(0.3)
Income tax expense and effective rate	$ 2,654,443	16.4 %	$ 2,423,047	15.8 %

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

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income. The Company's federal and state income tax returns for taxable years through 2017 have been generally closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

13. EMPLOYEE BENEFITS

Savings Plan

The Bank maintains a qualified 401(k) salary reduction and profit sharing plan that covers substantially all employees. Under the plan, employees make voluntary, pretax contributions to their accounts, and the Bank contributions to the plan are at the discretion of the Board of Directors. Contributions by the Bank charged to operations were $572,498 and $531,135 for the years ended December 31, 2023 and 2022, respectively. The fair value of plan assets includes $3,155,149 and $3,049,640 pertaining to the value of the Company's common stock that is held by the plan as of December 31, 2023 and 2022, respectively.

Deferred Compensation Plan

The Company has nonqualified deferred compensation plans that allow directors and senior executives to defer fees and salaries. Outstanding balances under these arrangements as of December 31, 2023 and 2022 were $2,046,767 and $2,057,010, respectively, and are reported as "Other liabilities" on the Consolidated Balance Sheet. Expenses related to these plans were $175,021 and ($228,263) for the years ended December 31, 2023 and 2022, respectively.

Restricted Stock Plan

The Company maintains a Restricted Stock Plan (the "Plan"). Employees and board members are eligible to receive awards of restricted stock based upon performance-related requirements. Awards granted under the Plan are in the form of the Company's common stock and are subject to certain vesting requirements including continuous employment or service with the Company. Since inception of the Plan in 1988, the Company has authorized share pools totaling 480,000 shares of the Company's common stock to the plan. The Plan has a remaining available share pool of 177,409 shares and 194,100 shares as of December 31, 2023 and 2022, respectively. The Plan assists the Company in attracting, retaining and motivating employees and non-employee directors to make substantial contributions to the success of the Company and to increase the emphasis on the use of equity as a key component of compensation.

Compensation expense recognized related to restricted stock awards was $439,194 and $557,833 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, unrecognized compensation cost related to restricted stock awards was $1,288,195, which is expected to be recognized over a weighted average life of 3.25 years.
The following is a summary of the status of the Company's outstanding restricted stock awards as of December 31, 2023 and 2022, and changes therein during the years then ended:

	Shares of Restricted Stock Outstanding	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2021	73,186	$ 28.98
Granted	17,355	36.35
Released from Restrictions	(22,089)	28.01
Forfeited	(1,208)	30.16
Outstanding at December 31, 2022	67,244	31.18
Granted	22,428	33.52
Released from Restrictions	(24,377)	30.41
Forfeited	(5,737)	28.31
Outstanding at December 31, 2023	59,558	$ 32.65

Stock Option Plan

The Company has a stock option plan available for granting stock-based compensation awards to employees and board members. The Company authorized a share pool of 760,000 shares of the Company's common stock for granting incentive stock options and non-qualified stock option awards. The stock option plan has a remaining available share pool of 77,955 and 114,056 shares as of December 31, 2023 and 2022, respectively. The exercise price for the purchase of shares subject to a stock option may not be less than 100 percent of the fair market value of the shares covered by the option on the date of the grant. The term of stock options will not exceed ten years from the date of grant. Options granted are primarily vested evenly over a three-year period from the grant date. Compensation expense recognized related to stock option awards was $233,159 and $188,518 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, unrecognized compensation cost related to stock option awards was $337,465 which is expected to be recognized over a weighted-average life of 1.84 years.

The following table presents share data related to the outstanding option awards:

	Incentive Stock Options		Non-Qualified Stock Options	
	Options Outstanding	Weighted-Average Exercise Price	Options Outstanding	Weighted-Average Exercise Price
Outstanding, December 31, 2021	164,617	$ 27.42	67,652	$ 23.34
Granted	32,190	36.00	7,585	36.00
Exercised	(14,788)	24.24	(15,820)	19.16
Forfeited/Expired	(3,000)	30.38	(1,304)	28.89
Outstanding, December 31, 2022	179,019	29.17	58,113	26.01
Granted	31,940	33.80	12,063	33.80
Exercised	(22,626)	25.52	(9,858)	21.27
Forfeited/Expired	(7,902)	33.35	-	-
Outstanding, December 31, 2023	180,431	$ 30.27	60,318	$ 28.34
Exercisable at December 31, 2023	122,343	$ 28.51	40,846	$ 25.69

