



THRIVING



2024
ANNUAL
REPORT

 **KISH BANCORP**

expect more

THRIVING

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Front Cover - Main Photo: Jeff Long and Chris Cook, McCrory Apartments/Center City Market

Front Cover - Inset Photos: Vance Varner and Melinda Kenepf, Mifflin County School District; Zachary and Philip Bomberger, Juniata Concrete; John Gilliland, Investment Real Estate, LLC; Marc Dagata and Dan Lutz, Metal Integrity

Dear Shareholders,

As we close the books on 2024, we are pleased to register another year of robust growth and strong financial results. Further, we do so with immense pride in the exceptional performance of Kish Bancorp over the years and great optimism for the future as we enter 2025 and celebrate our 125th year since our founding. Our theme for this year’s annual report, “Thriving,” encapsulates the essence of our journey and the vibrant future we envision for Kish while highlighting success stories of our customers’ growing businesses. For not only does 2024 represent another record level of success for almost every business unit of the Kish organization, it also enables us to turn to 2025 with heightened energy and enthusiasm for what lies ahead.



Celebrating 125 Years of Community Banking

As we celebrate a significant milestone in 2025—the 125th anniversary of Kish Bank—we reflect on our rich history and the journey that has brought us to where we are today. Our legacy is built on a foundation of trust, service, and a deep commitment to our clients and communities.

In March of 1900, a small group of founders, including A. Reed Hayes, Sr. (ancestor of Bill and Greg Hayes), came together to capitalize The Belleville Depository Bank with \$50,000. This bank eventually evolved into The Farmers National Bank of Belleville in 1912, which later merged with The Belleville National and thus became The Kishacoquillas Valley National Bank (KVNB) in 1935.

Over the years, Kish survived the economic tribulations of World Wars, the Great Depression,

numerous banking crises—including the savings and loan crisis of the 1980s and the subsequent real estate bubble bursting that precipitated over 1,000 bank failures nationwide—and the Great Recession of 2008. Through these challenges, we remained steadfastly focused on our customers and on sustained financial performance, becoming the only remaining commercial bank still headquartered in Mifflin County by the year 2000.

Today, what began as a small-town bank in Belleville with a single office and less than 12 employees has grown into a complex financial institution with nearly 300 team members, offering banking, wealth management, insurance, benefits consulting, and travel services across 19 locations in six counties and numerous communities throughout Central Pennsylvania and Northeast Ohio. What began as a \$50,000 capital investment now represents more than \$106 million in market capitalization. While Kish shares are actively trading on the OTC exchange, we are proud that our long-term sustained success has benefitted so many local investors. Our successful growth is a testament to our unwavering commitment to serving our clients, communities, employees, and shareholders as we meet evolving financial needs.



William P. Hayes
Executive Chairman

Gregory T. Hayes
President and CEO



Mifflin County School District | Vance Varner, Superintendent, and Melinda Kenepp, Chief Financial Officer

Thriving Together

At Kish, our success is deeply intertwined with the prosperity of our communities and customers. Over the past year, we witnessed inspiring stories of growth and collaboration that exemplify our commitment to fostering thriving communities and serving our clients with insight, dedication, and care.

The new sports complex at Mifflin County High School is a testament to the power of community collaboration. As administrators Vance Varner and Melinda Kenepp shared, this project has quite literally leveled the playing field for Mifflin County students, providing them with state-of-the-art facilities and opportunities to excel in a setting in which they can take great pride. With over 700 employees and countless volunteers, Mifflin County School District (MCSD) is an economic cornerstone of our headquarters county. Kish Bank committed financially to this visionary project because we believe it will dramatically elevate the competitiveness for attracting families and talent to our great community and will help increase the

“A thriving school district is grounded in the culture of and pride for the community and serves as an active community partner in developing the next generation. My favorite part of being the superintendent is that I get to hand out diplomas to the graduating seniors each year, where I measure success one handshake at a time because I know as those students walk away, they are walking toward their future, prepared to meet life’s challenges and find success in whatever comes next for them.”

Vance Varner
Superintendent, Mifflin County School District

“13 banks turned me down because all they saw was risk. Kish saw potential. Now, we’re opening seven businesses where there was nothing, adding housing, and bringing back excitement to the downtown Altoona area. I’m invested in making downtown Altoona a destination again.”

Chris Cook
Owner, McCrory Apartments/Center City Market



readiness of the next generation of Mifflin County students for success. Hosting athletic events on MCSD’s new Kish Bank field will not only instill pride and unity within our community but will also be a boon to our local economy for decades to come.

In Blair County, Chris Cook and Jeff Long’s journey with the historic McCrory Department Store building in downtown Altoona is a story of optimistic resilience. Kish Bank recognized the potential of this project and partnered with Chris and Jeff to bring it to fruition. The Center City Market, with its seven retail vendors and luxury apartments, is set to revitalize a depressed urban area by creating jobs, adding housing, and stimulating the local economy. This project

is a shining example of how Kish Bank supports innovative ventures that contribute to clients' success while enhancing the vibrancy of our communities.

In Juniata County, under the third-generation leadership of brothers Philip and Zachary Bomberger of the Groninger family, Juniata Concrete has grown and thrived by staying true to its core values of reliability, responsiveness, and empathy-driven service. Kish Bank's support has been instrumental in enabling Juniata Concrete to innovate and meet changing industry demands. Because of the company's financial success, Juniata Concrete has also been able to elevate its



Philip Bomberger, Vice President; Zachary Bomberger, President; Jonah Kile, Asst. Manager; Joel Auken, General Manager

“While the original vision was to supply concrete for our own construction projects, our continued success comes from broadening our focus to serve contractors throughout the area while staying true to our core values. By leveraging our relationship with Kish Bank, we’ve made significant capital improvements, enabling us to consistently deliver high-quality products for our customers.”

Philip Bomberger
Vice President, Juniata Concrete

“Our growth stems from delivering consistent value to our customers, fostering a supportive environment for employees, and contributing meaningfully to our industry and community. Guided by our core values of integrity, excellence, and partnership, we are committed to sustainable growth and continuous improvement.”

Marc Dagata
President, Metal Integrity

commitment to supporting local agriculture and 4-H, a core focus shared by Kish.

In Centre County, Marc Dagata and Dan Lutz of Metal Integrity define thriving as building a resilient business that achieves business goals while exceeding customer expectations, supporting employees, and contributing to the community. By prioritizing local talent and sourcing materials regionally, Metal Integrity not only fosters a strong workforce but also strengthens the local supply chain. Kish Bank, Kish Insurance, and Kish Benefits Consulting have all been valuable partners in providing the secure financial footing needed for the company's growth. This partnership highlights our unwavering commitment to fulfilling our clients' full range of financial needs as they grow and evolve.

Huntingdon County native John Gilliland founded Investment Real Estate Group of Companies (IREGC) in 1998 and built his first self-storage unit, Moove In Self Storage, the same year. Now operating out of York, PA, IREGC has grown to become a national leader in the self-storage industry with more than 100 employees and 80 facilities under the Moove In Self Storage brand,



Metal Integrity | Marc Dagata, President, and Dan Lutz, Vice President



Investment Real Estate, LLC | John Gilliland, CEO

including locations in Huntingdon and Lewistown. Kish Bank serves as a trusted banking partner to John, who credits his company's growth to adhering to core values—many which Kish shares—including doing the right thing, working hard and smart, having fun and celebrating success, and being positive, compassionate, and authentic. To John, thriving means being able to give back to others and his community, whether it's through developing team members, IREGC's many philanthropic initiatives, or the Gilliland Family Foundation, which John and his wife Denise formed as a commitment to becoming civic leaders in their community. Further demonstrating a commitment to building a thriving community, IREGC established its new headquarters in a LEED Platinum-certified historic building in downtown York, bringing jobs, along with the company's dynamic energy and culture, to the area.

For Kish, thriving means growing together. By investing in people, empowering businesses, and strengthening communities, we ensure shared success for ourselves, our customers, our shareholders, and our region for years to come.

“Our success is built on unparalleled expertise and service in the self-storage industry, driven by a team of outstanding professionals in an extraordinary culture. We foster a collaborative environment where every voice matters and encourage continuous improvement to stay industry leaders. By practicing our 31 fundamentals daily, we strive to be better than the day before, ensuring sustained growth and excellence.”

John Gilliland
CEO, Investment Real Estate, LLC

2024 Financial Highlights

Our financial performance in 2024 was robust, with total assets reaching \$1.7 billion, up 9.7%, and net income surpassing \$14.5 million, up 7.6% from 2023. With sustained growth and strong financial performance, the board once again raised the annual dividend, our 11th dividend increase in the last 12 years. Sustained financial success has enabled continued key additions to our staff to support growth, and has maintained our investment in innovation, ensuring that we will remain at the forefront of community banking for years to come. Further highlights for 2024 included total loans outstanding increasing to \$1.4 billion, an increase of \$190 million, or 15.5%. Total deposits reached \$1.3 billion, an increase of 10.1%, or \$119.0 million. Total stockholders' equity ended at \$106.1 million, an increase of 14.4% from year-end 2023, providing a solid foundation for future growth. Kish Bank continues to maintain capital levels in excess of the requirements to be categorized as “well-capitalized,” with a Tier 1 leverage ratio of 9.02% at December 31, 2024.

The allowance for credit losses was raised to \$8.9 million from \$7.5 million the prior year, reflecting growth in the portfolio and ensuring adequate coverage for potential loan defaults.

