UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year-ended December 31, 2022

OR

☐ **TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-35015

ACNB CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2233457**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
16 Lincoln Square, Gettysburg, Pennsylvania	**17325**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(717) 334-3161**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $2.50 par value per share	ACNB	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐	Smaller reporting company ☒
			Emerging growth company ☐

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

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

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

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

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

The aggregate market value of the voting stock held by nonaffiliates of the registrant at June 30, 2022, was approximately $248,708,346.

The number of shares of the registrant's common stock outstanding on March 3, 2023, was 8,514,970.

Documents Incorporated by Reference

Portions of the registrant's 2023 definitive Proxy Statement are incorporated by reference into Part III of this report.

ACNB CORPORATION

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PART I

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Form 10-K may contain forward-looking statements. Examples of forward-looking statements include, but are not limited to, (a) projections or statements regarding future earnings, expenses, net interest income, other income, earnings or loss per share, asset mix and quality, growth prospects, capital structure, and other financial terms, (b) statements of plans and objectives of Management or the Board of Directors, and (c) statements of assumptions, such as economic conditions in the Corporation's market areas. Such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "intends", "will", "should", "anticipates", or the negative of any of the foregoing or other variations thereon or comparable terminology, or by discussion of strategy. Forward-looking statements are subject to certain risks and uncertainties such as national, regional and local economic conditions, competitive factors, and regulatory limitations. Actual results may differ materially from those projected in the forward-looking statements. Such risks, uncertainties, and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the following: short-term and long-term effects of inflation and rising costs on the Corporation, customers and economy; effects of governmental and fiscal policies, as well as legislative and regulatory changes; effects of new laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) and their application with which the Corporation and its subsidiaries must comply; impacts of the capital and liquidity requirements of the Basel III standards; effects of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters; ineffectiveness of the business strategy due to changes in current or future market conditions; future actions or inactions of the United States government, including the effects of short-term and long-term federal budget and tax negotiations and a failure to increase the government debt limit or a prolonged shutdown of the federal government; effects of economic conditions particularly with regard to the negative impact of lingering effects of Coronavirus Disease 2019 (COVID-19) and any other pandemic, epidemic or health-related crisis and the responses thereto on the operations of the Corporation and current customers, specifically the effect of the economy on loan customers' ability to repay loans; effects of competition, and of changes in laws and regulations on competition, including industry consolidation and development of competing financial products and services; inflation, securities market and monetary fluctuations; risks of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities, and interest rate protection agreements, as well as interest rate risks; difficulties in acquisitions and integrating and operating acquired business operations, including information technology difficulties; challenges in establishing and maintaining operations in new markets; effects of technology changes; effects of general economic conditions and more specifically in the Corporation's market areas; failure of assumptions underlying the establishment of reserves for loan losses and estimations of values of collateral and various financial assets and liabilities; acts of war or terrorism or geopolitical instability; disruption of credit and equity markets; ability to manage current levels of impaired assets; loss of certain key officers; ability to maintain the value and image of the Corporation's brand and protect the Corporation's intellectual property rights; continued relationships with major customers; and, potential impacts to the Corporation from continually evolving cybersecurity and other technological risks and attacks, including additional costs, reputational damage, regulatory penalties, and financial losses. We caution readers not to place undue reliance on these forward-looking statements. They only reflect Management's analysis as of this date. The Corporation does not revise or update these forward-looking statements to reflect events or changed circumstances. Please carefully review the risk factors described in other documents the Corporation files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

ITEM 1—BUSINESS

ACNB CORPORATION

ACNB Corporation (the Corporation or ACNB), headquartered in Gettysburg, Pennsylvania, is the financial holding company for the wholly-owned subsidiaries of ACNB Bank (Bank), Gettysburg, Pennsylvania, and ACNB Insurance Services, Inc., formerly Russell Insurance Group, Inc., Westminster, Maryland. Originally founded in 1857, ACNB Bank serves its marketplace with banking and wealth management services, including trust and retail brokerage, via a network of 26 community banking offices and three loan offices located in the Pennsylvania counties of Adams, Cumberland, Franklin, Lancaster and York and the Maryland counties of Baltimore, Carroll, and Frederick. ACNB Insurance Services, Inc., the Corporation's insurance subsidiary, is a full-service agency with licenses in 44 states. The agency offers a broad range of property, casualty, health, life and disability insurance serving personal and commercial clients through office locations in Westminster and Jarrettsville, Maryland, and Gettysburg, Pennsylvania.

ACNB Corporation was formed in 1982, then became the bank holding company for Adams County National Bank (now ACNB Bank) in 1983. The Corporation purchased Russell Insurance Group, Inc. (now ACNB Insurance Services, Inc.), its insurance subsidiary, in 2005. On July 1, 2017, ACNB Corporation completed the acquisition of New Windsor Bancorp, Inc. and its wholly-owned subsidiary, New Windsor State Bank, a Maryland state-chartered, FDIC-insured community bank headquartered in Taneytown, Maryland. On January 11, 2020, ACNB completed its acquisition of Frederick County Bancorp, Inc. (FCBI) and its wholly-owned subsidiary, Frederick County Bank, a Maryland state-chartered, FDIC-insured community bank headquartered in Frederick, Maryland. On February 28, 2022, ACNB Insurance Services, Inc. completed the acquisition of the business and assets of Hockley & O'Donnell Insurance Agency, LLC, Gettysburg, PA.

ACNB's major source of unconsolidated operating funds is dividends that it receives from its subsidiaries. ACNB's unconsolidated expenses consist principally of losses from low-income housing investments. Dividends that ACNB pays to stockholders consist of dividends declared and paid to ACNB by the subsidiary bank, ACNB Bank.

ACNB and its subsidiaries are not dependent upon a single customer or a small number of customers, the loss of which would have a material adverse effect on the Corporation. ACNB does not depend on foreign sources of funds, nor does it make foreign loans.

The common stock of ACNB is listed on The NASDAQ Capital Market under the symbol ACNB.

BANKING SUBSIDIARY

ACNB Bank

ACNB Bank is a full-service commercial bank operating under charter from the Pennsylvania Department of Banking and Securities. The Bank's principal market areas include Adams County, Pennsylvania, and its environs in southcentral Pennsylvania, as well as Carroll County and Frederick County, Maryland, in northern Maryland. This geographic area depends on agriculture, industry, tourism, education and healthcare to provide employment for its residents. No single sector dominates the area's economy. At December 31, 2022, ACNB Bank had total assets of $2,487,000,000, total gross loans of $1,539,000,000, total deposits of $2,201,000,000, and total equity capital of $226,000,000. In October 2010, the Bank converted from a national banking association to a Pennsylvania state-chartered bank and trust company.

The main community banking office of the Bank is located at 16 Lincoln Square, Gettysburg, Pennsylvania. In addition to its main office, as of December 31, 2022, the Bank has a total of 16 community banking offices in Pennsylvania, including 9 offices in Adams County, five offices in York County, one office in Cumberland County, and one office in Franklin County. There are also loan production offices situated in Lancaster and York, Pennsylvania, and Hunt Valley, Maryland. NWSB Bank, a division of ACNB Bank, serves its local marketplace via a network of five community banking offices located in Carroll County, Maryland. FCB Bank, a division of ACNB Bank, serves its marketplace via a network of four community banking offices located in Frederick County, Maryland. Effective January 1, 2023, NWSB Bank and FCB Bank, formally adopted the ACNB Bank name and brand identity in the counties of Carroll and Frederick in northern Maryland, respectively. The Bank's service delivery channels for its customers also include the ATM network, Customer Contact Center, and Online, Telephone and Mobile Banking. The Bank is subject to regulation and periodic examination by the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation (FDIC). The FDIC, as provided by law, insures the Bank's deposits.

Commercial lending includes commercial mortgages, real estate development and construction loans, accounts receivable and inventory financing, and agricultural and governmental loans. Consumer lending programs include home equity loans and lines of credit, automobile and recreational vehicle loans, manufactured housing loans, and personal lines of credit. Mortgage lending programs include personal residential mortgages, residential construction loans, and investment mortgage loans.

A trust is a legal fiduciary agreement whereby ACNB Bank, through its Trust & Investment Services function, is named as trustee of financial assets. As trustee, ACNB Bank invests, protects, manages and distributes financial assets as defined in the agreement. Estate settlement governed by the last will and testament of an individual constitutes another line of business for ACNB Bank Trust & Investment Services. One purpose of having a will is to name an executor to settle the estate. ACNB Bank has the knowledge and expertise to act as executor. Other services include, but are not limited to, those related to testamentary trusts, life insurance trusts, charitable remainder trusts, guardianships, powers of attorney, custodial accounts, and investment management and advisory accounts. Total trust assets under management were $310,600,000 at December 31, 2022.

In addition to ACNB Bank Trust & Investment Services, under the umbrella of ACNB Wealth Management, the Bank offers retail brokerage services through a third-party provider as a result of the acquisition of New Windsor State Bank effective July 1, 2017. This third-party provider is a broker/dealer, unaffiliated with ACNB Bank. At December 31, 2022, total assets under management with the broker/dealer were $208,200,000.

NONBANKING SUBSIDIARIES

ACNB Insurance Services, Inc.

On January 6, 2022, ACNB Corporation announced the name change and rebranding of the insurance subsidiary to ACNB Insurance Services, Inc. from Russell Insurance Group, Inc. effective January 1, 2022. This rebranding reinforces the common ownership by ACNB Corporation of both ACNB Bank and the insurance agency, as well as makes this affiliation more visible for businesses and consumers in order to leverage cross-selling opportunities in the shared communities served.

On February 28, 2022, ACNB Insurance Services, Inc. completed its acquisition of Hockley & O'Donnell Insurance Agency, LLC, located in Gettysburg, Pennsylvania.