Option awards outstanding and exercisable as of December 31, 2023:

Incentive Stock Options				
Expiration Date	Exercise Price	Share Awards Outstanding	Share Awards Exercisable	Remaining Contractual Life (years)
03/15/24	29.63	800	800	0.21
03/15/24	31.60	800	800	0.21
03/15/24	30.05	533	533	0.21
03/15/24	36.00	266	266	0.21
04/01/24	18.25	3,222	3,222	0.25
04/01/25	19.48	5,568	5,568	1.25
03/30/26	22.00	6,300	6,300	2.25
10/31/26	22.40	1,000	1,000	2.84
12/12/26	22.38	1,000	1,000	2.95
04/03/27	27.00	7,150	7,150	3.26
04/02/28	29.63	20,700	20,700	4.26
04/01/29	31.60	22,901	22,901	5.25
04/03/30	25.65	22,027	22,027	6.26
12/01/30	30.00	2,900	2,900	6.92
04/03/31	30.05	25,634	16,824	7.26
10/01/31	38.25	1,500	1,000	7.76
03/25/32	36.00	28,090	9,352	8.24
04/03/33	33.80	30,040	-	9.26
		180,431	122,343	

Non-Qualified Stock Options				
Expiration Date	Exercise Price	Share Awards Outstanding	Share Awards Exercisable	Remaining Contractual Life (years)
04/01/24	18.25	2,222	2,222	0.25
04/01/25	19.48	4,436	4,436	1.25
03/30/26	22.00	7,656	7,656	2.25
10/31/26	22.40	1,000	1,000	2.84
12/12/26	22.38	1,000	1,000	2.95
04/03/27	27.00	8,064	8,064	3.26
04/02/28	29.63	1,260	1,260	4.26
04/01/29	31.60	2,780	2,780	5.25
04/03/30	25.65	4,677	4,677	6.26
10/28/30	28.25	1,000	1,000	6.83
04/03/31	30.05	6,575	4,229	7.26
03/25/32	36.00	7,585	2,522	8.24
04/03/33	33.80	12,063	-	9.26
		60,318	40,846	

14. COMMITMENTS

In the normal course of business, there are outstanding commitments and contingent liabilities such as commitments to extend credit, financial guarantees, and letters of credit that are not reflected in the accompanying consolidated financial statements. The Company does not anticipate any losses as a result of these transactions. 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 contract or notional amounts of those instruments reflect the extent of involvement the Company has in the particular classes of financial instruments that consisted of the following:

	2023	2022
Commitments to extend credit	$ 478,016,671	$ 390,351,246
Standby letters of credit	9,388,062	7,301,502
Total	$ 487,404,733	$ 397,652,748

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit represent conditional commitments issued by the Company 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 upon expiration of the commitment period. For secured letters of credit, the collateral is typically Bank deposit instruments or real estate.

Lease Commitments

The Company leases office space and real estate for its bank branches with terms ranging from two years to eighteen years. The Company's leases are classified as operating leases. In accordance with ASC 842, operating lease agreements are required to be recognized on the consolidated balance sheet as a right-of-use (ROU) asset and a corresponding lease liability. A combined ROU asset balance of $4,378,232 and $4,305,731 related to these operating leases is included in *Accrued Interest and Other Assets* on the Consolidated Balance Sheet as of December 31, 2023 and 2022, respectively. A combined lease liability of $4,513,498 and $4,418,809 related to these operating leases is included in *Accrued Interest and Other Liabilities* on the Consolidated Balance Sheet as of December 31, 2023 and 2022, respectively.

Maturities of our lease liabilities for all operating leases for each of the next five years and thereafter are as follows:

		Operating Lease Payments
2024	$	488,605
2025		468,014
2026		394,024
2027		392,816
2028		404,307
Thereafter		3,488,569
Total lease payments		5,636,335
Less: imputed interest		1,122,837
Present value of lease liabilities	$	4,513,498

The calculated amount of the lease liability in the preceding table is impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreement includes one or more options to renew at the Company's discretion. If at lease inception the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As most of our leases do not provide an implicit rate, we use the fully collateralized FHLB borrowing rate, commensurate with the lease terms based on the information available at the lease commencement date in determining the present value of the lease payments.