Interest and dividend income contributed \$91.9 million to revenue in 2024, an increase of 25.2%. After deducting interest expense of \$42.8 million, net interest income before the provision for credit losses increased \$5.4 million, or 12.4% year over year, indicating a strong and well-balanced net interest margin. The healthy net interest margin is an affirmation of effective balance sheet management strategies that include timely capital expansion to support sustained growth in earning assets. For non-interest income, service fees on deposit accounts generated \$2.5 million, insurance commissions contributed \$3.1 million, and wealth

management services brought in \$3.3 million. On the expense side, salaries and employee benefits were the largest expense at \$25.5 million, followed by data processing costs amounting to \$4.8 million, and occupancy and equipment expenses totaling \$4.1 million.

Key ratios for the year include a Return on Assets of 0.89%, indicating efficient use of assets to generate earnings, and a Return on Equity of 12.23%, reflecting strong profitability relative to shareholders' equity. Earnings Per Share (EPS) for 2024 was \$5.13, falling just short of 2023's \$5.22, reflecting an almost complete recovery of the EPS dilution created by the \$10 million issuance of new shares earlier in the year and in 2023. As mentioned previously, the Bancorp declared dividends of \$1.50 per share, up from \$1.46 the previous year, our 10th consecutive year of dividend increases. We were pleased to be listed among America's top-performing community banks based on return on shareholders' equity for our 16th of the last 17 years by American Banker Magazine, ranking 38th in the nation and third in Pennsylvania.

Our 2024 financial highlights underscore Kish's sustained high performance relative to peers, positively focused strategic growth, and commitment to delivering value to our shareholders and customers.

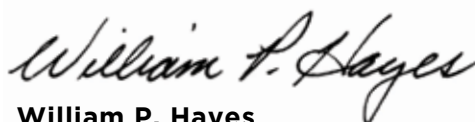
Looking Ahead

As we progress into our 125th year and celebrate our extensive history, we are correspondingly excited about the future. We are confident that our sustained focus on the client and the values of service, performance, trust, and community will continue to differentiate Kish and deliver for our shareholders and constituents as we navigate through new opportunities and challenges in the years ahead. We are committed to making the

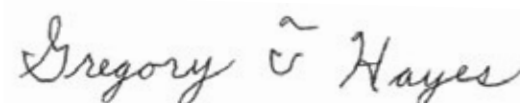
lives of those we serve better, believing that our best days are ahead of us.

Thank you for your unwavering support and loyalty. Together, may we all continue to thrive.

Sincerely,



William P. Hayes
Executive Chairman



Gregory T. Hayes
President and CEO

Add to Your Investment in KISB

The 2024 Annual Report 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 direct investment inquiries to:

KISBinfo@kishbank.com
814-325-7252

Contact: Amanda Dutrow

For more information, please visit:

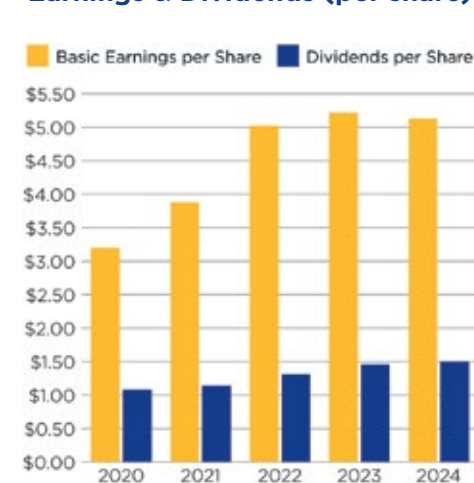
ir.kishbancorp.com
otcm Markets.com/stock/KISB

	2024	2023	2022	2021	2020
FOR THE YEAR					
Net Income	\$ 14,519,653	\$ 13,499,712	\$ 12,860,301	\$ 9,881,340	\$ 8,039,287
Net Income Before Taxes	17,519,438	16,154,155	15,283,348	11,232,900	9,278,885
Total Dividends Declared	4,418,651	3,883,501	3,448,214	2,988,353	2,804,384
AT YEAR END (IN \$000s)					
Total Assets	\$ 1,692,550	\$ 1,542,776	\$ 1,295,448	\$ 1,232,779	\$ 1,106,609
Total Loans (Net)	1,415,093	1,225,317	1,013,170	868,153	755,960
Total Deposits	1,298,070	1,179,069	1,037,120	1,002,645	877,796
Stockholders' Equity	106,111	92,765	71,972	77,100	69,962
Loan Loss Reserve	8,906	7,545	10,335	10,560	9,771
Net Loan Losses (Recoveries)	(268)	44	225	(9)	(4)
RATIO ANALYSIS					
Return on Average Assets*	0.89%	0.94%	1.02%	0.85%	0.79%
Return on Average Equity*	12.23%	13.02%	14.95%	14.08%	12.90%
Dividend Declared/Net Income	30.43%	28.77%	26.81%	30.24%	34.88%
Loans/Deposits	109.02%	103.92%	97.69%	86.59%	86.12%
Primary Capital/Total Assets	6.80%	6.50%	6.35%	7.11%	7.21%
Total Capital/Risk Weighted Assets	10.45%	10.70%	11.57%	12.78%	12.32%
Loan Loss Reserve/Loans	0.63%	0.61%	1.01%	1.20%	1.28%
Net Loan Losses to Total Loans (Net)	-0.02%	0.00%	0.02%	0.00%	0.00%
PER SHARE DATA					
Basic Earnings	\$ 5.13	\$ 5.22	\$ 5.02	\$ 3.88	\$ 3.20
Fully Diluted Earnings	5.09	5.13	4.90	3.76	3.12
Dividends Paid	1.50	1.46	1.31	1.14	1.08
Equity (Book Value)	37.17	35.28	27.41	29.39	26.93
Equity Plus Loan Loss Reserve	40.29	38.15	31.35	33.42	30.69
Average Shares Outstanding (#)	2,854,860	2,629,167	2,625,612	2,626,931	2,597,978

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.

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, 2024 and 2023; the related consolidated statements of income, comprehensive income, changes in stockholders’ equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 14, 2025, expressed an unmodified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are required to be independent of the Company and to meet

our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included In 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, 2025

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,	
	2024	2023
ASSETS		
Cash and due from banks	\$ 13,920,179	\$ 13,288,999
Interest-bearing deposits with other institutions	3,296,613	16,448,736
Cash and cash equivalents	17,216,792	29,737,735
Certificates of deposit in other financial institutions	-	245,000
Investment securities available for sale, at fair value	151,328,639	178,977,804
Investment securities held to maturity, net of allowance for credit losses of \$97,263 and \$112,624, fair value of \$8,919,613 and \$9,972,415	9,406,130	10,891,602
Equity securities	2,377,617	2,712,968
Loans held for sale	786,018	663,017
Loans	1,423,999,716	1,232,861,975
Less allowance for credit losses - loans	8,906,373	7,544,973
Net loans	1,415,093,343	1,225,317,002
Premises and equipment, net	27,533,874	27,397,616
Goodwill	3,512,466	3,560,942
Regulatory stock	8,330,300	9,772,000
Bank-owned life insurance	25,031,443	24,302,468
Accrued interest and other assets	31,933,143	29,197,801
TOTAL ASSETS	\$ 1,692,549,765	\$ 1,542,775,955
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 171,360,555	\$ 182,035,638
Interest-bearing demand	113,314,856	111,134,914
Savings	95,947,365	104,757,107
Money market	420,736,024	378,495,532
Time	496,710,899	402,646,217
Total deposits	1,298,069,699	1,179,069,408
Short-term borrowings	206,000,000	194,541,362
Other borrowings	46,635,215	41,418,608
Accrued interest and other liabilities	35,733,732	34,981,433
TOTAL LIABILITIES	1,586,438,646	1,450,010,811
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, 3,022,127 and 2,960,591 shares issued; 2,969,519 and 2,881,086 shares outstanding at December 31, 2024 and 2023, respectively	1,511,064	1,480,296
Additional paid-in capital	12,839,892	10,890,781
Retained earnings	106,979,447	96,878,445
Accumulated other comprehensive loss	(13,623,380)	(14,000,592)
Treasury stock, at cost (52,608 and 79,505 shares at December 31, 2024 and 2023, respectively)	(1,595,904)	(2,483,786)
TOTAL STOCKHOLDERS' EQUITY	106,111,119	92,765,144
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,692,549,765	\$ 1,542,775,955

See accompanying notes to the consolidated financial statements.

**KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF INCOME**

	Year Ended December 31,	
	2024	2023
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	\$ 84,569,964	\$ 65,808,264
Exempt from federal income tax	1,059,610	810,709
Interest and dividends on investment securities:		
Taxable	4,780,538	5,181,614
Exempt from federal income tax	228,673	203,777
Interest-bearing deposits with other institutions	311,505	456,243
Other dividend income	917,826	936,379
Total interest and dividend income	91,868,116	73,396,986
INTEREST EXPENSE		
Deposits	33,375,999	21,124,267
Short-term borrowings	2,134,724	887,863
Other borrowings	7,323,334	7,757,440
Total interest expense	42,834,057	29,769,570
NET INTEREST INCOME		
	49,034,059	43,627,416
Provision for credit losses - loans	1,093,468	328,965
Provision for (release of) credit losses - investment securities held to maturity	(15,360)	2,460
Provision for credit losses - off balance sheet credit exposures	24,931	379,620
Total provision for credit losses	1,103,039	711,045
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES		
	47,931,020	42,916,371
NONINTEREST INCOME		
Service fees on deposit accounts	2,528,312	2,339,661
Investment securities losses	-	(158)
Equity securities gains (losses), net	314,157	(145,149)
Gain on sale of loans	447,237	340,336
Earnings on bank-owned life insurance	720,975	646,640
Insurance commissions	3,098,811	3,060,586
Travel agency commissions	185,083	261,836
Wealth management	3,320,628	2,545,185
Benefit management	640,110	623,299
Other	1,264,371	1,698,737
Total noninterest income	12,519,684	11,370,973
NONINTEREST EXPENSE		
Salaries and employee benefits	25,517,826	22,198,014
Occupancy and equipment	4,112,584	3,896,516
Data processing	4,787,159	4,184,820
Professional fees	767,439	783,991
Advertising	464,283	622,786
Federal deposit insurance	1,294,849	1,134,670
Pennsylvania shares tax	729,829	692,127
Other	5,257,297	4,620,265
Total noninterest expense	42,931,266	38,133,189
Income before income taxes	17,519,438	16,154,155
Income tax expense	2,999,785	2,654,443
NET INCOME		
	\$ 14,519,653	\$ 13,499,712
EARNINGS PER SHARE		
Basic	\$ 5.13	\$ 5.22
Diluted	\$ 5.09	\$ 5.13

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, 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			804,558	233,159
Purchase of shares by restricted stock plan (22,428 shares)		(804,558)			203,502	-
Exercise of stock options (32,484 shares)		(286,929)			(162,441)	(83,427)
Forfeiture of shares by restricted stock plan (5,737 shares)		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
Net income			14,519,653			14,519,653
Other comprehensive income				377,212		377,212
Stock option compensation expense		255,101				255,101
Purchase of shares by restricted stock plan (22,470 shares)		(732,620)			732,620	-
Exercise of stock options (1,804 shares)		(90,053)			51,486	(38,567)
Forfeiture of shares by restricted stock plan (725 shares)		23,247			(23,247)	-
Amortization of restricted stock plan shares		570,097				570,097
Cash dividends (\$1.50 per share)			(4,418,651)			(4,418,651)
Sale of new issue common stock (50,598 shares)	25,299	1,593,837				1,619,136
Subordinated debt redeemed for new issue common stock (10,938 shares)	5,469	344,547				350,016
Purchase of treasury stock (20,707 shares)					(636,383)	(636,383)
Sale of treasury stock (24,059 shares)		(15,045)			763,406	748,361
Balance, December 31, 2024	<u>\$ 1,511,064</u>	<u>\$ 12,839,892</u>	<u>\$ 106,979,447</u>	<u>\$ (13,623,380)</u>	<u>\$ (1,595,904)</u>	<u>\$ 106,111,119</u>

See accompanying notes to the consolidated financial statements.

**KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Year Ended December 31, 2024	2023
Net income	\$ 14,519,653	\$ 13,499,712
Other comprehensive income		
Securities available for sale:		
Change in unrealized holding gains on available for sale securities	755,666	3,940,792
Tax effect	(158,690)	(827,566)
Change in unrealized losses related to cash flow hedges	(278,182)	(1,231,637)
Tax effect	58,418	258,644
Reclassification adjustment for net investment securities losses realized in net income	-	158
Tax effect	-	(33)
Impairment losses included in net income	-	-
Tax effect	-	-
Total other comprehensive income	<u>377,212</u>	<u>2,140,357</u>
Total comprehensive income	<u>\$ 14,896,865</u>	<u>\$ 15,640,069</u>

See accompanying notes to the consolidated financial statements.

KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2024	2023
OPERATING ACTIVITIES		
Net income	\$ 14,519,653	\$ 13,499,712
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,103,039	711,045
Investment securities losses	-	158
Equity security (gains) losses, net	(314,157)	145,149
Proceeds from sale of loans held for sale	23,929,079	18,022,375
Origination of loans held for sale	(23,604,843)	(17,713,642)
Gain on sales of loans	(447,237)	(340,336)
Depreciation, amortization, and accretion	2,245,874	1,185,446
Deferred income taxes	(369,964)	(29,206)
Increase in accrued interest receivable	(330,042)	(1,801,696)
Increase in accrued interest payable	67,601	3,829,552
Earnings on bank-owned life insurance	(720,975)	(646,640)
Loss (gain) on sale of other assets	22,883	(573,052)
Impairment loss on other assets	48,476	-
Non-cash compensation - equity awards	825,198	672,353
Other, net	(1,947,919)	(413,607)
Net cash provided by operating activities	15,026,666	16,547,611
INVESTING ACTIVITIES		
Maturities of certificates of deposit	245,000	-
Purchases of bank owned life insurance:	(8,000)	-
Investment securities available for sale:		
Proceeds from repayments and maturities	31,176,269	19,429,376
Purchases	(824,622)	(39,242,073)
Investment securities held to maturity:		
Proceeds from repayments and maturities	1,000,000	-
Purchases	(1,500,000)	(244,963)
Proceeds from sale of equity securities	649,500	-
Increase in loans, net	(191,301,080)	(208,910,301)
Purchase of regulatory stock	(4,617,700)	(9,918,200)
Redemption of regulatory stock	6,059,400	7,402,500
Purchase of premises and equipment	(1,864,669)	(3,124,810)
Proceeds from sale of other assets	1,500	1,929,582
Net cash used for investing activities	(160,984,402)	(232,678,889)
FINANCING ACTIVITIES		
Increase in deposits, net	119,000,291	141,949,690
Increase in short-term borrowings, net	11,458,638	94,214,815
Proceeds from other borrowings	11,112,500	59,282
Repayments of other borrowings	(5,598,532)	(8,224,327)
Collateral received (repaid) on interest rate derivatives, net	190,000	(2,470,000)
Proceeds from sale of common stock	1,619,136	5,588,912
Purchases of treasury stock	(636,383)	(1,972,726)
Proceeds from sale of treasury stock	799,847	787,349
Exercise of stock options	(90,053)	(286,929)
Cash dividends	(4,418,651)	(3,883,501)
Net cash provided by financing activities	133,436,793	225,762,565
(Decrease) Increase in cash and cash equivalents	(12,520,943)	9,631,287
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,737,735	20,106,448
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 17,216,792	\$ 29,737,735
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest on deposits and borrowings	\$ 42,793,600	\$ 25,966,419
Income taxes	3,100,000	2,650,000
SUPPLEMENTAL DISCLOSURE OF NON-CASH CASH FLOW INFORMATION		
Right of use assets and lease liabilities	\$ -	\$ 409,650

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 \$723,738 and \$1,003,499 at December 31, 2024 and 2023, respectively, 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 \$96,751 and \$106,231 at December 31, 2024 and 2023, respectively, 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.

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 Credit Losses (ACL) - Loans

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.

Accrued interest receivable excluded from the measurement of the ACL for loans totaled \$5,380,994 and \$4,755,493 at December 31, 2024 and 2023, respectively.

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 credit losses - loans, 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)
2024	4.79 %	4.35 %	28.46 %	6.0
2023	3.96 %	3.50 %	27.59 %	6.0

The weighted-average fair value of each stock option granted for 2024 and 2023 was \$6.02 and \$6.78, 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, 2024 and 2023, the Company recorded gross servicing rights of \$218,085 and \$248,594, respectively, with a reserve for impairment of \$75,704 and \$86,182, 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 - Segment Reporting

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose information about their reportable segments' and provide additional information about a segment's significant expenses on an interim and annual basis. An operating segment is defined as a component of an enterprise that engages in business activities that generates revenue and incurs expense, and the operating results of which are reviewed by the chief operating decision maker in the determination of resource allocation and performance. The Company's primary revenue sources are community bank lending and deposit services. The Company also offers wealth management, trust services, insurance products and operates a small travel agency. While the chief operating decision maker uses financial information related to these segments to analyze business performance and allocate resources, the service lines other than bank lending and deposit services do not meet the quantitative threshold under GAAP to be considered reportable segments. Accordingly, all of the operations of the Company are aggregated and reported as a single operating segment. The adoption of ASU 2023-07 did not have a material impact on the Company's consolidated 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.

	2024	2023
Weighted-average common shares issued	2,948,946	2,694,597
Weighted-average treasury stock shares	(63,349)	(59,639)
Weighted-average unvested restricted stock awards	<u>(57,325)</u>	<u>(48,956)</u>
Basic weighted-average shares outstanding	2,828,272	2,586,002
Dilutive effect of outstanding restricted stock awards	8,945	18,716
Dilutive effect of outstanding stock options	<u>17,643</u>	<u>24,449</u>
Diluted weighted-average shares outstanding	<u><u>2,854,860</u></u>	<u><u>2,629,167</u></u>

For the year ended December 31, 2024, the Company excluded from the computation of diluted weighted-average shares the impact of 143,220 options to purchase shares of the Company's common stock, and 200 shares of restricted stock, as the effect would have been anti-dilutive.

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.

3. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, and fair value of investment securities are as follows as of December 31:

	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Available for Sale:					
U.S. treasury securities	\$ 20,913,886	\$ -	\$ (1,059,266)	\$ 19,854,620	\$ -
U.S. government agency securities	48,307,998	-	(4,679,709)	43,628,289	-
Obligations of states and political subdivisions	41,478,620	-	(6,176,307)	35,302,313	-
Corporate securities	499,994	-	(34,560)	465,434	-
Mortgage-backed securities in government-sponsored entities	30,368,225	-	(4,321,116)	26,047,109	-
Collateralized mortgage obligations	<u>30,139,774</u>	<u>47,706</u>	<u>(4,156,606)</u>	<u>26,030,874</u>	<u>-</u>
Total Available for Sale	<u>\$ 171,708,497</u>	<u>\$ 47,706</u>	<u>\$ (20,427,564)</u>	<u>\$ 151,328,639</u>	<u>\$ -</u>
Held to Maturity:					
Corporate Securities	<u>\$ 9,503,393</u>	<u>\$ -</u>	<u>\$ (583,780)</u>	<u>\$ 8,919,613</u>	<u>\$ (97,263)</u>
	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	<u>31,967,800</u>	<u>9,194</u>	<u>(4,169,168)</u>	<u>27,807,826</u>	<u>-</u>
Total Available for Sale	<u>\$ 200,113,328</u>	<u>\$ 20,308</u>	<u>\$ (21,155,832)</u>	<u>\$ 178,977,804</u>	<u>\$ -</u>
Held to Maturity:					
Corporate Securities	<u>\$ 11,004,226</u>	<u>\$ -</u>	<u>\$ (1,031,811)</u>	<u>\$ 9,972,415</u>	<u>\$ (112,624)</u>

The following tables show the Company's gross unrealized losses for which a credit loss has not been recorded 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:

	2024					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for Sale:						
U.S. treasury securities	\$ -	\$ -	\$ 19,854,620	\$ (1,059,266)	\$ 19,854,620	\$ (1,059,266)
U.S. government agency securities	4,868,290	(12,037)	38,759,999	(4,667,672)	43,628,289	(4,679,709)
Obligations of states and political subdivisions	1,926,634	(59,407)	33,375,676	(6,116,900)	35,302,310	(6,176,307)
Corporate securities	-	-	465,434	(34,560)	465,434	(34,560)
Mortgage-backed securities in government-sponsored entities	1,091,127	(15,426)	24,955,982	(4,305,690)	26,047,109	(4,321,116)
Collateralized mortgage obligations	4,550,716	(61,430)	18,459,314	(4,095,176)	23,010,030	(4,156,606)
Total Available for Sale	\$ 12,436,767	\$ (148,300)	\$ 135,871,025	\$ (20,279,264)	\$ 148,307,792	\$ (20,427,564)
	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)

The Company had 188 investment securities, consisting of 29 U.S. government agency securities, 69 obligations of states and political subdivisions, 15 corporate securities, 34 mortgage-backed securities, and 26 collateralized mortgage obligations that were in unrealized loss positions at December 31, 2024. 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, 2024, there were no investment securities past due.

Credit Quality Indicators

The held-to-maturity securities portfolio consists of thirteen 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, 2024, 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	\$ 11,521,961	\$ 11,307,610	\$ -	\$ -
Due after one year through five years	52,916,254	49,256,721	2,000,000	1,865,140
Due after five years through ten years	48,089,861	40,210,176	7,503,393	7,054,473
Due after ten years	59,180,421	50,554,132	-	-
	171,708,497	151,328,639	9,503,393	8,919,613
Allowance for credit losses	-	-	(97,263)	-
Total	\$ 171,708,497	\$ 151,328,639	\$ 9,406,130	\$ 8,919,613

Investment securities with a carrying value of \$133,628,794 and \$123,767,259 at December 31, 2024 and 2023, 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:

	2024	2023
Proceeds from sales	\$ -	\$ -
Proceeds from calls	-	718,679
Gross gains	-	188
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, 2024 and 2023:

	2024	2023
Net gains (losses) recognized in equity securities during the year	\$ 314,157	\$ (145,149)
Less: Gains realized on sale of equity securities during the year	388,271	-
Unrealized losses recognized in equity securities	\$ (74,114)	\$ (145,149)

4. LOANS

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

	2024	2023
Commercial real estate	\$ 736,533,516	\$ 590,694,766
Commercial and industrial	158,755,579	144,234,974
Agricultural	29,504,923	28,493,121
State and political subdivisions	27,360,053	31,283,590
Consumer	5,069,049	5,243,094
Residential real estate	466,776,596	432,912,430
	<u>1,423,999,716</u>	<u>1,232,861,975</u>
Less: Allowance for credit losses	8,906,373	7,544,973
Net loans	<u>\$ 1,415,093,343</u>	<u>\$ 1,225,317,002</u>

Mortgage loans serviced by the Company for others amounted to \$22,934,527 and \$25,907,491 at December 31, 2024 and 2023, 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, 2024 and 2023, 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 35% and 34% as of December 31, 2024 and 2023, 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, 2024, and 2023, is as follows:

Balance 2022	Additions	Amounts Collected	Balance 2023	Additions	Amounts Collected	Balance 2024
\$ 7,178,819	\$ 1,704,510	\$ (5,895,527)	\$ 2,987,802	\$ 2,931,971	\$ (3,206,726)	\$ 2,713,047

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.

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
- Overall model risk considerations

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:

	2024						Total
	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Consumer	Residential Real Estate	
Allowance for loan credit losses:							
Beginning balance	\$ 4,423,402	\$ 1,149,490	\$ 205,919	\$ 68,981	\$ 60,479	\$ 1,636,703	\$ 7,544,973
Charge-offs	-	(22,201)	-	-	(12,946)	(20,154)	(55,301)
Recoveries	285,097	37,652	-	-	486	-	323,234
Provision	1,050,009	131,102	(2,687)	(5,264)	7,259	(86,951)	1,093,468
Ending balance	\$ 5,758,508	\$ 1,296,042	\$ 203,232	\$ 63,716	\$ 55,278	\$ 1,529,597	\$ 8,906,373
Ending balance individually evaluated for credit loss	\$ 1,034	\$ -	\$ 21,179	\$ -	\$ -	\$ 9,070	\$ 31,283
Ending balance collectively evaluated for credit loss	5,757,474	1,296,042	182,053	63,716	55,278	1,520,527	8,875,090
	\$ 5,758,508	\$ 1,296,042	\$ 203,232	\$ 63,716	\$ 55,278	\$ 1,529,597	\$ 8,906,373
Loans:							
Individually evaluated for credit loss	\$ 10,688	\$ 125,844	\$ 21,179	\$ -	\$ -	\$ 1,002,213	\$ 1,159,924
Collectively evaluated for credit loss	736,522,828	158,629,735	29,483,744	27,360,053	5,069,049	465,774,383	1,422,839,792
Ending balance	\$ 736,533,516	\$ 158,755,579	\$ 29,504,923	\$ 27,360,053	\$ 5,069,049	\$ 466,776,596	\$ 1,423,999,716
	2023						Total
	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Consumer	Residential Real Estate	
Allowance for loan credit losses:							
Beginning balance	\$ 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	446,857	(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 impairment	\$ 1,255	\$ 19,183	\$ 21,679	\$ -	\$ -	\$ 101,393	\$ 143,510
Ending balance collectively evaluated for impairment	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 impairment	\$ 13,064	\$ 390,373	\$ 21,679	\$ -	\$ -	\$ 1,331,192	\$ 1,756,308
Collectively evaluated for impairment	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

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 loan and current period charge-offs by year of origination under ASC 326 as of December 31, 2024 and 2023:

	As of December 31, 2024						
	Term Loans Amortized Cost Basis by Origination Year					Revolver Total at Amortized Cost Basis	Total
	2024	2023	2022	2021	Prior		
Commercial real estate							
Risk Rating							
Pass	\$ 96,357,912	\$ 180,277,283	\$ 136,064,898	\$ 115,597,736	\$ 170,539,320	\$ 8,152,733	\$ 706,989,882
Special Mention	136,658	53,865	8,561,106	10,111,677	5,701,058	-	24,564,364
Substandard	-	-	274,410	-	4,694,172	-	4,968,582
Doubtful	-	-	-	-	10,688	-	10,688
Total Commercial real estate	\$ 96,494,570	\$ 180,331,148	\$ 144,900,414	\$ 125,709,413	\$ 180,945,237	\$ 8,152,733	\$ 736,533,516
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and industrial							
Risk Rating							
Pass	\$ 34,956,135	\$ 18,821,978	\$ 27,671,185	\$ 11,736,838	\$ 7,772,062	\$ 51,856,380	\$ 152,814,578
Special Mention	-	111,228	-	49,440	190,938	43,497	395,103
Substandard	338,104	-	16,650	2,072,251	478,643	2,579,283	5,484,932
Doubtful	-	-	-	-	60,966	-	60,966
Total Commercial & Industrial	\$ 35,294,239	\$ 18,933,206	\$ 27,687,835	\$ 13,858,529	\$ 8,502,609	\$ 54,479,161	\$ 158,755,579
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ 22,201	\$ -	\$ 22,201
Agriculture							
Risk Rating							
Pass	\$ 4,702,366	\$ 2,319,280	\$ 1,836,781	\$ 5,869,818	\$ 11,505,353	\$ 3,055,789	\$ 29,289,386
Special Mention	-	-	-	-	137,550	-	137,550
Substandard	-	-	-	-	56,808	-	56,808
Doubtful	-	-	-	-	21,179	-	21,179
Total Agriculture	\$ 4,702,366	\$ 2,319,280	\$ 1,836,781	\$ 5,869,818	\$ 11,720,890	\$ 3,055,789	\$ 29,504,923
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State and political subdivisions							
Risk Rating							
Pass	\$ 149,767	\$ 1,497,378	\$ 7,859,671	\$ 850,231	\$ 17,003,006	\$ -	\$ 27,360,053
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total State and political subdivisions	\$ 149,767	\$ 1,497,378	\$ 7,859,671	\$ 850,231	\$ 17,003,006	\$ -	\$ 27,360,053
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total by Risk Rating							
Pass	\$ 136,166,180	\$ 202,915,919	\$ 173,432,534	\$ 134,054,623	\$ 206,819,741	\$ 63,064,902	\$ 916,453,899
Special Mention	136,658	165,093	8,561,106	10,161,117	6,029,546	43,497	25,097,017
Substandard	338,104	-	291,061	2,072,251	5,229,622	2,579,283	10,510,321
Doubtful	-	-	-	-	92,832	-	92,832
Total	\$ 136,640,942	\$ 203,081,012	\$ 182,284,701	\$ 146,287,991	\$ 218,171,742	\$ 65,687,683	\$ 952,154,069
Total current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ 22,201	\$ -	\$ 22,201