ACNB Corporation's wholly-owned subsidiary, ACNB Insurance Services, Inc., is a full-service insurance agency that offers a broad range of property, casualty, health, life and disability insurance to both commercial and individual clients with licenses in 44 states. Based in Westminster, Maryland, ACNB Insurance Services, Inc., has served the needs of its clients since its founding as an independent insurance agency by Frank C. Russell, Jr. in 1978. The agency was purchased by the Corporation in 2005. ACNB Insurance Services, Inc. operates additional locations in Jarrettsville, Maryland, and Gettysburg, Pennsylvania. Total assets of ACNB Insurance Services, Inc. as of December 31, 2022, were $20,154,000.

ACNB Insurance Services, Inc. is managed separately from the banking and related financial services that the Corporation offers and is reported as a separate segment. Financial information on this segment is included in the Notes to Consolidated Financial Statements, Note S — "Segment and Related Information".

MARKET AREA ECONOMIC FEATURES AND CONDITIONS

ACNB Corporation's major operations are in the more rural and small town areas of the Harrisburg-Carlisle MSA and the York-Hanover MSA in Pennsylvania, along with all of Adams County, Pennsylvania, parts of Franklin County, Pennsylvania, and all of Carroll County and Frederick County, Maryland. Major types of employers include those focused on manufacturing, education, healthcare, agriculture, tourism, and transportation/warehousing, as well as local governments. A material amount of land surrounding Gettysburg, Pennsylvania, is under the control of the National Park Service, limiting certain types of development. Unemployment figures in the subsidiary bank's market recently, and historically, have been better than those for Pennsylvania and Maryland as a whole, and similar to the United States. Per capita and household incomes are generally under Pennsylvania averages. The unemployment rate during 2022 averaged 3.24% in the subsidiary bank's six-county marketplace, while it was 4.13% overall in Pennsylvania and Maryland, and 3.64% in the United States.

COMPETITION

The financial services industry in ACNB's market area is highly competitive, including competition for similar products and services from commercial banks, thrifts, credit unions, finance and mortgage companies, and other nonbank providers of financial services. Several of ACNB's competitors have legal lending limits that exceed those of ACNB's subsidiary bank, as well as funding sources in the capital markets that exceed ACNB's availability. The high level of competition has resulted from changes in the legal and regulatory environment, as well as from the economic climate, customer expectations, and service alternatives via the internet.

SUPERVISION AND REGULATION

Regulation of Bank Holding Company and Subsidiaries

BANK HOLDING COMPANY ACT OF 1956 — ACNB is a financial holding company and is subject to the regulations of the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956. Bank holding

companies are required to file periodic reports with and are subject to examination by the Federal Reserve.

The Federal Reserve has issued regulations under the Bank Holding Company Act that require a financial holding company to serve as a source of financial and managerial strength to its subsidiary bank. As a result, the Federal Reserve may require ACNB to stand ready to use its resources to provide adequate capital funds to the Bank during periods of financial stress or adversity. In addition, the Federal Reserve may require a financial holding company to end a nonbanking business if the nonbanking business constitutes a serious risk to the financial soundness and stability of any banking subsidiary of the financial holding company.

The Bank Holding Company Act prohibits ACNB from acquiring direct or indirect control of more than 5% of the outstanding voting stock of any bank, or substantially all of the assets of any bank, or merging with another bank holding company, without the prior approval of the Federal Reserve. The Bank Holding Company Act allows interstate bank acquisitions and interstate branching by acquisition and consolidation in those states that had not elected to opt out by the required deadline. The Pennsylvania Department of Banking and Securities also must approve any similar consolidation. Pennsylvania law permits Pennsylvania financial holding companies to control an unlimited number of banks.

Further, the Bank Holding Company Act restricts ACNB's nonbanking activities to those that are determined by the Federal Reserve Board to be financial in nature, incidental to such financial activity, or complementary to a financial activity. The Bank Holding Company Act does not place territorial restrictions on the activities of nonbanking subsidiaries of financial holding companies.

GRAMM-LEACH-BLILEY ACT OF 1999 (GLBA) — The Gramm-Leach-Bliley Act of 1999 eliminated many of the restrictions placed on the activities of bank holding companies that become financial holding companies. Among other things, the Gramm-Leach-Bliley Act repealed certain Glass-Steagall Act restrictions on affiliations between banks and securities firms, and amended the Bank Holding Company Act to permit bank holding companies that are financial holding companies to engage in activities, and acquire companies engaged in activities, that are: financial in nature (including insurance underwriting, insurance company portfolio investment, financial advisory, securities underwriting, dealing and market-making, and merchant banking activities); incidental to financial activities; or, complementary to financial activities if the Federal Reserve determines that they pose no substantial risk to the safety or soundness of depository institutions or the financial system in general.

REGULATION W — Transactions between a bank and its "affiliates" are quantitatively and qualitatively restricted under the Federal Reserve Act. The Federal Deposit Insurance Act applies Sections 23A and 23B to insured nonmember banks in the same manner and to the same extent as if they were members of the Federal Reserve System. The Federal Reserve has also issued Regulation W, which codifies prior regulations under Sections 23A and 23B of the Federal Reserve Act, and interpretative guidance with respect to affiliate transactions. Regulation W incorporates the exemption from the affiliate transaction rules, but expands the exemption to cover the purchase of any type of loan or extension of credit from an affiliate. Affiliates of a bank include, among other entities, the bank's holding company and companies that are under common control with the bank. ACNB Corporation and ACNB Insurance Services, Inc. are considered to be affiliates of ACNB Bank.

USA PATRIOT ACT OF 2001 (USA PATRIOT Act) — In October 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 was enacted in response to the terrorist attacks in New York, Pennsylvania and Washington, D.C., which occurred on September 11, 2001. The USA PATRIOT Act is intended to strengthen U.S. law enforcement's and the intelligence communities' abilities to work cohesively to combat terrorism on a variety of fronts. The impact of the USA PATRIOT Act on financial institutions of all kinds is significant and wide ranging. The USA PATRIOT Act contains sweeping anti-money laundering and financial transparency laws and imposes various regulations, including standards for verifying customer identification at account opening, and rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering.

SARBANES-OXLEY ACT OF 2002 (SOA) — In 2002, the Sarbanes-Oxley Act of 2002 became law. The stated goals of the SOA are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly-traded companies, and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities law.

The SOA generally applies to all companies, both U.S. and non-U.S., that file or are required to file periodic reports with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, or the Exchange Act.

The SOA includes very specific additional disclosure requirements and corporate governance rules, as well as requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance, and other related rules. The SOA represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees.

The SOA addresses, among other matters:

- Audit committees for all reporting companies;
- Certification of financial statements by the chief executive officer and the chief financial officer;
- The forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve-month period following initial publication of any financial statements that later require restatement;
- A prohibition on insider trading during pension plan blackout periods;
- Disclosure of off-balance sheet transactions;
- A prohibition on personal loans to directors and officers;
- Expedited filing requirements for SEC Forms 4;
- Disclosure of a code of ethics and filing an SEC Form 8-K for a change or waiver of such code;
- "Real time" filing of periodic reports;
- Formation of a public accounting oversight board;
- Auditor independence; and,
- Increased criminal penalties for violations of securities laws.

The SEC has been delegated the task of enacting rules to implement various provisions of the SOA with respect to, among other matters, disclosure in periodic filings pursuant to the Exchange Act.

BANK SECRECY ACT (BSA) — Under the Bank Secrecy Act, banks and other financial institutions are required to report to the Internal Revenue Service currency transactions of more than $10,000 or multiple transactions of which a bank is aware in any one day that aggregate in excess of $10,000 and to report suspicious transactions under specified criteria. Civil and criminal penalties are provided under the BSA for failure to file a required report, for failure to supply information required by the BSA, or for filing a false or fraudulent report.

The Bank Secrecy Act, as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), imposes obligations on U.S. financial institutions, including banks and broker-dealer subsidiaries, to implement policies, procedures and controls which are reasonably designed to detect and report instances of money laundering and the financing of terrorism. Financial institutions also are required to respond to requests for information from federal banking agencies and law enforcement agencies. Information sharing among financial institutions for the above purposes is encouraged by an exemption granted to complying financial institutions from the privacy provisions of the Gramm-Leach-Bliley Act and other privacy laws. Financial institutions that hold correspondent accounts for foreign banks or provide banking services to foreign individuals are required to take measures to avoid dealing with certain foreign individuals or entities, including foreign banks with profiles that raise money laundering concerns and are prohibited from dealing with foreign "shell banks" and persons from jurisdictions of particular concern. The primary federal banking agencies and the Secretary of the Treasury have adopted regulations to implement several of these provisions. Effective May 11, 2018, the Bank began compliance with the new Customer Due Diligence Rule, which clarified and strengthened the existing obligations for identifying new and existing customers and includes risk-based procedures for conducting ongoing customer due diligence. All financial institutions are also required to establish internal anti-money laundering programs. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution under the Bank Merger Act. The Corporation's banking subsidiary has a BSA and USA PATRIOT Act compliance program commensurate with its risk profile and appetite.

DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT (DODD-FRANK) — In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law. Dodd-Frank was intended to effect a fundamental restructuring of federal banking regulation. Among other things, Dodd-Frank created the Financial Stability Oversight Council to identify systemic risks in the financial system and gives federal regulators new authority to take control of and liquidate financial firms. Dodd-Frank additionally created a new independent federal regulator to administer federal

consumer protection laws. Dodd-Frank has had and will continue to have a significant impact on ACNB's business operations as its provisions take effect. It is expected that, as various implementing rules and regulations are released, they will increase ACNB's operating and compliance costs and could increase the Bank's interest expense. Among the provisions that are likely to affect ACNB are the following:

Holding Company Capital Requirements

Dodd-Frank requires the Federal Reserve to apply consolidated capital requirements to bank holding companies that are no less stringent than those currently applied to depository institutions. Under these standards, trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010, by a bank holding company with less than $15 billion in assets as of December 31, 2009. Dodd-Frank additionally requires that bank regulators issue countercyclical capital requirements so that the required amount of capital increases in times of economic expansion, consistent with safety and soundness. For further information, please refer to *Regulatory Capital Changes* in Management's Discussion and Analysis.