Our combined operating leases have a weighted-average discount rate of 3.36% and 3.22%, and a weighted-average remaining lease term of 13.0 years and 14.1 years as of December 31, 2023 and 2022, respectively.

Contingent Liabilities

The Company from time to time may be a party in various legal actions from the normal course of business activities. Management believes the liability, if any, arising from such actions will not have a material adverse effect on the Company's financial position.

15. REGULATORY RESTRICTIONS

Loans

Federal law prevents the Company from borrowing from the Bank unless the loans are secured by specific obligations. Further, such secured loans are limited in amount to 10 percent of the Bank's common stock and capital surplus. There were no such borrowings by the Company during 2023 and 2022.

Dividends

The Pennsylvania Banking Code restricts the availability of capital surplus for dividend purposes. At December 31, 2023, the Bank had a capital surplus of $24,179,048 which was not available for distribution to the Company as dividends.

16. REGULATORY CAPITAL

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

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

As of December 31, 2023 and 2022, the FDIC categorized the Company and the Bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well capitalized financial institution, Total risk-based, Common Equity Tier I, Tier I risk-based, and Tier I leverage capital ratios must be at least 10 percent, 6.50 percent, 8 percent, and 5 percent, respectively.

The Company's actual capital ratios are presented in the following table that shows the Company met all regulatory capital requirements:

	2023		2022	
	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)				
Actual	$ 144,144,790	10.70 %	$ 129,819,958	11.57 %
For capital adequacy purposes	107,771,297	8.00	89,781,117	8.00
To be well capitalized	134,714,121	10.00	112,226,396	10.00
Common Equity Tier I (to risk-weighted assets)				
Actual	$ 103,977,598	7.72 %	$ 85,694,466	7.64 %
For capital adequacy purposes	60,621,354	4.50	50,501,878	4.50
To be well capitalized	87,564,178	6.50	72,947,157	6.50
Tier I capital (to risk-weighted assets)				
Actual	$ 109,977,598	8.16 %	$ 91,694,466	8.17 %
For capital adequacy purposes	80,828,472	6.00	67,335,838	6.00
To be well capitalized	107,771,297	8.00	89,781,117	8.00
Tier I capital (to average assets)				
Actual	$ 109,977,598	7.26 %	$ 91,694,466	6.96 %
For capital adequacy purposes	60,567,620	4.00	52,701,512	4.00
To be well capitalized	75,709,524	5.00	65,876,890	5.00

The Bank's actual capital ratios are presented in the following table which shows the Bank met all regulatory capital requirements:

	2023 Amount	2023 Ratio	2022 Amount	2022 Ratio
Total capital (to risk-weighted assets)				
Actual	$ 144,144,393	10.61 %	$ 120,906,721	10.71 %
For capital adequacy purposes	108,636,951	8.00	90,281,978	8.00
To be well capitalized	135,796,189	10.00	112,852,473	10.00
Common Equity Tier I (to risk-weighted assets)				
Actual	$ 134,744,200	9.92 %	$ 110,378,229	9.78 %
For capital adequacy purposes	61,108,285	4.50	50,783,613	4.50
To be well capitalized	88,267,523	6.50	73,354,107	6.50
Tier I capital (to risk-weighted assets)				
Actual	$ 134,744,200	9.92 %	$ 110,378,229	9.78 %
For capital adequacy purposes	81,477,713	6.00	67,711,484	6.00
To be well capitalized	108,636,951	8.00	90,281,978	8.00
Tier I capital (to average assets)				
Actual	$ 134,744,200	8.91 %	$ 110,378,229	8.39 %
For capital adequacy purposes	60,507,205	4.00	52,638,947	4.00
To be well capitalized	75,634,006	5.00	65,798,684	5.00

17. FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchical disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels of pricing observations are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

Level III: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

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

December 31, 2023	Level I	Level II	Level III	Total
Investment and equity securities at fair value:				
U.S. treasury securities	$ -	$ 26,507,745	$ -	$ 26,507,745
U.S. government agency securities	-	58,373,229	-	58,373,229
Obligations of states and political subdivisions	-	34,783,092	-	34,783,092
Corporate securities	-	1,437,714	-	1,437,714
Mortgage-backed securities in government-sponsored entities	-	30,068,198	-	30,068,198
Collateralized mortgage obligations	-	27,807,826	-	27,807,826
Equity securities	2,712,968	-	-	2,712,968
Total	$ 2,712,968	$ 178,977,804	$ -	$ 181,690,772
Derivatives at fair value: (1)				
Assets	$ -	$ 9,255,978	$ -	$ 9,255,978
Liabilities	$ -	$ (5,536,284)	$ -	$ (5,536,284)