	As of December 31, 2024						
	Term Loans Amortized Cost Basis by Origination Year					Revolver Total at Amortized Cost Basis	Total
	2024	2023	2022	2021	Prior		
Consumer							
Payment Performance							
Performing	\$ 506,069	\$ 229,679	\$ 96,236	\$ 54,698	\$ 290,184	\$ 3,892,184	\$ 5,069,049
Nonperforming	-	-	-	-	-	-	-
Total Consumer	\$ 506,069	\$ 229,679	\$ 96,236	\$ 54,698	\$ 290,184	\$ 3,892,184	\$ 5,069,049
Current period gross write offs	\$ -	\$ -	\$ 4,367	\$ -	\$ 8,579	\$ -	\$ 12,946
Residential real estate							
Payment Performance							
Performing	\$ 87,214,643	\$ 71,110,985	\$ 74,440,920	\$ 59,651,435	\$ 132,466,113	\$ 41,264,205	\$ 466,148,301
Nonperforming	-	-	-	-	589,921	38,374	628,296
Total Residential real estate	\$ 87,214,643	\$ 71,110,985	\$ 74,440,920	\$ 59,651,435	\$ 133,056,034	\$ 41,302,579	\$ 466,776,596
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ 20,154	\$ -	\$ 20,154
Total by Payment Performance							
Performing	\$ 87,720,711	\$ 71,340,663	\$ 74,537,156	\$ 59,706,133	\$ 132,756,297	\$ 45,156,389	\$ 471,217,349
Nonperforming	-	-	-	-	589,921	38,374	628,296
Total	\$ 87,720,711	\$ 71,340,663	\$ 74,537,156	\$ 59,706,133	\$ 133,346,218	\$ 45,194,763	\$ 471,845,645
Total current period gross write offs	\$ -	\$ -	\$ 4,367	\$ -	\$ 28,733	\$ -	\$ 33,100

	As of December 31, 2023					
	Term Loans Amortized Costs Basis by Origination Year				Revolver Total at Amortized Cost Basis	Total
	2023	2022	2021	Prior		
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 Costs Basis by Origination Year				Revolver Total at Amortized Cost Basis	Total
	2023	2022	2021	Prior		
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	\$ 432,344,045
Nonperforming	-	-	56,211	512,174	-	568,385
Total Residential real estate	\$ 78,756,431	\$ 100,654,054	\$ 65,351,193	\$ 149,043,345	\$ 41,307,407	\$ 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	\$ 437,587,139
Nonperforming	-	-	56,211	512,174	-	568,385
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

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:

	2024						
	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	\$ 4,108	\$ 144,069	\$ -	\$ 148,177	\$ 736,385,339	\$ 736,533,516
Commercial and industrial	296,193	-	-	296,193	158,459,386	158,755,579	-
Agricultural	234,358	-	-	234,358	29,270,565	29,504,923	-
State and political subdivisions	-	-	-	-	27,360,053	27,360,053	-
Consumer	-	-	-	-	5,069,049	5,069,049	-
Residential real estate	809,990	456,605	200,517	1,467,112	465,309,484	466,776,596	200,517
Total	\$ 1,344,649	\$ 600,674	\$ 200,517	\$ 2,145,840	\$ 1,421,853,876	\$ 1,423,999,716	\$ 200,517
	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

Consumer mortgage loans held by the Company in the process of foreclosure amounted to \$41,908 and \$0 as of December 31, 2024 and 2023, respectively.

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 \$80,227 and \$63,692 as of December 31, 2024 and 2023, respectively.

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

	2024	2023
Commercial real estate	\$ 10,688	\$ 13,064
Commercial and industrial	60,966	95,306
Agricultural	21,179	21,679
State and political subdivisions	-	-
Consumer	-	-
Residential real estate	427,778	429,606
Total	<u>\$ 520,611</u>	<u>\$ 559,655</u>

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:

	2024		
	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	\$ -	\$ 10,688	\$ -
Commercial and industrial	60,966	-	-
Agricultural	-	21,179	-
State and political subdivisions	-	-	-
Consumer	-	-	-
Residential real estate	203,428	224,350	200,517
Total	<u>\$ 264,394</u>	<u>\$ 256,217</u>	<u>\$ 200,517</u>

	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	<u>\$ 188,010</u>	<u>\$ 371,645</u>	<u>\$ 138,780</u>

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 as of December 31, 2024 and 2023, of gross loans held for investment made to borrowers experiencing financial difficulty that were modified during the years ended December 31, 2024 and 2023:

	2024			
	Rate Reduction and Term Extension	Reduction to Available Credit and Collateral Modifications	Weighted Average Rate Reduction	Weighted Average Term Extension (Years)
Agricultural	21,179	-	2.500%	7.0
Residential real estate	574,434	-	-	5.0
Total	<u>\$ 595,613</u>	<u>\$ -</u>		

	2023			
	Rate Reduction and Term Extension	Term Extension	Weighted Average Rate Reduction	Weighted Average Term Extension (Years)
Commercial and industrial	\$ -	\$ 180,000	-	0.4
Agricultural	21,679	-	2.500%	8.0
Residential real estate	42,106	5,195	1.675%	9.2
Total	<u>\$ 63,785</u>	<u>\$ 185,195</u>		

A single loan with modifications to a borrow experiencing financial difficulty with amortized costs basis of \$21,179 and \$21,679 as of December 31, 2024 and 2023, respectively, 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:

	2024	2023
Land and land improvements	\$ 2,066,803	\$ 2,066,803
Buildings and leasehold improvements	33,517,990	33,281,636
Buildings - construction in progress	874,892	148,950
Furniture, fixtures, and equipment	12,237,549	11,373,676
	<u>48,697,234</u>	<u>46,871,065</u>
Less accumulated depreciation	21,163,360	19,473,449
Total	<u>\$ 27,533,874</u>	<u>\$ 27,397,616</u>

Depreciation charged to operations was \$1,704,028 in 2024 and \$1,587,682 in 2023.

7. GOODWILL

As of December 31, 2024, goodwill had a gross carrying amount of \$4,126,479 and accumulated amortization of \$614,013 for a net carrying value of \$3,512,466. As of December 31, 2023, 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 following the annual forecasting process. Impairment charges to goodwill were \$48,476 and \$0 for years ended December 31, 2024 and 2023, respectively.

8. DEPOSITS

The scheduled maturities of time deposits approximate the following:

Year Ending December 31,	Amount
2025	\$ 392,356,698
2026	76,966,567
2027	5,566,872
2028	17,889,520
2029	3,236,755
Thereafter	694,487
	<u>\$ 496,710,899</u>

The aggregate of all time deposit accounts of \$250,000 or more amounted to \$171,763,345 and \$128,137,681 as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, 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:

	2024	2023
Balance at year-end	\$ 206,000,000	\$ 194,541,362
Average balance outstanding	186,661,613	153,450,385
Maximum month-end balance	220,582,938	194,541,362
Weighted-average rate at year-end	4.47%	5.23%
Weighted-average rate during the year	4.93%	5.84%

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, 2024 and 2023, is presented in the following table.

	Remaining Contractual Maturity Overnight and Continuous	
	December 31, 2024	December 31, 2023
Securities of U.S. Government Agencies, U.S. Treasuries, and obligations of state and political subdivisions pledged, fair value	\$ 1,123,424	\$ 4,860,607
Collateralized Deposits	438,883	512,349

10. OTHER BORROWINGS

The following table sets forth information concerning other borrowings:

Description	Maturity Range		Weighted-Average Interest Rate	Stated Interest Rate Range		At December 31,	
	From	To		From	To	2024	2023
Fixed rate	01/06/25	08/04/26	2.38 %	2.01 %	2.59 %	\$ 4,482,000	\$ 9,966,000
Fixed rate amortizing	07/15/24	07/15/24	1.33	1.33	1.33	-	114,532
Adjustable rate term debt	12/01/29	11/01/39	6.93	6.93	6.93	9,814,063	-
Fixed rate senior debt	06/27/27	08/26/29	6.10	6.00	6.25	500,000	-
Subordinated debt	09/16/29	04/16/34	4.25	4.00	7.25	25,653,153	25,152,076
Junior subordinated debt	03/17/35	11/23/35	6.45	6.28	6.61	6,186,000	6,186,000
						<u>\$ 46,635,215</u>	<u>\$ 41,418,608</u>

Maturities of other borrowings at December 31, 2024, are summarized as follows:

Year Ending December 31,	Amount	Weighted-Average Rate
2025	\$ 3,359,000	2.50 %
2026	1,123,000	2.01
2027	300,000	6.00
2028	-	-
2029	283,333	6.45
2030 and after	41,569,882	5.20
	<u>\$ 46,635,215</u>	4.94

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, 2024, the Bank's maximum borrowing capacity with the FHLB was approximately \$665.5 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, 2024 is approximately \$166.7 million.