Deposit Insurance

Dodd-Frank permanently increased the maximum deposit insurance amount for banks, savings institutions, and credit unions to $250,000 per depositor. Dodd-Frank also broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. Dodd-Frank required the FDIC to increase the reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of insured deposits by 2020 and eliminated the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. Dodd-Frank also eliminated the federal statutory prohibition against the payment of interest on business checking accounts.

Corporate Governance

Dodd-Frank requires publicly-traded companies to give stockholders a non-binding vote on executive compensation at least every three years, a non-binding vote regarding the frequency of the vote on executive compensation at least every six years, and a non-binding vote on "golden parachute" payments in connection with approvals of mergers and acquisitions unless previously voted on by stockholders. Additionally, Dodd-Frank directs the federal banking regulators to promulgate rules prohibiting excessive compensation paid to executives of depository institutions and their holding companies with assets in excess of $1.0 billion, regardless of whether the company is publicly traded. Dodd-Frank also gives the SEC authority to prohibit broker discretionary voting on elections of directors and executive compensation matters.

Prohibition Against Charter Conversions of Troubled Institutions

Dodd-Frank prohibits a depository institution from converting from a state to a federal charter, or vice versa, while it is the subject of a cease and desist order or other formal enforcement action or a memorandum of understanding with respect to a significant supervisory matter unless the appropriate federal banking agency gives notice of the conversion to the federal or state authority that issued the enforcement action and that agency does not object within 30 days. The notice must include a plan to address the significant supervisory matter. The converting institution must also file a copy of the conversion application with its current federal regulator, which must notify the resulting federal regulator of any ongoing supervisory or investigative proceedings that are likely to result in an enforcement action and provide access to all supervisory and investigative information relating thereto.

Interstate Branching

Dodd-Frank authorizes national and state banks to establish branches in other states to the same extent as a bank chartered by that state would be permitted. Previously, banks could only establish branches in other states if the host state expressly permitted out-of-state banks to establish branches in that state. Accordingly, banks are able to enter new markets more freely.

Limits on Interstate Acquisitions and Mergers

Dodd-Frank precludes a bank holding company from engaging in an interstate acquisition—the acquisition of a bank outside its home state—unless the bank holding company is both well capitalized and well managed. Furthermore, a bank may not engage in an interstate merger with another bank headquartered in another state unless the surviving institution will be well capitalized and well managed. The previous standard in both cases was adequately capitalized and adequately managed.

Limits on Interchange Fees

Dodd-Frank amended the Electronic Fund Transfer Act to, among other things, give the Federal Reserve the authority to establish rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over

$10 billion and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer.

Consumer Financial Protection Bureau

Dodd-Frank created the independent federal agency called the Consumer Financial Protection Bureau (CFPB), which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act, and certain other statutes. The CFPB has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets. Smaller institutions are subject to rules promulgated by the CFPB, but continue to be examined and supervised by federal banking regulators for consumer compliance purposes. The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. Dodd-Frank authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower's ability to repay. In addition, Dodd-Frank allows borrowers to raise certain defenses to foreclosure if they receive any loan other than a "qualified mortgage" as defined by the CFPB. Dodd-Frank permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

ABILITY-TO-REPAY AND QUALIFIED MORTGAGE RULE — Pursuant to Dodd-Frank as highlighted above, the CFPB issued a final rule on January 10, 2013 (effective on January 10, 2014), amending Regulation Z as implemented by the Truth in Lending Act, requiring mortgage lenders to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms. Mortgage lenders are required to determine the consumer's ability to repay in one of two ways. The first alternative requires the mortgage lender to consider the following eight underwriting factors when making the credit decision: (1) current or reasonably expected income or assets; (2) current employment status; (3) the monthly payment on the covered transaction; (4) the monthly payment on any simultaneous loan; (5) the monthly payment for mortgage-related obligations; (6) current debt obligations, alimony, and child support; (7) the monthly debt-to-income ratio or residual income; and, (8) credit history. Alternatively, the mortgage lender can originate "qualified mortgages", which are entitled to a presumption that the creditor making the loan satisfied the ability-to-repay requirements. In general, a "qualified mortgage" is a mortgage loan without negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years. In addition, to be a qualified mortgage, the points and fees paid by a consumer cannot exceed 3% of the total loan amount. Loans which meet these criteria will be considered qualified mortgages and, as a result, generally protect lenders from fines or litigation in the event of foreclosure. Qualified mortgages that are "higher-priced" (e.g., subprime loans) garner a rebuttable presumption of compliance with the ability-to-repay rules, while qualified mortgages that are not "higher-priced" (e.g., prime loans) are given a safe harbor of compliance. The impact of the final rule, and the subsequent amendments thereto, on the Corporation's lending activities and the Corporation's statements of income or condition has had little or no impact; however, management will continue to monitor the implementation of the rule for any potential effects on the Corporation's business.

DEPARTMENT OF DEFENSE MILITARY LENDING RULE — In 2015, the U.S. Department of Defense issued a final rule which restricts pricing and terms of certain credit extended to active duty military personnel and their families. This rule, which was implemented effective October 3, 2016, caps the interest rate on certain credit extensions to an annual percentage rate of 36% and restricts other fees. The rule requires financial institutions to verify whether customers are military personnel subject to the rule. The impact of this final rule, and any subsequent amendments thereto, on the Corporation's lending activities and the Corporation's statements of income or condition has had little or no impact; however, management will continue to monitor the implementation of the rule for any potential effects on the Corporation's business.

FEDERAL DEPOSIT INSURANCE CORPORATION ACT OF 1991 — Under the Federal Deposit Insurance Corporation Act of 1991, any depository institution, including the subsidiary bank, is prohibited from paying any dividends, making other distributions or paying any management fees if, after such payment, it would fail to satisfy the minimum capital requirement.

FEDERAL RESERVE ACT — A subsidiary bank of a bank holding company is subject to certain restrictions and reporting requirements imposed by the Federal Reserve Act, including:

- Extensions of credit to the bank holding company, its subsidiaries, or principal stockholders;
- Investments in the stock or other securities of the bank holding company or its subsidiaries; and,
- Taking such stock or securities as collateral for loans.

COMMUNITY REINVESTMENT ACT OF 1977 (CRA) — Under the Community Reinvestment Act of 1977, the FDIC is required to assess the record of all financial institutions regulated by it to determine if these institutions are meeting the credit needs of the community, including low- and moderate-income neighborhoods, which they serve and to take this record into account in its evaluation of any application made by any of such institutions for, among other things, approval of a branch or other deposit facility, office relocation, merger, or acquisition of bank shares. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 amended the CRA to require, among other things, that the FDIC make publicly available the evaluation of a bank's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods. This evaluation includes a descriptive rating like "outstanding", "satisfactory", "needs to improve" or "substantial noncompliance" and a statement describing the basis for the rating. These ratings are publicly disclosed.

FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT OF 1991 (FDICIA) — The Federal Deposit Insurance Corporation Improvement Act requires that institutions be classified, based on their risk-based capital ratios, into one of five defined categories, as follows and as illustrated below: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, or critically undercapitalized.

Capital Category	Total Risk-Based Ratio	Tier 1 Risk-Based Ratio	Tier 1 Leverage Ratio	Under a Capital Order or Directive
Well capitalized	≥10.0 %	≥6.0 %	≥5.0 %	NO
Adequately capitalized	≥8.0 %	≥4.0 %	≥4.0 %*	
Undercapitalized	<8.0 %	<4.0 %	<4.0 %*	
Significantly undercapitalized	<6.0 %	<3.0 %	<3.0 %	
Critically undercapitalized			<2.0 %	

* *3.0% for those banks having the highest available regulatory rating.*

In the event an institution's capital deteriorates to the undercapitalized category or below, FDICIA prescribes an increasing amount of regulatory intervention, including the institution of a capital restoration plan and a guarantee of the plan by a parent institution and the placement of a hold on increases in assets, number of branches, or lines of business. If capital reaches the significantly or critically undercapitalized levels, further material restrictions can be imposed, including restrictions on interest payable on accounts, dismissal of management, and, in critically undercapitalized situations, appointment of a receiver. For well capitalized institutions, FDICIA provides authority for regulatory intervention when the institution is deemed to be engaging in unsafe or unsound practices or receives a less than satisfactory examination report rating for asset quality, management, earnings or liquidity. All but well capitalized institutions are prohibited from accepting brokered deposits without prior regulatory approval. Under FDICIA, financial institutions are subject to increased regulatory scrutiny and must comply with certain operational, managerial and compensation standards established by Federal Reserve Board regulations.

In July 2013, the federal banking agencies issued final rules to implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. The phase-in period for community banking organizations began January 1, 2015, while larger institutions (generally those with assets of $250 billion or more) began compliance on January 1, 2014. The final rules call for the following capital requirements:

- A minimum ratio of common Tier 1 capital to risk-weighted assets of 4.5%.
- A minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%.
- A minimum ratio of total capital to risk-weighted assets of 8.0%.
- A minimum leverage ratio of 4.0%.

In addition, the final rules established a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets applicable to all banking organizations.

A discussion of how these capital rules affect ACNB Corporation appears under Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations.

JUMPSTART OUR BUSINESS STARTUPS ACT (JOBS ACT) — In 2012, the JOBS Act became law. The JOBS Act is aimed at facilitating capital raising by smaller companies and banks and bank holding companies by implementing the following changes:

- Raising the threshold requiring registration under the Securities Exchange Act of 1934 (Exchange Act) for banks and bank holding companies from 500 to 2,000 holders of record;
- Raising the threshold for triggering deregistration under the Exchange Act for banks and bank holding companies from 300 to 1,200 holders of record;
- Raising the limit for Regulation A offerings from $5 million to $50 million per year and exempting some Regulation A offerings from state blue sky laws;
- Permitting advertising and general solicitation in Rule 506 and Rule 144A offerings;
- Allowing private companies to use “crowd funding” to raise up to $1 million in any 12-month period, subject to certain conditions; and,
- Creating a new category of issuer, called an “Emerging Growth Company”, for companies with less than $1 billion in annual gross revenue, which will benefit from certain changes that reduce the cost and burden of carrying out an equity initial public offering (IPO) and complying with public company reporting obligations for up to five years.