December 31, 2022	Level I	Level II	Level III	Total
Investment and equity securities at fair value:				
U.S. treasury securities	$ -	$ 19,132,495	$ -	$ 19,132,495
U.S. government agency securities	-	43,007,551	-	43,007,551
Obligations of states and political subdivisions	-	34,276,710	-	34,276,710
Corporate securities	-	6,452,429	-	6,452,429
Mortgage-backed securities in government-sponsored entities	-	26,471,896	-	26,471,896
Collateralized mortgage obligations	-	25,967,470	-	25,967,470
Equity securities	2,858,117	-	-	2,858,117
Total	$ 2,858,117	$ 155,308,551	$ -	$ 158,166,668
Derivatives at fair value: (1)				
Assets	$ -	$ 11,650,894	$ -	$ 11,650,894
Liabilities	$ -	$ (6,892,916)	$ -	$ (6,892,916)

(1) Derivative assets and liabilities at fair value are included in our Consolidated Balance Sheet in *Accrued interest and other assets* and *Accrued interest and other liabilities*, respectively.

Investment Securities

The fair market value of investment securities is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities. Fair value for certain held to maturity securities were determined utilizing discounted cash flow models, due to the absence of a current market to provide reliable market quotes for the instruments.

Collateral Dependent Impaired Loans

The Company has measured impairment on loans generally based on the fair value of the loan's collateral on a non-recurring basis. Fair value is generally determined based upon independent third-party appraisals of the properties. In some cases, management may adjust the appraised value due to the age of the appraisal, changes in market conditions, or observable deterioration of the property since the appraisal was completed. Additionally, management makes estimates about expected costs to sell the property which are also included in the net realizable value. If the fair value of the collateral dependent loan is less than the carrying amount of the loan, a specific reserve for the loan is made in the allowance for loan losses, or a charge-off is taken to reduce the loan to the fair value of the collateral (less estimated selling costs) and the loan is included in the table above as a Level III measurement.

Derivatives

Derivative instruments are recorded at fair value based upon commercially reasonable industry and market practices for valuing similar financial instruments. Certain inputs to the credit valuation models may be based on assumptions and best estimates that are not readily observable in the marketplace. Valuations do not reflect trading costs or counterparty charges that could apply if positions are terminated.

Mortgage Servicing Rights

Mortgage servicing rights are accounted for under the amortization method and are adjusted to the lower of aggregate cost or estimated fair value on a semi-annual basis or more frequently as deemed appropriate. Fair value is estimated by projecting and discounting future cash flows. Various assumptions including future cash flows, market discount rates, expected prepayment rates, servicing costs, and other factors are used in the valuation of mortgage servicing rights.

The following tables present the assets measured on a nonrecurring basis on the Consolidated Balance Sheet at their fair value as of December 31, 2023 and 2022, by level within the fair value hierarchy. Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secure the impaired loans include: quoted market prices for identical assets classified as Level I inputs and observable inputs employed by certified appraisers for similar assets classified as Level II inputs. In cases where valuation techniques included inputs that are unobservable and are based on estimates and assumptions developed by management based on the best information available under each circumstance, the asset valuation is classified as Level III input. Other real estate owned is measured at fair value, less cost to sell at the date of foreclosure. Valuations are periodically performed by management and the assets are carried at the lower of carrying amount, or fair value less cost to sell. The fair value for mortgage servicing rights is estimated by discounting contractual cash flows and adjusting for prepayment estimates. Discount rates are based upon rates generally charged for such loans with similar characteristics. Collateral dependent impaired loans as of December 31, 2023 consists of a single commercial loan, with all inventory and equipment of the business assigned as loan collateral.

	December 31, 2023			
	Level I	Level II	Level III	Total
Assets:				
Collateral dependent impaired loans	$ -	$ -	$ 149,934	$ 149,934
Mortgage servicing rights	-	-	162,412	162,412

	December 31, 2022			
	Level I	Level II	Level III	Total
Assets:				
Impaired loans	$ -	$ -	$ 2,046,591	$ 2,046,591
Mortgage servicing rights	-	-	175,583	175,583

The following tables provide a listing of significant unobservable inputs used in the fair value measurement process for items valued utilizing Level III techniques as of December 31, 2023 and 2022.