The Bank maintains a \$10.0 million and \$5.0 million federal funds line of credit with two 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, 2024 or 2023.

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.

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.

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. Holders of these notes exchanged with the Company notes at face value totaling \$350,000 and \$2,830,000 during 2024 and 2023, respectively, 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.

In 2024, the Company issued \$800,000 of fixed rate subordinated capital notes with ten year maturities from date of issuance. The notes bear an annual fixed rate of 7.25 percent for the first five years. Following the fifth year, the notes bear a floating rate of 3-month SOFR plus 1.95 percent. The Company may redeem them, in whole or in part, at face value on or after the fifth anniversary of the issuance date. These borrowings are included in the liabilities section of the Company's Consolidated Balance Sheet.

In 2024, the Company issued \$300,000 of fixed rate senior notes with three year maturities from the date of issuance. The three-year notes bear an annual fixed rate of 6.00 percent. In 2024 the Company also issued \$200,000 of fixed rate senior notes with five-year maturities from the date of issuance. The five-year notes bear an annual fixed rate of 6.25 percent. These borrowings are included in the liabilities section of the Company's Consolidated Balance Sheet.

In 2024, the Company entered into a \$10,000,000 adjustable-rate fifteen year term loan. The note requires monthly interest-only payments for the first five years, at the stated rate of Term SOFR plus 2.40 percent. Beginning November 1, 2029 through November 1, 2039, the note requires monthly principal payments of \$83,333 plus interest. The Company's wholly owned investment in the stock of Kish Bank has been pledged as collateral for this borrowing. Additionally, the lender provided the Company with a \$3,000,000 revolving line of credit available through November 1, 2027. Monthly interest payable on credit line borrowings is calculated at Term SOFR plus 2.40 percent on the daily outstanding balance. The terms of the note contain covenants including delivery of timely financial reports to the lender quarterly and annually, and a requirement that reported annual net income of the Company is maintained at a level not less than \$10,000,000, and that the Company's ratio of total capital to risk-weighted assets does not fall below 10.0 percent.

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, 2024, is being utilized to hedge \$158.0 million in floating rate debt. At December 31, 2024 and 2023, the information pertaining to outstanding interest rate swap agreements is as follows:

	2024	2023
Notional amount	\$ 245,845,967	\$ 208,235,812
Weighted-average pay rate	3.64 %	3.58 %
	1 or 3-Mo. Fallback Rate (SOFR); 1-Mo. Term SOFR	1 or 3-Mo. Fallback Rate (SOFR); 1-Mo. Term SOFR
Receive rate		
Weighted-average maturity in years	3.0	4.0
Unrealized gain (loss) relating to interest rate swaps	3,382,438	3,719,694

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, 2024 and 2023, the Company had fourteen and eleven interest rate swaps with a notional of \$158.0 million and \$115.0 million, respectively, 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,

2024 and 2023. 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, 2024, the fair value of derivatives in a net asset position, which includes accrued interest and any credit valuation adjustments related to these agreements, was \$3,382,438. At December 31, 2024, the Company had no required cash collateral with its derivative counterparties and was holding cash collateral of certain derivative counterparties in the amount of \$9,220,000.

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, 2024				
Interest rate derivatives	Other assets	\$ 9,108,612	Other liabilities	\$ (5,726,174)
December 31, 2023				
Interest rate derivatives	Other assets	\$ 9,255,978	Other liabilities	\$ (5,536,284)

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,	
	2024	2023			2024	2023
Cash flow interest rate swap						
Maturing in 2024	\$ -	\$ 6,000,000	Fixed	3 Mo. SOFR, 0 look back	\$ -	\$ 105,609
Maturing in 2025	22,000,000	22,000,000	Fixed	3 Mo. SOFR, 0 look back	202,930	863,128
Maturing in 2026	44,000,000	32,000,000	Fixed	3 Mo. SOFR / Daily Wtd Avg USA SOFR	718,098	969,351
Maturing in 2027	35,000,000	10,000,000	Fixed	3 Mo. SOFR, 0 look back	430,547	528,196
Maturing in 2028	40,000,000	40,000,000	Fixed	Daily Wtd Avg USA SOFR	860,971	472,589
Maturing in 2029	12,000,000	-	Fixed	Daily Wtd Avg USA SOFR	358,529	-
Maturing in 2030	5,000,000	5,000,000	Fixed	3 Mo. SOFR, 0 look back	811,363	780,821
	<u>\$ 158,000,000</u>	<u>\$ 115,000,000</u>			<u>\$ 3,382,438</u>	<u>\$ 3,719,694</u>
Customer interest rate swap						
Maturing in 2025	\$ 9,100,000	\$ 9,100,000	1 Mo. SOFR + Margin	Fixed	\$ (41,293)	\$ (197,592)
Maturing in 2026	9,266,000	9,266,000	1 Mo. SOFR + Margin	Fixed	(118,888)	(163,287)
Maturing in 2027	10,776,388	10,776,388	1 Mo. SOFR CME Term + Margin	Fixed	(23,167)	90,879
Maturing in 2029	5,520,000	10,470,000	1 Mo. SOFR + Margin	Fixed	(486,028)	(744,976)
Maturing in 2030	30,700,424	30,700,424	1 Mo. SOFR CME Term + Margin	Fixed	(2,058,929)	(1,699,229)
Maturing in 2031	16,763,155	17,203,000	1 Mo. SOFR + Margin	Fixed	(2,171,212)	(2,044,541)
Maturing in 2032	2,000,000	2,000,000	1 Mo. SOFR CME Term + Margin	Fixed	(155,087)	(135,103)
Maturing in 2035	3,720,000	3,720,000	1 Mo. SOFR + Margin	Fixed	(671,569)	(642,434)
	<u>\$ 87,845,967</u>	<u>\$ 93,235,812</u>			<u>\$ (5,726,173)</u>	<u>\$ (5,536,283)</u>
Third party interest rate swap						
Maturing in 2025	\$ 9,100,000	\$ 9,100,000	Fixed	1 Mo. SOFR + Margin	\$ 41,293	\$ 197,592
Maturing in 2026	9,266,000	9,266,000	Fixed	1 Mo. SOFR + Margin	118,888	163,287
Maturing in 2027	10,776,388	10,776,388	Fixed	1 Mo. SOFR CME Term + Margin	23,167	(90,879)
Maturing in 2029	5,520,000	10,470,000	Fixed	1 Mo. SOFR + Margin	486,028	744,976
Maturing in 2030	30,700,424	30,700,424	Fixed	1 Mo. SOFR CME Term + Margin	2,058,929	1,699,229
Maturing in 2031	16,763,155	17,203,000	Fixed	1 Mo. SOFR + Margin	2,171,212	2,044,541
Maturing in 2032	2,000,000	2,000,000	Fixed	1 Mo. SOFR CME Term + Margin	155,087	135,103
Maturing in 2035	3,720,000	3,720,000	Fixed	1 Mo. SOFR + Margin	671,569	642,434
	<u>\$ 87,845,967</u>	<u>\$ 93,235,812</u>			<u>\$ 5,726,173</u>	<u>\$ 5,536,283</u>

The Bank does on occasion enter into risk participation agreements (RPA's) to share credit risk exposure for participating loans where swaps are involved. The participant has no obligations under the RPA unless the borrower defaults on the swap transaction and the swap is a liability to the borrower. The credit risk exposure relative to the customer swap liability is limited as in the event of default the SWAP liability is settled first from proceeds of the collateral. The fair value of the RPAs is not significant.

12. INCOME TAXES

The provision for federal income taxes for the years ended December 31, 2024 and 2023 consists of:

	2024	2023
Current	\$ 3,369,749	\$ 2,683,649
Deferred	(369,964)	(29,206)
Total provision	<u>\$ 2,999,785</u>	<u>\$ 2,654,443</u>

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, 2024 and 2023 are as follows:

	2024	2023
Deferred tax assets:		
Allowance for credit losses - loans	\$ 1,870,338	\$ 1,584,444
Deferred compensation	520,057	429,821
Deferred incentive credits	148,303	176,110
Deferred loan fees	175,210	79,627
Asset valuation allowances	407,504	407,694
Employee compensation accruals	235,435	243,278
Nonaccrual interest receivable	16,847	13,375
Unrealized loss on available-for-sale securities	4,279,770	4,438,460
Partnerships	206,883	169,031
Lease liability	876,086	947,835
Other	691	691
Deferred tax assets	<u>8,737,124</u>	<u>8,490,366</u>
Deferred tax liabilities:		
Premises and equipment	1,065,535	976,111
Goodwill	447,969	431,657
Intangible asset - naming rights	2,800	-
Unrealized gain on swaps - balance sheet hedge	658,365	716,784
Fair value adjustment - equity securities	154,140	135,715
Right of use asset	844,791	919,429
Deferred tax liabilities	<u>3,173,600</u>	<u>3,179,696</u>
Net deferred tax assets	<u>\$ 5,563,524</u>	<u>\$ 5,310,670</u>

No valuation allowance was established at December 31, 2024 and 2023, in view of the Company's ability to carry back 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:

	2024		2023	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	\$ 3,679,082	21.0 %	\$ 3,392,373	21.0 %
Tax-exempt interest	(272,845)	(1.6)	(213,359)	(1.3)
Life insurance income	(150,287)	(0.9)	(224,309)	(1.4)
Investment tax credits	(329,442)	(1.9)	(329,442)	(2.0)
Other	73,277	0.4	29,180	0.2
Income tax expense and effective rate	<u>\$ 2,999,785</u>	<u>17.0 %</u>	<u>\$ 2,654,443</u>	<u>16.5 %</u>

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 2020 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 \$627,407 and \$572,498 for the years ended December 31, 2024 and 2023, respectively. The fair value of plan assets includes \$3,601,007 and \$3,155,149 pertaining to the value of the Company's common stock that is held by the plan as of December 31, 2024 and 2023, respectively.