To date, the JOBS Act has not had an immediate application to the Corporation, and has had no material impact to the Corporation, its assets or its operations. Management will continue to monitor the implementation rules for potential effects which might benefit the Corporation.

Dividends

ACNB is a legal entity separate and distinct from its subsidiary bank. ACNB’s revenues, on a parent company only basis, result primarily from dividends paid to the Corporation by its subsidiaries. Federal and state laws regulate the payment of dividends by ACNB’s subsidiary bank and state laws effect dividends by ACNB’s insurance subsidiary. For further information, please refer to *Regulation of Bank* below.

Regulation of Bank

The operations of the subsidiary bank are subject to statutes applicable to banks chartered under the banking laws of Pennsylvania, to state nonmember banks of the Federal Reserve, and to banks whose deposits are insured by the FDIC. The subsidiary bank’s operations are also subject to regulations of the Pennsylvania Department of Banking and Securities, Federal Reserve, and FDIC.

The Pennsylvania Department of Banking and Securities, which has primary supervisory authority over banks chartered in Pennsylvania, regularly examines banks in such areas as reserves, loans, investments, management practices, and other aspects of operations. The subsidiary bank is also subject to examination by the FDIC for safety and soundness, as well as consumer compliance. These examinations are designed for the protection of the subsidiary bank’s depositors rather than ACNB’s stockholders. The subsidiary bank must file quarterly and annual reports to the Federal Financial Institutions Examination Council, or FFIEC.

Monetary and Fiscal Policy

ACNB and its subsidiary bank are affected by the monetary and fiscal policies of government agencies, including the Federal Reserve and FDIC. Through open market securities transactions and changes in its discount rate and reserve requirements, the Board of Governors of the Federal Reserve exerts considerable influence over the cost and availability of funds for lending and investment. The nature and impact of monetary and fiscal policies on future business and earnings of ACNB cannot be predicted at this time. From time to time, various federal and state legislation is proposed that could result in additional regulation of, and restrictions on, the business of ACNB and the subsidiary bank, or otherwise change the business environment. Management cannot predict whether any of this legislation will have a material effect on the business of ACNB.

ACCOUNTING POLICY DISCLOSURE

Disclosure of the Corporation’s significant accounting policies is included in Note A — “Summary of Significant Accounting Policies” in the Notes to Consolidated Financial Statements. Some of these policies are particularly sensitive

requiring significant judgments, estimates and assumptions to be made by management. Additional information is contained in Management's Discussion and Analysis for the most sensitive of these issues, including the provision and allowance for loan losses which is located in Note D — "Loans and Allowance for Loan Losses" in the Notes to Consolidated Financial Statements.

Management, in determining the allowance for loan losses, makes significant judgments. Consideration is given to a variety of factors in establishing this estimate. In estimating the allowance for loan losses, management considers current economic conditions, diversification of the loan portfolio, delinquency statistics, results of internal loan review, financial and managerial strengths of borrowers, adequacy of collateral if collateral dependent or present value of future cash flows, and other relevant factors.

STATISTICAL DISCLOSURES

The following statistical disclosures are included in Management's Discussion and Analysis, Item 7 hereof, and are incorporated by reference in this Item 1:

- Interest Rate Sensitivity Analysis
- Interest Income and Expense, Volume and Rate Analysis
- Investment Portfolio
- Loan Maturity and Interest Rate Sensitivity
- Loan Portfolio
- Allocation of Allowance for Loan Losses
- Deposits
- Short-Term Borrowings

AVAILABLE INFORMATION

The Corporation maintains a website on the Internet at investor.acnb.com. The Corporation makes available free of charge, on or through its website, its proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission (SEC). This reference to the Corporation's Internet address shall not, under any circumstances, be deemed to incorporate the information available at such Internet address into this Form 10-K or other SEC filings. The information available at the Corporation's Internet address is not part of this Form 10-K or any other report filed by the Corporation with the SEC. The Corporation's SEC filings can also be obtained on the SEC's website on the Internet at https://www.sec.gov.

EMPLOYEES

As of December 31, 2022, ACNB had 397 full-time equivalent employees. None of these employees are represented by a collective bargaining agreement, and ACNB believes it enjoys good relations with its personnel.

ACQUISITIONS

ACNB Corporation and its subsidiaries have pursued organic and inorganic growth strategies. In pursuit of the inorganic growth strategy, on July 1, 2017, ACNB acquired New Windsor Bancorp, Inc. and its wholly-owned subsidiary, New Windsor State Bank, headquartered in Taneytown, Maryland. Additionally, on January 11, 2020, ACNB acquired Frederick County Bancorp, Inc. and its wholly-owned subsidiary, Frederick County Bank, headquartered in Frederick, Maryland.

On February 28, 2022, ACNB Insurance Services, Inc., the wholly owned insurance subsidiary of ACNB Corporation, acquired Hockley & O'Donnell Insurance Agency, LLC, located in Gettysburg, Pennsylvania. The purchase price was $7,800,000 and was funded with all cash and no additional contingent payments were required.

ITEM 1A—RISK FACTORS

CREDIT RISKS

ACNB IS SUBJECT TO INTEREST RATE RISK.

ACNB's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest income earned on interest-earning assets, such as loans and securities, and interest expense paid on interest-bearing liabilities, such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond ACNB's control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Board of Governors of the Federal Reserve System. Changes in monetary policy, including changes in interest rates, could influence not only the amount of interest ACNB receives on loans and securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect (i) ACNB's ability to originate loans and obtain deposits, (ii) the fair value of ACNB's financial assets and liabilities, and (iii) the average duration of ACNB's mortgage-backed securities portfolio. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, ACNB's net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on ACNB's results of operations, any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on ACNB's financial condition and results of operations.

ACNB IS SUBJECT TO CREDIT RISK.

As of December 31, 2022, approximately 70% of ACNB's loan portfolio consisted of commercial and industrial, construction, and commercial real estate loans. These types of loans are generally viewed as having more risk of default than residential real estate loans or consumer loans. These types of loans are also typically larger than residential real estate loans and consumer loans. Because ACNB's loan portfolio contains a significant number of commercial and industrial, construction, and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in non-performing loans. An increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for loan losses, and an increase in loan charge-offs, all of which could have a material adverse effect on ACNB's financial condition and results of operations.

ACNB'S ALLOWANCE FOR LOAN LOSSES MAY BE INSUFFICIENT.

ACNB maintains an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, that represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The level of the allowance reflects management's continuing evaluation of the following: industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political and regulatory conditions; and, unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires ACNB to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, and other factors, both within and outside of ACNB's control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review ACNB's allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. Further, if charge-offs in future periods exceed the allowance for loan losses, ACNB will need additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income, and possibly capital, and may have a material adverse effect on ACNB's financial condition and results of operations.

BUSINESS RISKS

COMPETITION FROM OTHER FINANCIAL INSTITUTIONS MAY ADVERSELY AFFECT ACNB'S PROFITABILITY.

ACNB's banking subsidiary faces substantial competition in originating both commercial and consumer loans. This competition comes principally from other banks, credit unions, mortgage banking companies, and other lenders. Many of its competitors enjoy advantages, including greater financial resources with higher lending limits, wider geographic presence, more branch office locations, the ability to offer a wider array of services or more favorable pricing alternatives, and lower

origination and operating costs. This competition could reduce the Corporation's net income by decreasing the number and size of loans that its banking subsidiary originates and the interest rates it may charge on these loans.

In attracting business and consumer deposits, its banking subsidiary faces substantial competition from other insured depository institutions such as banks, savings institutions, and credit unions, as well as institutions offering uninsured investment alternatives, including money market funds. Many of ACNB's competitors enjoy advantages, including greater financial resources, wider geographic presence, more aggressive marketing campaigns, better brand recognition, more branch office locations, the ability to offer a wider array of services or more favorable pricing alternatives, and lower origination and operating costs. These competitors may offer higher interest rates than ACNB, which could decrease the deposits that it attracts or require it to increase its rates to retain existing deposits or attract new deposits. Increased deposit competition could adversely affect the subsidiary's ability to generate the funds necessary for lending operations. As a result, it may need to seek other sources of funds that may be more expensive to obtain and could increase its cost of funds.

ACNB's banking subsidiary also competes with nonbank providers of financial services, such as brokerage firms, consumer finance companies, credit unions, insurance companies and agencies, and governmental organizations which may offer more favorable terms. Some of its nonbank competitors are not subject to the same extensive regulations that govern ACNB's banking operations. As a result, such nonbank competitors may have advantages over ACNB's banking subsidiary in providing certain products and services. This competition may reduce or limit ACNB's margins on banking services, reduce its market share, and adversely affect its earnings and financial condition.

THE BASEL III CAPITAL REQUIREMENTS MAY REQUIRE ACNB TO MAINTAIN HIGHER LEVELS OF CAPITAL, WHICH COULD REDUCE ACNB'S PROFITABILITY.

Basel III targets higher levels of base capital, certain capital buffers, and a migration toward common equity as the key source of regulatory capital. Although the new capital requirements are phased in over future years and may change substantially before final implementation, Basel III signals a growing effort by domestic and international bank regulatory agencies to require financial institutions, including depository institutions, to maintain higher levels of capital. The direction of the Basel III implementation activities or other regulatory viewpoints could require additional capital to support the Corporation's business risk profile prior to final implementation of the Basel III standards. If ACNB and the subsidiary bank are required to maintain higher levels of capital, ACNB and the subsidiary bank may have fewer opportunities to invest capital into interest-earning assets, which could limit the profitable business operations available to ACNB and the subsidiary bank and adversely impact ACNB's financial condition and results of operations.

THE CORPORATION'S OPERATIONS OF ITS BUSINESS, INCLUDING ITS TRANSACTIONS WITH CUSTOMERS, ARE INCREASINGLY DONE VIA ELECTRONIC MEANS, AND THIS HAS INCREASED ITS RISKS RELATED TO CYBERSECURITY.