	December 31, 2023			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Collateral dependent impaired loans	$ 149,934	Property appraisals	Management discount for property type and recent market volatility	15.00% - 100.00% discount Weighted Average (15.00%)
Mortgage servicing rights	$ 162,412	Discounted cash flows	Discount rate	5.85% - 6.44% discount Weighted Average (6.15%)
			Prepayment speeds	1.10% - 1.56% prepayment factor Weighted Average (1.26%)

	December 31, 2022			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Impaired loans	$ 1,844,464	Discounted cash flows	Discount rate	4.00% - 10.00% discount Weighted Average (5.20%)
Impaired loans	$ 202,127	Property appraisals	Management discount for property type and recent market volatility	15.00% - 100.00% discount Weighted Average (23.13%)
Mortgage servicing rights	$ 175,683	Discounted cash flows	Discount rate	5.19% - 5.90% discount Weighted Average (5.55%)
			Prepayment speeds	1.30% - 5.28% prepayment factor Weighted Average (1.50%)

18. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments not required to be measured or reported at fair value at December 31, 2023 and 2022 are as follows:

2023	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities held to maturity	$ 10,891,602	$ 9,972,415	$ -	$ 9,972,415	$ -
Net loans	1,225,317,002	1,166,903,286	-	-	1,166,903,286
Financial liabilities:					
Deposits	$ 1,179,069,408	$ 1,195,773,897	$ 776,423,191	$ -	$ 419,350,706
Other borrowings	41,418,608	39,149,549	-	-	39,149,549

2022	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities held to maturity	$ 10,763,833	$ 10,070,997	$ -	$ 10,070,997	$ -
Net loans	1,013,169,883	953,469,471	-	-	953,469,471
Financial liabilities:					
Deposits	$ 1,037,119,718	$ 1,031,116,751	$ 734,720,701	$ -	$ 296,396,050
Other borrowings	52,413,653	48,344,590	-	-	48,344,590

As of December 31, 2023 and 2022, for cash and cash equivalents, certificates of deposits, loans held for sale, regulatory stock, bank-owned life insurance, accrued interest receivable, short-term borrowings, and accrued interest payable, the carrying value is a reasonable estimate of fair value.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in accumulated other comprehensive income (loss) by component net of tax for the year ended December 31, 2023 and 2022:

	Net Unrealized Gains (Losses) on Investment Securities	Cash Flow Hedges	Total
Accumulated other comprehensive loss, December 31, 2021	$ (392,915)	$ (1,179,618)	$ (1,572,533)
Other comprehensive loss before reclassification	(19,417,150)	-	(19,417,150)
Amounts reclassified from accumulated other comprehensive loss	(348)	-	(348)
Amounts from change to AOCI related to cash flow hedges	-	4,849,082	4,849,082
Accumulated other comprehensive income (loss), December 31, 2022	$ (19,810,413)	$ 3,669,464	$ (16,140,949)
Other comprehensive income before reclassification	3,113,225	-	3,113,225
Amounts reclassified from accumulated other comprehensive loss	125	-	125
Amounts from change to AOCI related to cash flow hedges	-	(972,993)	(972,993)
Accumulated other comprehensive income (loss), December 31, 2023	$ (16,697,063)	$ 2,696,471	$ (14,000,592)

The following table presents significant amounts reclassified out of each component of accumulated other comprehensive loss for the year ended December 31, 2023 and 2022:

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Consolidated Statement of Income where Net Income is Presented
	$ (158)	Investment securities losses, net
	33	Income tax benefit
Unrealized losses on investment securities, December 31, 2023	$ (125)	
	$ 440	Investment securities gains, net
	(92)	Income tax expense
Unrealized gains on investment securities, December 31, 2022	$ 348	

20. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 14, 2024, the date the financial statements were issued, and no additional subsequent events occurred requiring accrual or disclosure.

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George V. Woskob, Paul H. Silvis, William L. Dancy, Paul G. Howes, Gregory T. Hayes, James A. Troha, William S. Lake, Eric J. Barron

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Garen M. Jenco, Sr. Vice President, Client Experience Officer
Thomas Minichiello, III, Sr. Vice President, Retail Banking Director
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