Deferred Compensation Plan

The Company has non-qualified deferred compensation plans that allow directors and senior executives to defer fees and salaries. Contributions in these plans are invested in mutual funds selected by the plan, with investment direction determined by the participant. The Bank maintains an investment in the same mutual funds, as reported in "Other assets" on the Consolidated Balance Sheet. Related fair value fluctuations and related change to the participants accrued balance are included in noninterest income and noninterest expense. Outstanding balances under these arrangements as of December 31, 2024 and 2023 were \$2,476,462 and \$2,046,767, respectively, and are reported as "Other liabilities" on the Consolidated Balance Sheet. Expenses related to these plans were \$406,014 and \$175,021 for the years ended December 31, 2024 and 2023, respectively. Balances of the investments held by the Bank as of December 31, 2024 and 2023 were \$2,489,497 and \$0, respectively. Income related to these investments were \$161,852 and \$0 for the years ended December 31, 2024 and 2023, 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 155,664 shares and 177,409 shares as of December 31, 2024 and 2023, 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 \$570,097 and \$439,194 for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024, unrecognized compensation cost related to restricted stock awards was \$1,380,186, which is expected to be recognized over a weighted average life of 3.14 years. The following is a summary of the status of the Company's outstanding restricted stock awards as of December 31, 2024 and 2023, and changes therein during the years then ended:

	Shares of Restricted Stock Outstanding	Weighted- Average Grant Date Fair Value
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
Granted	22,470	30.50
Released from Restrictions	(25,238)	31.86
Forfeited	(725)	32.06
Outstanding at December 31, 2024	<u>56,065</u>	<u>\$ 32.15</u>

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 40,011 and 77,955 shares as of December 31, 2024 and 2023, 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 \$255,101 and \$233,159 for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024, unrecognized compensation cost related to stock option awards was \$327,821 which is expected to be recognized over a weighted-average life of 1.80 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, 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
Granted	7,400	30.50	38,610	30.50
Exercised	(8,855)	25.52	(3,622)	19.28
Forfeited/Expired	(4,334)	34.38	(3,732)	29.79
Outstanding, December 31, 2024	<u>174,642</u>	<u>\$ 30.42</u>	<u>91,574</u>	<u>\$ 29.55</u>
Exercisable at December 31, 2024	<u>139,593</u>	<u>\$ 29.60</u>	<u>45,471</u>	<u>\$ 27.76</u>

Option awards outstanding and exercisable as of December 31, 2024:

Incentive Stock Options				
Expiration Date	Exercise Price	Share Awards Outstanding	Share Awards Exercisable	Remaining Contractual Life (years)
04/01/25	19.48	5,568	5,568	0.25
04/01/26	22.00	6,300	6,300	1.25
10/31/26	22.40	1,000	1,000	1.83
12/12/26	22.38	1,000	1,000	1.95
04/03/27	27.00	7,150	7,150	2.25
04/02/28	29.63	20,400	20,400	3.25
04/01/29	31.60	21,834	21,834	4.25
04/03/30	25.65	20,893	20,893	5.26
12/01/30	30.00	2,900	2,900	5.92
04/03/31	30.05	24,167	24,167	6.26
10/01/31	38.25	1,500	1,500	6.75
03/25/32	36.00	26,190	17,450	7.24
04/03/33	33.80	28,340	9,431	8.26
04/03/34	30.50	7,400	-	9.26
		<u>174,642</u>	<u>139,593</u>	

Non-Qualified Stock Options				
Expiration Date	Exercise Price	Share Awards Outstanding	Share Awards Exercisable	Remaining Contractual Life (years)
04/01/25	19.48	3,636	3,636	0.25
04/01/26	22.00	6,556	6,556	1.25
10/31/26	22.40	1,000	1,000	1.83
12/12/26	22.38	1,000	1,000	1.95
04/03/27	27.00	7,914	7,914	2.25
04/02/28	29.63	1,260	1,260	3.25
04/01/29	31.60	2,780	2,780	4.25
04/03/30	25.65	4,677	4,677	5.26
10/28/30	28.25	1,000	1,000	5.83
04/03/31	30.05	6,575	6,575	6.26
03/25/32	36.00	7,408	5,053	7.24
04/03/33	33.80	11,563	4,020	8.26
04/03/34	30.50	36,205	-	9.26
		<u>91,574</u>	<u>45,471</u>	

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. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet. Commitments to extend credit are considered off-balance-sheet credit exposure, for which an allowance for credit loss exposures is maintained.

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:

	2024	2023
Commitments to extend credit	\$ 521,375,372	\$ 478,016,671
Standby letters of credit	<u>8,554,204</u>	<u>9,388,062</u>
Total	<u>\$ 529,929,576</u>	<u>\$ 487,404,733</u>

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.

The Bank estimates expected credit losses for commitments to extend credit 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. The ACL for off-balance sheet credit exposures was \$1,767,526 and \$1,742,595 at December 31, 2024 and 2023, respectively, and is included in *Accrued interest and other liabilities* in the Consolidated Balance Sheet.

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. An ROU asset related to these operating leases is included in *Accrued Interest and Other Assets* on the Consolidated Balance Sheet as of December 31, 2024 and 2023. A lease liability related to these operating leases is included in *Accrued Interest and Other Liabilities* on the Consolidated Balance Sheet as of December 31, 2024 and 2023.

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

	<u>Operating Lease Payments</u>
2025	\$ 498,014
2026	439,924
2027	440,093
2028	453,003
2029	466,000
Thereafter	<u>4,982,864</u>
Total lease payments	7,279,898
Less: imputed interest	<u>2,069,204</u>
Present value of lease liabilities	<u>\$ 5,210,694</u>

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 3.64% and 3.36%, and a weighted-average remaining lease term of 15.8 years and 13.0 years as of December 31, 2024 and 2023, 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 2024 and 2023.

Dividends

The Pennsylvania Banking Code restricts the availability of capital surplus for dividend purposes. At December 31, 2024, the Bank had a capital surplus of \$28,168,216 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, 2024 and 2023, 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:

	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Total capital <u>(to risk-weighted assets)</u>				
Actual	\$ 158,738,823	10.45 %	\$ 144,144,790	10.70 %
For capital adequacy purposes	121,502,406	8.00	107,771,297	8.00
To be well capitalized	151,878,007	10.00	134,714,121	10.00
Common Equity Tier I <u>(to risk-weighted assets)</u>				
Actual	\$ 116,750,661	7.69 %	\$ 103,977,598	7.72 %
For capital adequacy purposes	68,345,103	4.50	60,621,354	4.50
To be well capitalized	98,720,705	6.50	87,564,178	6.50
Tier I capital <u>(to risk-weighted assets)</u>				
Actual	\$ 122,750,661	8.08 %	\$ 109,977,598	8.16 %
For capital adequacy purposes	91,126,804	6.00	80,828,472	6.00
To be well capitalized	121,502,406	8.00	107,771,297	8.00
Tier I capital <u>(to average assets)</u>				
Actual	\$ 122,750,661	7.29 %	\$ 109,977,598	7.26 %
For capital adequacy purposes	67,354,656	4.00	60,567,620	4.00
To be well capitalized	84,193,321	5.00	75,709,524	5.00

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

	2024		2023	
	Amount	Ratio	Amount	Ratio
Total capital				
(to risk-weighted assets)				
Actual	\$ 162,447,545	10.63 %	\$ 144,144,393	10.61 %
For capital adequacy purposes	122,294,121	8.00	108,636,951	8.00
To be well capitalized	152,867,651	10.00	135,796,189	10.00
Common Equity Tier I				
(to risk-weighted assets)				
Actual	\$ 151,676,383	9.92 %	\$ 134,744,200	9.92 %
For capital adequacy purposes	68,790,443	4.50	61,108,285	4.50
To be well capitalized	99,363,973	6.50	88,267,523	6.50
Tier I capital				
(to risk-weighted assets)				
Actual	\$ 151,676,383	9.92 %	\$ 134,744,200	9.92 %
For capital adequacy purposes	91,720,591	6.00	81,477,713	6.00
To be well capitalized	122,294,121	8.00	108,636,951	8.00
Tier I capital				
(to average assets)				
Actual	\$ 151,676,383	9.02 %	\$ 134,744,200	8.91 %
For capital adequacy purposes	67,284,379	4.00	60,507,205	4.00
To be well capitalized	84,105,474	5.00	75,634,006	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, 2024 and 2023, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2024			
	Level I	Level II	Level III	Total
Investment and equity securities at fair value:				
U.S. treasury securities	\$ -	\$ 19,854,620	\$ -	\$ 19,854,620
U.S. government agency securities	-	43,628,289	-	43,628,289
Obligations of states and political subdivisions	-	35,302,313	-	35,302,313
Corporate securities	-	465,434	-	465,434
Mortgage-backed securities in government-sponsored entities	-	26,047,109	-	26,047,109
Collateralized mortgage obligations	-	26,030,874	-	26,030,874
Equity securities	2,377,617	-	-	2,377,617
Total	\$ 2,377,617	\$ 151,328,639	\$ -	\$ 153,706,256
Derivatives at fair value: (1)				
Assets	\$ -	\$ 9,108,612	\$ -	\$ 9,108,612
Liabilities	\$ -	\$ (5,726,174)	\$ -	\$ (5,726,174)
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)

(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 Individually Evaluated 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 credit 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, 2024 and 2023, by level within the fair value hierarchy. Individually evaluated 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 individually evaluated 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 individually evaluated loans as of December 31, 2024 consists of a single commercial loan with all inventory and equipment of the business assigned as loan collateral, and a single home equity credit line collateralized by real estate.