The Corporation is exposed to the risk of cyberattacks in the normal course of business. In addition, the Corporation is exposed to cyberattacks on vendors and merchants that affect the Corporation and its customers. In general, cyber incidents can result from deliberate attacks or unintentional events. The Corporation has observed an increased level of attention in the industry focused on cyber-attacks that include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. To combat against these attacks, policies and procedures are in place to prevent or limit the effect of the possible security breach of its information systems. While ACNB maintains insurance coverage that may, subject to policy terms and conditions including significant self-insured deductibles, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. While the Corporation has not incurred any material losses related to cyberattacks, nor is it aware of any specific or threatened cyber incidents as of the date of this report, it may incur substantial costs and suffer other negative consequences if it falls victim to successful cyberattacks. Such negative consequences could include remediation costs that may include liability for stolen assets or information and repairing system damage that may have been caused; deploying additional personnel and protection technologies, training employees, and engaging third-party experts and consultants; lost revenues resulting from unauthorized use of proprietary information or the failure to retain or attract customers following an attack; disruption or failures of physical infrastructure, operating systems or networks that support ACNB's business and customers resulting in the loss of customers and business opportunities; additional regulatory scrutiny and possible regulatory penalties; litigation; and, reputational damage adversely affecting customer or investor confidence.

ACNB'S CONTROLS AND PROCEDURES MAY FAIL OR BE CIRCUMVENTED.

Management regularly reviews and updates ACNB's internal controls, disclosure controls, and procedures, as well as corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any

failure or circumvention of ACNB's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on ACNB's business, financial condition, and results of operations.

ACNB'S ABILITY TO PAY DIVIDENDS DEPENDS PRIMARILY ON DIVIDENDS FROM ITS BANKING SUBSIDIARY, WHICH ARE SUBJECT TO REGULATORY LIMITS AND THE BANKING SUBSIDIARY PERFORMANCE.

ACNB is a financial holding company and its operations are conducted by its subsidiaries. Its ability to pay dividends depends on its receipt of dividends from its subsidiaries. Dividend payments from its banking subsidiary are subject to legal and regulatory limitations, generally based on net profits and retained earnings, imposed by the various banking regulatory agencies. The ability of its subsidiaries to pay dividends is also subject to their profitability, financial condition, capital expenditures, and other cash flow requirements. There is no assurance that its subsidiaries will be able to pay dividends in the future or that ACNB will generate adequate cash flow to pay dividends in the future. ACNB's failure to pay dividends on its common stock could have a material adverse effect on the market price of its common stock.

NEW LINES OF BUSINESS OR NEW PRODUCTS AND SERVICES MAY SUBJECT ACNB TO ADDITIONAL RISKS.

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

ACNB MAY NOT BE ABLE TO ATTRACT AND RETAIN SKILLED PEOPLE.

ACNB's success depends, in large part, on its ability to attract and retain key people. Competition for the best people in most activities engaged in by ACNB can be intense, and ACNB may not be able to hire people or to retain them. The unexpected loss of services of one or more of ACNB's key personnel could have a material adverse impact on ACNB's business because the Corporation would no longer have the benefit of their skills, knowledge of ACNB's market, as well as years of industry experience, and it would be difficult to promptly find qualified replacement personnel. ACNB and/or one of its subsidiaries currently has employment agreements, including covenants not to compete, with the following named executive officers: its President & Chief Executive Officer; Executive Vice President/Secretary & Chief Governance Officer; Executive Vice President/Treasurer & Chief Financial Officer; and, the Executive Vice President/Chief Lending & Revenue Officer of ACNB Bank.

ACNB IS SUBJECT TO CLAIMS AND LITIGATION PERTAINING TO FIDUCIARY RESPONSIBILITY.

From time to time, customers make claims and take legal action pertaining to ACNB's performance of its fiduciary responsibilities. Whether customer claims and legal action related to ACNB's performance of its fiduciary responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to ACNB, they may result in significant financial liability and/or adversely affect the market perception of ACNB and its products and services, as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on ACNB's business, which, in turn, could have a material adverse effect on ACNB's financial condition and results of operations.

IF ACNB CONCLUDES THAT THE DECLINE IN VALUE OF ANY OF ITS AVAILABLE FOR SALE OR HELD TO MATURITY INVESTMENT SECURITIES IS AN OTHER-THAN-TEMPORARY IMPAIRMENT, ACNB IS REQUIRED TO WRITE DOWN THE VALUE OF THAT SECURITY THROUGH A CHARGE TO EARNINGS.

ACNB reviews its investment securities portfolio at each quarter-end to determine whether the fair value is below the current carrying value. When the fair value of any of its investment securities has declined below its carrying value, ACNB is required to assess whether the decline is an other-than-temporary impairment. If ACNB determines that the decline is an other-than-temporary impairment, it is required to write down the value of that security through a charge to earnings for credit related impairment. Non-credit related reductions in the value of a security do not require a write down of the value through earnings unless ACNB intends to, or is required to, sell the security. Changes in the expected cash flows related to the credit related piece of the investment of a security in ACNB's investment portfolio or a prolonged price decline may result in ACNB's

conclusion in future periods that an impairment is other than temporary, which would require a charge to earnings to write down the security to fair value. Due to the complexity of the calculations and assumptions used in determining whether an asset has an impairment that is other than temporary, the impairment disclosed may not accurately reflect the actual impairment in the future.

ACNB IS SUBJECT TO POTENTIAL IMPAIRMENT OF GOODWILL AND INTANGIBLES.

ACNB has certain long-lived assets including purchased intangible assets subject to amortization and associated goodwill assets which are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of condition and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

Accounting rules permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The goodwill impairment analysis involves comparing the reporting unit's estimated fair value to its carrying value, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of goodwill assigned to the reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. Subsequent reversal of goodwill impairment losses is not permitted.

Goodwill, which has an indefinite useful life, is evaluated pursuant to ASC Topic 350, *Intangibles — Goodwill and Other*, for impairment annually and is evaluated for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. The goodwill impairment analysis involves comparing the reporting unit's estimated fair value to its carrying value, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of goodwill assigned to the reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. Subsequent reversal of goodwill impairment losses is not permitted. ACNB performs an annual evaluation to determine if there is goodwill impairment.

ACNB IS SUBJECT TO ENVIRONMENTAL LIABILITY RISK ASSOCIATED WITH LENDING ACTIVITIES.

A significant portion of ACNB's banking subsidiary loan portfolio is secured by real property. During the ordinary course of business, ACNB may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, ACNB may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require ACNB to incur substantial expense and may materially reduce the affected property's value or limit ACNB's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase ACNB's exposure to environmental liability. Although ACNB has policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on ACNB's financial condition and results of operations.

ACNB'S INFORMATION SYSTEMS MAY EXPERIENCE AN INTERRUPTION OR BREACH IN SECURITY.

ACNB relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in ACNB's customer relationship management, general ledger, deposit, loan and other systems. While ACNB has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. Although ACNB maintains insurance coverage that may, subject to policy terms and conditions including significant self-insured deductibles, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. The occurrence of any failures, interruptions or security breaches of ACNB's information systems could damage ACNB's reputation adversely affecting customer or investor confidence, result in a loss of customer business, subject ACNB to additional regulatory scrutiny and possible regulatory penalties, or expose ACNB to civil litigation and possible financial liability, any of which could have a material adverse effect on ACNB's financial condition and results of operations.

STRATEGIC AND EXTERNAL RISKS

ACNB'S PROFITABILITY DEPENDS SIGNIFICANTLY ON ECONOMIC CONDITIONS IN ITS MARKET AREA AND IN THE COMMONWEALTH OF PENNSYLVANIA AND THE STATE OF MARYLAND.

ACNB's success depends primarily on the general economic conditions of the Commonwealth of Pennsylvania, the State of Maryland, and the specific local markets in which ACNB operates. Unlike larger national or other regional banks that are more geographically diversified, ACNB provides banking and financial services to customers primarily in the southcentral Pennsylvania and northern Maryland region of the country. The local economic conditions in these areas have a significant impact on the demand for ACNB's products and services, as well as the ability of ACNB's customers to repay loans, the value of the collateral securing the loans, and the stability of ACNB's deposit funding sources. A significant decline in general economic conditions caused by inflation, recession, acts of terrorism, outbreak of hostilities or other international or domestic occurrences and instability, unemployment, changes in securities markets, epidemics and pandemics (such as COVID-19) and governmental responses thereto, or other factors could impact these local economic conditions and, in turn, have a material adverse effect on ACNB's financial condition and results of operations.

THE EARNINGS OF FINANCIAL SERVICES COMPANIES ARE SIGNIFICANTLY AFFECTED BY GENERAL BUSINESS AND ECONOMIC CONDITIONS.

ACNB's operations and profitability are impacted by general business and economic conditions in the United States and abroad. These conditions include short-term and long-term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance, and the strength of the U.S. economy and the local economies in which ACNB operates, all of which are beyond ACNB's control. Deterioration in economic conditions could result in an increase in loan delinquencies and non-performing assets, decreases in loan collateral values, and a decrease in demand for ACNB's products and services, among other things, any of which could have a material adverse impact on ACNB's financial condition and results of operations.

The regulatory environment for the financial services industry is being significantly impacted by financial regulatory reform initiatives in the United States and elsewhere, and regulations promulgated to implement them, including Dodd-Frank.

Dodd-Frank, which was signed into law on July 21, 2010, comprehensively reforms the regulation of financial institutions, products and services. Dodd-Frank requires various federal regulatory agencies to implement numerous rules and regulations. Because the federal agencies are granted broad discretion in drafting these rules and regulations, many of the details and the impact of Dodd-Frank may not be known for many months or years.

While much of how Dodd-Frank and other financial industry reforms will change ACNB's current business operations depends on the specific regulatory reforms and interpretations. It is clear that the reforms, both under Dodd-Frank and otherwise, will have a significant effect on the entire industry. Although Dodd-Frank and other reforms will affect a number of the areas in which ACNB does business, it is not clear at this time the full extent of the adjustments that will be required and the extent to which ACNB will be able to adjust its businesses in response to the requirements. Although it is difficult to predict the magnitude and extent of these effects at this stage, ACNB believes compliance with Dodd-Frank and implementing its regulations and initiatives will negatively impact revenue and increase the cost of doing business, both in terms of transition expenses and on an ongoing basis, and it may also limit ACNB's ability to pursue certain business opportunities.

THE TRADING VOLUME IN ACNB'S COMMON STOCK IS LESS THAN THAT OF OTHER LARGER FINANCIAL SERVICES COMPANIES.

ACNB's common stock trades on NASDAQ, and the trading volume in its common stock is less than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of ACNB's common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which ACNB has no control. Given the lower trading volume of ACNB's common stock, significant sales of ACNB's common stock, and the expectation of these sales, could cause ACNB's stock price to fall.

ACNB OPERATES IN A HIGHLY REGULATED ENVIRONMENT AND MAY BE ADVERSELY AFFECTED BY CHANGES IN FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS.

ACNB, primarily through its banking subsidiary, is subject to extensive regulation, supervision and/or examination by federal and state banking authorities. Any change in applicable regulations or federal, state or local legislation could have a substantial impact on ACNB and its operations. Additional legislation and regulations that could significantly affect ACNB's powers, authority and operations may be enacted or adopted in the future, which could have a material adverse effect on its financial condition and results of operations. Further, regulators have significant discretion and authority to prevent or remedy unsafe or unsound practices or violations of laws by banks and bank and financial holding companies in the performance of

their supervisory and enforcement duties. The exercise of regulatory authority may have a negative impact on ACNB's financial condition and results of operations.

Like other financial holding companies and financial institutions, ACNB must comply with significant anti-money laundering and anti-terrorism laws. Under these laws, ACNB is required, among other things, to enforce a customer identification program and file currency transaction and suspicious activity reports with the federal government. Government agencies have substantial discretion to impose significant monetary penalties on institutions which fail to comply with these laws or make required reports. While ACNB has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

THE SOUNDNESS OF OTHER FINANCIAL INSTITUTIONS MAY ADVERSELY AFFECT ACNB.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. ACNB has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and institutional clients. Many of these transactions expose ACNB to credit risk in the event of a default by a counterparty or customer. In addition, ACNB's credit risk may be exacerbated when the collateral held by ACNB cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit exposure due to ACNB. Any such losses could have a material adverse effect on ACNB's financial condition and results of operations.

MARKET VOLATILITY AND OTHER CONDITIONS AND FACTORS MAY HAVE MATERIALLY ADVERSE EFFECTS ON ACNB'S LIQUIDITY AND FINANCIAL CONDITION.

The capital and credit markets have experienced extreme volatility and disruption. Over the last several years, in some cases, the markets have exerted downward pressure on stock prices, security prices, and credit capacity for certain issuers without regard to those issuers' underlying financial strength. In addition, other conditions and factors that could materially adversely affect ACNB's liquidity and funding including a lack of market or customer confidence in, or negative news about, ACNB or the financial services industry generally which also may result in a loss of deposits and/or negatively affect ACNB's ability to access the capital markets; the loss of customer deposits to alternative investments; counterparty availability; interest rate fluctuations; general economic conditions; and the legal, regulatory, accounting and tax environments governing ACNB's funding transactions. Many of the above conditions and factors may be caused by events over which ACNB has little or no control. There can be no assurance that significant disruption and volatility in the financial markets will not occur in the future. Further, ACNB's customers may be adversely impacted by such conditions, which could have a negative impact on ACNB's business, financial condition and results of operations.

ACNB MAY NEED OR BE COMPELLED TO RAISE ADDITIONAL CAPITAL IN THE FUTURE WHICH COULD DILUTE STOCKHOLDERS OR BE UNAVAILABLE WHEN NEEDED OR AT UNFAVORABLE TERMS.

ACNB's regulators or market conditions may require it to increase its capital levels. If ACNB raises capital through the issuance of additional shares of its common stock or other securities, it would likely dilute the ownership interests of current investors and would likely dilute the per share book value and earnings per share of its common stock. Furthermore, it may have an adverse impact on ACNB's stock price. New investors may also have rights, preferences and privileges senior to ACNB's current stockholders, which may adversely impact its current stockholders. ACNB's ability to raise additional capital will depend on conditions in the capital markets at that time, which are outside its control, and on its financial performance. Accordingly, ACNB cannot be assured of its ability to raise additional capital on terms and/or in time frames acceptable to it, or to raise additional capital at all. If ACNB cannot raise additional capital in sufficient amounts when needed, its ability to comply with regulatory capital requirements could be materially impaired. Additionally, the inability to raise capital in sufficient amounts may adversely affect ACNB's operations, financial condition, and results of operations.

PENNSYLVANIA BUSINESS CORPORATION LAW AND VARIOUS ANTI-TAKEOVER PROVISIONS UNDER ACNB'S ARTICLES AND BYLAWS COULD IMPEDE THE TAKEOVER OF ACNB.

Various Pennsylvania laws affecting business corporations may have the effect of discouraging offers to acquire ACNB, even if the acquisition would be advantageous to stockholders. In addition, ACNB has various anti-takeover measures in place under its articles of incorporation and bylaws, including a supermajority vote requirement for mergers, a staggered Board of Directors, and the absence of cumulative voting. Any one or more of these measures may impede the takeover of ACNB without the approval of the Board of Directors and may prevent stockholders from taking part in a transaction in which they could realize a premium over the current market price of ACNB common stock.

THE SEVERITY AND DURATION OF A FUTURE ECONOMIC DOWNTURN AND THE COMPOSITION OF THE BANKING SUBSIDIARY'S LOAN PORTFOLIO COULD IMPACT THE LEVEL OF LOAN CHARGE-OFFS AND THE PROVISION FOR LOAN LOSSES AND MAY AFFECT ACNB'S NET INCOME OR LOSS.

Lending money is a substantial part of ACNB's business through its banking subsidiary. However, every loan that ACNB makes carries a certain risk of non-payment. ACNB cannot assure that its allowance for loan losses will be sufficient to absorb actual loan losses. ACNB also cannot assure that it will not experience significant losses in its loan portfolio that may require significant increases to the allowance for loan losses in the future.

Although ACNB evaluates every loan that it makes against its underwriting criteria, ACNB may experience losses by reasons of factors beyond its control. Some of these factors include changes in market conditions affecting the value of real estate and unexpected problems affecting the creditworthiness of ACNB's borrowers.

ACNB determines the adequacy of its allowance for loan losses by considering various factors, including:

- An analysis of the risk characteristics of various classifications of loans;
- Previous loan loss experience;
- Specific loans that would have loan loss potential;
- Delinquency trends;
- Estimated fair value of the underlying collateral;
- Current economic conditions;
- The views of ACNB's regulators;
- Reports of internal auditors;
- Reports of external auditors;
- Reports of loan reviews conducted by independent organizations; and,
- Geographic and industry loan concentrations.

Local economic conditions could impact the loan portfolio of ACNB. For example, an increase in unemployment, a decrease in real estate values, or increases in interest rates, as well as other factors, could weaken the economies of the communities ACNB serves. Weakness in the market areas served by ACNB could depress the Corporation's earnings and, consequently, its financial condition because:

- Borrowers may not be able to repay their loans;
- The value of the collateral securing ACNB's loans to borrowers may decline; and/or,
- The quality of ACNB's loan portfolio may decline.

Although, based on the aforementioned procedures implemented by ACNB, management believes the current allowance for loan losses is adequate, ACNB may have to increase its provision for loan losses should local economic conditions deteriorate which could negatively impact its financial condition and results of operations.

CHANGES IN REAL ESTATE VALUES MAY ADVERSELY IMPACT ACNB'S BANKING SUBSIDIARY LOANS THAT ARE SECURED BY REAL ESTATE.

A significant portion of ACNB's banking subsidiary loan portfolio consists of residential and commercial mortgages, as well as consumer loans, secured by real estate. These properties are concentrated in Adams County, Pennsylvania. Real estate values and real estate markets generally are affected by, among other things, changes in national, regional or local economic conditions, fluctuations in interest rates, the availability of loans to potential purchasers, changes in the tax laws and other government statutes, regulations and policies, and acts of nature. If real estate prices decline, particularly in ACNB's market area, the value of the real estate collateral securing ACNB's loans could be reduced. This reduction in the value of the collateral

could increase the number of non-performing loans and could have a material adverse impact on ACNB's financial condition and results of operations.

ACNB CONTINUALLY ENCOUNTERS TECHNOLOGICAL CHANGE.

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

FINANCIAL SERVICES COMPANIES DEPEND ON THE ACCURACY AND COMPLETENESS OF INFORMATION ABOUT CUSTOMERS AND COUNTERPARTIES.

In deciding whether to extend credit or enter into other transactions, ACNB may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports, and other financial information. ACNB may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports, or other financial information could have a material adverse impact on ACNB's business and, in turn, ACNB's financial condition and results of operations.

CONSUMERS MAY DECIDE NOT TO USE BANKS TO COMPLETE THEIR FINANCIAL TRANSACTIONS.

Technology and other changes are allowing parties to complete financial transactions that historically have involved banks through alternative methods. For example, consumers can now maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation", could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost deposits as a source of funds could have a material adverse effect on ACNB's financial condition and results of operations.

FUTURE ECONOMIC CONDITIONS MAY ADVERSELY AFFECT SECONDARY SOURCES OF LIQUIDITY.

In addition to primary sources of liquidity in the form of deposits and principal and interest payments on outstanding loans and investments, ACNB maintains secondary sources that provide it with additional liquidity. These secondary sources include secured and unsecured borrowings from sources such as the Federal Reserve Bank, Federal Home Loan Bank of Pittsburgh, and third-party commercial banks. However, market liquidity conditions have been negatively impacted by past disruptions in the capital markets and could, in the future, have a negative impact on ACNB's secondary sources of liquidity.