	December 31, 2024			
	Level I	Level II	Level III	Total
Assets:				
Collateral dependent individually evaluated loans	\$ -	\$ -	\$ 187,858	\$ 187,858
Mortgage servicing rights	-	-	142,382	142,382

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

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, 2024 and 2023.

	December 31, 2024			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Collateral dependent individually evaluated loans	\$ 187,858	Property appraisals	Management discount for property type and recent market volatility	15.00% - 100.00% discount Weighted Average (15.00%)
Mortgage servicing rights	\$ 142,382	Discounted cash flows	Discount rate	4.18% - 4.25% discount Weighted Average (4.22%)
			Prepayment speeds	1.02% - 1.44% prepayment factor Weighted Average (1.12%)

	December 31, 2023			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Collateral dependent individually evaluated 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%)

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, 2024 and 2023 are as follows:

	2024				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities held to maturity	\$ 9,406,130	\$ 8,919,613	\$ -	\$ 8,919,613	\$ -
Net loans	1,415,093,343	1,360,584,451	-	-	1,360,584,451
Financial liabilities:					
Deposits	\$ 1,298,069,699	\$ 1,295,472,170	\$ 801,358,800	\$ -	\$ 494,113,370
Other borrowings	46,635,215	44,331,091	-	-	44,331,091
	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

As of December 31, 2024 and 2023, 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, 2024 and 2023:

	Net Unrealized Gains (Losses) on Investment Securities	Cash Flow Hedges	Total
Accumulated other comprehensive loss, December 31, 2022	\$ (19,810,413)	\$ 3,669,464	\$ (16,140,949)
Other comprehensive loss 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)
Other comprehensive income before reclassification	596,976	-	596,976
Amounts reclassified from accumulated other comprehensive loss	-	-	-
Amounts from change to AOCI related to cash flow hedges	-	(219,764)	(219,764)
Accumulated other comprehensive income (loss), December 31, 2024	\$ (16,100,087)	\$ 2,476,707	\$ (13,623,380)

The following table presents significant amounts reclassified out of each component of accumulated other comprehensive loss for the year ended December 31, 2024 and 2023:

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Consolidated Statement of Income where Net Income is Presented
	\$ -	Investment securities gains, net
	-	Income tax benefit
Unrealized gains on investment securities, December 31, 2024	\$ -	
	\$ (158)	Investment securities losses, net
	33	Income tax expense
Unrealized losses on investment securities, December 31, 2023	\$ (125)	

20. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 14, 2025, the date the financial statements were issued, and no additional subsequent events occurred requiring accrual or disclosure.



The Board of Directors of Kish Bancorp, Inc.

Back row: James A. Troha, Michael K. Halloran, George V. Woskob, Gregory T. Hayes, Paul G. Howes, Eric J. Barron, William L. Dancy, Paul H. Silvis

Front row: Frances V. Vaughn, William P. Hayes, Kathleen L. Rhine

BOARD OF DIRECTORS OF KISH BANK

William P. Hayes, Chairman
 Paul G. Howes, Vice Chairman
 Eric J. Barron, Member
 William L. Dancy, Member
 Michael K. Halloran, Member
 Gregory T. Hayes, Member
 Kathleen L. Rhine, Member
 Paul H. Silvis, Member
 James A. Troha, Member
 Frances V. Vaughn, Member
 George V. Woskob, Member

BLAIR COUNTY REGIONAL BOARD

Maryann Joyce Bistline, Member
 Elizabeth M. Burke, Member
 George C. Ferris, II, Member
 James P. Foreman, Member
 Robert G. Okonak, Jr., Member
 Randolph W. Tarpey, Member
 William D. Thompson, III, Member

CENTRE COUNTY REGIONAL BOARD

A. Christian Baum, Member
 Adam R. Fernsler, Member
 H. Amos Goodall, Jr., Member
 Paul G. Howes, Member
 Oscar W. Johnston, Member
 Michael J. Krentzman, Member
 Maureen L. Mulvihill, Member
 Kathleen L. Rhine, Member
 Paul H. Silvis, Member
 George V. Woskob, Member
 Brandon M. Zlupko, Member

HUNTINGDON COUNTY REGIONAL BOARD

Wayne A. Hearn, Member
 Sandra S. Kleckner, Member
 James J. Lakso, Member
 Delmont R. Sunderland, Member
 Douglas A. Tietjens, Member
 James A. Troha, Member
 Frances V. Vaughn, Member

JUNIATA COUNTY REGIONAL BOARD

Philip D. Bomberger, Member
 Jeffrey N. Brown, Member
 Ronald N. Colledge, Member
 Vincenzo Evola, Jr., Member
 Jorge Flores de Valgaz, Member
 Clarissa J. Goodling, Member
 Maxwell R. Manbeck, Member
 Robert J. Rowles, Member
 Anita K. Rudy, Member

MIFFLIN COUNTY REGIONAL BOARD

Susan L. Cannon, Member
 William L. Dancy, Member
 Michael K. Halloran, Member

Melinda K. Kenepp, Member
 William S. Lake, Member
 Harvard K. McCardle, Member
 Alan J. Metzler, Member
 John Pannizzo, Member
 James L. Shilling, Jr., Member
 Kirk E. Thomas, Member

KISH BANK EXECUTIVE LEADERSHIP

William P. Hayes, Executive Chairman
 Gregory T. Hayes, President and Chief Executive Officer
 Keith A. Crissman, Executive Vice President, Chief Revenue Officer
 Mark J. Cvrkel, Executive Vice President, Chief Financial Officer
 Robert S. McMinn, Executive Vice President, General Counsel
 Richard A. Sarfert, Executive Vice President, Chief Credit Officer
 Kimberly A. Bubb, Sr. Vice President, Systems and Operations Director
 Garen M. Jenco, Sr. Vice President, Client Experience Officer
 Thomas Minichiello, III, Sr. Vice President, Retail Banking Director
 Mark E. Yerger, Sr. Vice President, Chief Information Officer
 Beth N. Metz Gilmore, Vice President, Human Resources Director

KISH BANK SENIOR OFFICERS

Robert L. Bilger, Sr. Vice President, Senior Lending Officer
 Allan F. Bills, Sr. Vice President, Technical Accounting and Balance Sheet Management
 Tina M. Collins, Sr. Vice President, Accounting and Internal Controls Director
 Wade E. Curry, LUTCF, Sr. Vice President, Kish Financial Solutions Director
 Kenneth M. Goetz, Sr. Vice President, Managing Director, Ohio Lending Group
 Eunice P. Harris, Sr. Vice President, Products and Services Director
 Kristie R. McKnight, Sr. Vice President, Commercial Banking Market Leader
 Amy M. Muchler, Sr. Vice President, Audit Manager
 Jeffrey D. Wilson, Sr. Vice President, CEO, Kish Agency
 Gary L. Wimer, Sr. Vice President, Managing Director, Ohio Lending Group
 Christina L. Bagrosky, Vice President, Senior Business Systems Analyst
 Larry E. Burger, Vice President, Business Development Officer
 Timothy P. Burris, Vice President, Chief Operating Officer, Kish Agency
 Alta Corman-Wolf, Vice President, Residential Lender

Lucas D. Craig, Vice President, Financial Advisor
 Jason M. Cunningham, Vice President, Branch Manager
 Carolyn L. Donaldson, Vice President, Community Engagement and Relationship Development Officer
 Harry W. Felty, Vice President, Commercial Banking Market Leader
 Polly A. Gipe, Vice President, BSA Officer
 Stevi L. Glick, Vice President, Project Management Office and Business Analysis Manager
 Shane A. Graham, Vice President, Branch Manager
 Roxanne R. Greising, Vice President, Credit Administration Director
 Jeffrey A. Gum, Vice President, Managing Director, Kish Benefits Consulting
 Jeffrey T. Hayes, Vice President, Financial Advisor
 Matthew D. Heaps, Vice President, Commercial Relationship Manager
 Edward M. Henderson, Vice President, Wealth Advisor and Trust Officer
 Ashley L. Henry, Vice President, Senior Business Systems Analyst
 Crystal L. Himes, Vice President, Residential Lender
 Holly A. Johnson, Vice President, Mortgage Banking Manager
 Lisa A. Kennedy, Vice President, Training and Organizational Development Manager
 Jessica L. Kitt, Vice President, Retail Banking Sales Manager
 Patrick S. Krispin, Vice President, Data and Analytics Manager
 Marsha K. Kuhns, Vice President, Residential Lender
 John Q. Massie, Vice President, Commercial Relationship Manager
 Seth J. Napikoski, Vice President, Commercial Relationship Manager
 Caleb J. Shertzer, Vice President, Commercial Banking Market Leader
 Cheryl E. Shope, Vice President, Residential Lender
 Wendy S. Strohecker, Vice President, Operations Manager
 N. Robert Sunday, III, Vice President, Compliance Officer
 Lindsey J. Swigart, Vice President, Bank Support Manager



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