SEVERE WEATHER, NATURAL DISASTERS, ACTS OF WAR OR TERRORISM, GEOPOLITICAL RISKS/EVENTS, AND OTHER EXTERNAL EVENTS COULD SIGNIFICANTLY IMPACT ACNB'S BUSINESS.

The unpredictable nature of events such as severe weather, natural disasters, acts of war or terrorism (international or domestic), geopolitical risks/events, and other adverse external events could have a significant impact on ACNB's ability to conduct business. If any of its financial, accounting, network or other information processing systems fail or have other significant shortcomings due to external events, ACNB could be materially adversely affected. Third parties with which ACNB does business could also be sources of operational risk to ACNB, including the risk that the third parties' own network and information processing systems could fail. Any of these occurrences could materially diminish ACNB's ability to operate one or more of the Corporation's businesses, or result in potential liability to customers, reputational damage, and regulatory intervention, any of which could materially adversely affect ACNB. Such events could affect the stability of ACNB's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, impair ACNB's liquidity, cause significant property damage, result in loss of revenue, and/or cause ACNB to incur additional expenses.

ACNB may be subject to disruptions or failures of the financial, accounting, network and/or other information processing systems arising from events that are wholly or partially beyond ACNB's control, which may include, for example, computer viruses, electrical or telecommunications outages, natural disasters, disease pandemics, damage to property or physical assets, or terrorist acts. ACNB has developed a comprehensive business continuity plan which includes plans to maintain or resume operations in the event of an emergency, such as a power outage or disease pandemic, and contingency plans in the event that

operations or systems cannot be resumed or restored. The business continuity plan is updated as needed, periodically reviewed, and components are regularly tested. ACNB also reviews and evaluates the business continuity plans of critical third-party service providers. While ACNB believes its business continuity plan and efforts to evaluate the business continuity plans of critical third-party service providers help mitigate risks, disruptions or failures affecting any of these systems may cause interruptions in service to customers, damage to ACNB's reputation, and loss or liability to the Corporation.

CHANGES IN CONTROL OF THE UNITED STATES GOVERNMENT AND ISSUES RELATING TO DEBT AND THE DEFICIT MAY ADVERSELY AFFECT THE CORPORATION.

Changes in elected officials in the federal government could result in significant changes or uncertainty in governmental policies, regulatory environments, spending sentiment, and many other factors and conditions, some of which could adversely impact the Corporation's business, financial condition, and results of operations. In addition, as a result of past difficulties of the federal government to reach agreement over federal debt and issues connected with the debt ceiling, certain rating agencies placed the United States government's long-term sovereign debt rating on their equivalent of negative watch and announced the possibility of a rating downgrade. The rating agencies, due to constraints related to the rating of the United States, also placed government-sponsored enterprises in which the Corporation invests and receives lines of credit on negative watch, and a downgrade of the Unites States government's credit rating would trigger a similar downgrade in the credit rating of these government-sponsored enterprises. Furthermore, the credit rating of other entities, such as state and local governments, may also be downgraded should the United States government's credit rating be downgraded. The impact that a credit rating downgrade may have on the national and local economy could have an adverse effect on ACNB's financial condition and results of operations.

ACNB'S BANKING SUBSIDIARY MAY BE REQUIRED TO PAY HIGHER FDIC INSURANCE PREMIUMS OR SPECIAL ASSESSMENTS WHICH MAY ADVERSELY AFFECT ITS EARNINGS.

Poor economic conditions and the resulting bank failures increased the costs of the FDIC and adversely impacted its Deposit Insurance Fund. Any additional bank failures may prompt the FDIC to increase its premiums or to issue special assessments. ACNB is generally unable to control the amount of premiums or special assessments that its banking subsidiary is required to pay for FDIC insurance. Any future changes in the calculation or assessment of FDIC insurance premiums may have a material adverse effect on ACNB's financial condition and results of operations.

THE INCREASING USE OF SOCIAL MEDIA PLATFORMS PRESENTS NEW RISKS AND CHALLENGES AND THE INABILITY OR FAILURE TO RECOGNIZE, RESPOND TO, AND EFFECTIVELY MANAGE THE ACCELERATED IMPACT OF SOCIAL MEDIA COULD MATERIALLY ADVERSELY IMPACT ACNB'S BUSINESS.

There has been a marked increase in the use of social media platforms, including weblogs (blogs), social media websites, and other forms of internet-based communications which allow individuals access to a broad audience of consumers and other interested persons. Social media practices in the banking industry are evolving, which creates uncertainty and risk of noncompliance with regulations applicable to ACNB's business. Consumers value readily-available information concerning businesses and their goods and services, and often act on such information without further investigation and without regard to its accuracy. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to ACNB's interests and/or may be inaccurate. The dissemination of information online could harm ACNB's business, prospects, financial condition, and results of operations, regardless of the information's accuracy. The harm may be immediate without affording ACNB an opportunity for redress or correction.

Other risks associated with the use of social media include improper disclosure of proprietary information, negative comments about ACNB's business, exposure of personally identifiable information, fraud, out-of-date information, and improper use by employees and customers. The inappropriate use of social media by ACNB's employees or customers could result in negative consequences such as remediation costs including training for employees, additional regulatory scrutiny, and possible regulatory penalties, litigation, or negative publicity that could damage ACNB's reputation adversely affecting customer or investor confidence.

A NEW ACCOUNTING STANDARD MAY REQUIRE ACNB TO INCREASE ITS ALLOWANCE FOR LOAN LOSSES AND MAY HAVE A MATERIAL ADVERSE EFFECT ON ACNB'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the current "incurred loss" model for recognizing credit losses with an "expected loss" model referred to as the Current Expected Credit Loss (CECL) model. The

new CECL model became effective for ACNB on January 1, 2023, and for interim periods for that year. Under the CECL model, ACNB will be required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and periodically thereafter. This differs significantly from the "incurred loss" model required under current generally accepted accounting principles (GAAP), which delays recognition until it is probable a loss has been incurred. Accordingly, ACNB expects that the adoption of the CECL model will materially affect how ACNB determines the allowance for loan losses and could require ACNB to significantly increase the allowance. Moreover, the CECL model may create more volatility in the level of ACNB's allowance for loan losses. If ACNB is required to materially increase the level of allowance for loan losses for any reason, such increase could adversely affect ACNB's business, financial condition and results of operations.

Nevertheless, ACNB continues to evaluate the impact the CECL model will have on the accounting for credit losses, but ACNB expects to recognize a one-time cumulative-effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, consistent with regulatory expectations set forth in interagency guidance issued at the end of 2016. ACNB cannot yet determine the magnitude of such one-time cumulative-effect adjustment or of the overall impact of the new standard on ACNB's business, financial condition and results of operations.

LITIGATION AND REGULATORY ACTIONS, INCLUDING POSSIBLE ENFORCEMENT ACTIONS, COULD SUBJECT ACNB AND ITS SUBSIDIARIES TO SIGNIFICANT FINES, PENALTIES, JUDGMENTS, OR OTHER REQUIREMENTS RESULTING IN INCREASED EXPENSES OR RESTRICTIONS ON BUSINESS ACTIVITIES.

In the normal course of business, from time to time, ACNB or its subsidiaries may be named as a defendant in various legal actions, arising in connection with current and/or prior business activities. Legal actions could include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. Further, ACNB or its subsidiary bank may in the future be subject to consent orders or other formal or informal enforcement agreements with regulators. They may also, from time to time, be the subject of subpoenas, requests for information, reviews, investigations and proceedings (both formal and informal) by governmental agencies regarding current and/or prior business activities. Any such legal or regulatory actions may subject ACNB or its subsidiaries to substantial compensatory or punitive damages, significant fines, penalties, obligations to change business practices, or other requirements resulting in increased expenses, diminished income, and damage to their reputation. Involvement in any such matters, whether tangential or otherwise, and even if the matters are ultimately determined in their favor, could also cause significant harm to their reputation and divert management attention from the operation of their business. Further, any settlement, consent order, other enforcement agreement or adverse judgment in connection with any formal or informal proceeding or investigation by governmental agencies may result in litigation, investigations or proceedings as other litigants and governmental agencies begin independent reviews of the same activities. As a result, the outcome of legal and regulatory actions could have a material adverse effect on ACNB's business, financial condition, and results of operations.

POTENTIAL ACQUISITIONS MAY DISRUPT ACNB'S BUSINESS AND DILUTE STOCKHOLDER VALUE.

ACNB regularly evaluates opportunities to acquire and invest in banks and in other complementary businesses. As a result, ACNB may engage in negotiations or discussions that, if they were to result in a transaction, could have a material effect on ACNB's operating results and financial condition, including short- and long-term liquidity and capital structure. ACNB's acquisition activities could be material to ACNB. For example, ACNB could issue additional shares of common stock in a purchase transaction, which could dilute current stockholders' ownership interest. These activities could require ACNB to use a substantial amount of cash, other liquid assets, and/or incur debt. In addition, if goodwill recorded in connection with ACNB's prior or potential future acquisitions were determined to be impaired, then ACNB would be required to recognize a charge against its earnings, which could materially and adversely affect ACNB's results of operations during the period in which the impairment was recognized. Any potential charges for impairment related to goodwill would not impact cash flow, tangible capital or liquidity but would decrease stockholders' equity.

ACNB's acquisition activities could involve a number of additional risks, including the risks of:

- Incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions;
- Using inaccurate estimates and judgments to evaluate credit, operations, management, and market risks with respect to the target institution or its assets;
- The time and expense required to integrate the operations and personnel of the combined businesses;

- Creating an adverse short-term effect on ACNB's results of operations; and,
- Losing key employees and customers as a result of an acquisition that is poorly received.

ACNB may not be successful in overcoming these risks or any other problems encountered in connection with potential acquisitions. ACNB's inability to overcome these risks could have an adverse effect on ACNB's ability to achieve its business strategy and maintain its market value.

THE STOCK MARKET CAN BE VOLATILE, AND FLUCTUATIONS IN ACNB'S OPERATING RESULTS AND OTHER FACTORS COULD CAUSE ACNB'S STOCK PRICE TO DECLINE.

The stock market has experienced, and may continue to experience, fluctuations that significantly impact the market prices of securities issued by many companies and financial institutions specifically. Market fluctuations could adversely affect ACNB's stock price. These fluctuations have often been unrelated or disproportionate to the operating performance of particular companies. These broad market fluctuations, as well as general economic, systemic, political and market conditions, such as recessions, loss of investor confidence, interest rate changes, government shutdowns, trade wars, pandemics or epidemics, or international currency fluctuations, may negatively affect the market price of ACNB's common stock. Moreover, ACNB's operating results may fluctuate and vary from period to period due to the risk factors set forth herein. As a result, period-to-period comparisons should not be relied upon as an indication of future performance. ACNB's stock price could fluctuate significantly in response to ACNB's quarterly or annual results, annual projections and the impact of these risk factors on ACNB's operating results or financial position.

Although ACNB's common stock is quoted on the Nasdaq Capital Market, the volume of trades on any given day has been limited historically, as a result of which stockholders might not have been able to sell or purchase ACNB's common stock at the volume, price, or time desired. From time to time, ACNB's common stock may be included in certain and various stock market indices. Inclusion in these indices may positively impact the price, trading volume, and liquidity of ACNB's common stock, in part, because index funds or other institutional investors often purchase securities that are in these indices. Conversely, if ACNB's market capitalization falls below the minimum necessary to be included in any of the indices at any annual reconstitution date, the opposite could occur. Further, ACNB's inclusion in indices may be weighted based on the size of ACNB's market capitalization, so even if ACNB's market capitalization remains above the amount required to be included on these indices, if ACNB's market capitalization is below the amount it was on the most recent reconstitution date, ACNB's common stock could be weighted at a lower level. If ACNB's common stock is weighted at a lower level, holders attempting to track the composition of these indices will be required to sell ACNB's common stock to match the reweighting of the indices.

WEALTH MANAGEMENT AND INSURANCE INDUSTRY RISKS

REVENUES AND PROFITABILITY FROM ACNB'S WEALTH MANAGEMENT BUSINESS MAY BE ADVERSELY AFFECTED BY ANY REDUCTION IN ASSETS UNDER MANAGEMENT AND SUPERVISION AS A RESULT OF EITHER A DECLINE IN MARKET VALUE OF SUCH ASSETS OR NET OUTFLOWS, WHICH COULD REDUCE TRUST, INVESTMENT ADVISORY AND BROKERAGE, AND OTHER SERVICING FEES EARNED.

The wealth management business derives the majority of its revenue from noninterest income which consists of trust, investment advisory and brokerage, and other servicing fees. Substantial revenues are generated from investment management contracts with clients. Under these contracts, the investment advisory fees paid to us are typically based on the market value of assets under management. Assets under management and supervision may decline for various reasons including declines in the market value of the assets in the funds and accounts managed or supervised, which could be caused by price declines in the securities markets generally or by price declines in specific market segments. Assets under management may also decrease due to redemptions and other withdrawals by clients or termination of contracts. This could be in response to adverse market conditions or in pursuit of other investment opportunities. Any reduction in assets under management and supervision may adversely impact ACNB's profitability.

THE WEALTH MANAGEMENT INDUSTRY IS SUBJECT TO EXTENSIVE REGULATION, SUPERVISION AND EXAMINATION BY REGULATORS, AND ANY ENFORCEMENT ACTION OR ADVERSE CHANGES IN THE LAWS OR REGULATIONS GOVERNING ACNB'S WEALTH MANAGEMENT BUSINESS COULD DECREASE ACNB'S REVENUES AND PROFITABILITY.

The wealth management business is subject to regulation by a number of regulatory agencies that are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. In the event of noncompliance with an applicable regulation, governmental regulators, including

the SEC and FINRA, may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, issuance of cease-and-desist orders, deregistration or suspension of the noncompliant broker-dealer or investment advisor, or other adverse consequences. The imposition of any such penalties or orders could have a material adverse effect on the wealth management segment's operating results and financial condition. ACNB may also be adversely affected as a result of new or revised legislation or regulations. Regulatory changes have imposed and may continue to impose additional costs, which may adversely impact ACNB's profitability.

REVENUES AND PROFITABILITY FROM ACNB'S INSURANCE BUSINESS MAY BE ADVERSELY AFFECTED BY MARKET CONDITIONS, WHICH COULD REDUCE INSURANCE COMMISSIONS AND FEES EARNED.

The revenues of ACNB's fee-based insurance business are derived primarily from commissions from the sale of insurance policies, which commissions are generally calculated as a percentage of the policy premium. These insurance policy commissions can fluctuate as insurance carriers from time to time increase or decrease the premiums on the insurance products sold. Due to the cyclical nature of the insurance market and the impact of other market and macroeconomic conditions on insurance premiums, commission levels may vary. The reduction of these commission rates, along with general volatility and/or declines in premiums, may adversely impact ACNB's profitability.

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

ACNB Bank, including its main community banking office in Gettysburg, Adams County, Pennsylvania, had a community banking office network of 26 offices in Pennsylvania and Maryland at December 31, 2022. Including the main office, 10 community banking offices are located in Adams County, one is located in Cumberland County, one is located in Franklin County, and five are located in York County, Pennsylvania. There are also loan production offices situated in Lancaster and York Counties, Pennsylvania, as well as another loan production office in Hunt Valley, Maryland. In Maryland, there are five community banking offices located in Carroll County and four community banking offices located in Frederick County. Bank offices at 15 locations are owned, while 11 are leased. All real estate owned by the subsidiary bank is free and clear of encumbrances. All community banking offices are adequate for the purpose intended. ACNB Insurance Services, Inc. owns offices, free and clear of encumbrances, located in Carroll County and Harford County, Maryland, and leases offices in Gettysburg, Pennsylvania.

ITEM 3—LEGAL PROCEEDINGS

As of December 31, 2022, there were no material pending legal proceedings, other than ordinary routine litigation incidental to and in the ordinary course of the business, to which ACNB or its subsidiaries are a party or by which any of their assets are the subject, which could have a material adverse effect on ACNB or its subsidiaries or their results of operations. In addition, no material proceedings are pending or are known to be threatened or contemplated against the Corporation or its subsidiaries by governmental authorities.

ITEM 4—MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5—MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

ACNB Corporation's common stock trades on NASDAQ under the symbol ACNB. At December 31, 2022 and 2021, there were 20,000,000 shares of common stock authorized, 8,838,720 and 8,795,877 shares issued, respectively, and 8,515,120 and 8,679,206 shares outstanding, respectively. As of December 31, 2022, ACNB had approximately 2,527 stockholders of record. ACNB is restricted as to the amount of dividends that it can pay to stockholders by virtue of the restrictions on the banking subsidiary's ability to pay dividends to ACNB under the Pennsylvania Banking Code, the Federal Deposit Insurance Corporation Act, and the regulations of the FDIC. For further information, please refer to Note J — "Regulatory Restrictions on Dividends" and Note N — "Stockholders' Equity and Regulatory Matters" in the Notes to Consolidated Financial Statements.

On May 5, 2009, stockholders approved and ratified the ACNB Corporation 2009 Restricted Stock Plan, effective as of February 24, 2009, in which awards shall not exceed, in the aggregate, 200,000 shares of common stock. As of December 31, 2022, there were 25,945 shares of common stock granted as restricted stock awards to employees of the subsidiary bank. The restricted stock plan expired by its own terms after 10 years on February 24, 2019, and no further shares may be issued under the plan. The Corporation's Registration Statement under the Securities Act of 1933 on Form S-8 for the ACNB Corporation 2009 Restricted Stock Plan was filed with the Securities and Exchange Commission on January 4, 2013. Post-Effective Amendment No. 1 to this Form S-8 was filed with the Commission on March 8, 2019, effectively transferring the 174,055 authorized, but not issued, shares under the ACNB Corporation 2009 Restricted Stock Plan to the ACNB Corporation 2018 Omnibus Stock Incentive Plan.

On May 5, 2009, stockholders approved and adopted the amendment to the Articles of Incorporation of ACNB Corporation to authorize up to 20,000,000 shares of preferred stock, par value $2.50 per share. As of December 31, 2022, there were no issued or outstanding shares of preferred stock.

On January 24, 2011, the ACNB Corporation Dividend Reinvestment and Stock Purchase Plan was introduced for stockholders of record. This plan provides registered holders of ACNB Corporation common stock with a convenient way to purchase additional shares of common stock by permitting participants in the plan to automatically reinvest cash dividends on all or a portion of the shares owned and to make quarterly voluntary cash payments under the terms of the plan. Participation in the plan is voluntary, and there are eligibility requirements to participate in the plan. As of December 31, 2022, there were 235,403 shares of common stock issued through the ACNB Corporation Dividend Reinvestment and Stock Purchase Plan.

On May 1, 2018, stockholders approved and ratified the ACNB Corporation 2018 Omnibus Stock Incentive Plan, effective as of March 20, 2018, in which awards shall not exceed, in the aggregate, 400,000 shares of common stock, plus any shares that are authorized, but not issued, under the ACNB Corporation 2009 Restricted Stock Plan. As of December 31, 2022, there were 57,522 shares issued under this plan. The maximum number of shares that may yet be granted under this plan is 516,533. The Corporation's Registration Statement under the Securities Act of 1933 on Form S-8 for the ACNB Corporation 2018 Omnibus Stock Incentive Plan was filed with the Securities and Exchange Commission on March 8, 2019. In addition, on March 8, 2019, the Corporation filed Post-Effective Amendment No. 1 to the Registration Statement on Form S-8 for the ACNB Corporation 2009 Restricted Stock Plan to add the ACNB Corporation 2018 Omnibus Stock Incentive Plan to the registration statement.

On February 25, 2021, the Corporation announced that the Board of Directors approved on February 23, 2021, a plan to repurchase, in open market and privately negotiated transactions, up to 261,000, or approximately 3%, of the outstanding shares of the Corporation's common stock. This stock repurchase program replaced and superseded any and all earlier announced repurchase plans. There were 261,000 treasury shares purchased under this plan as of December 31, 2022. There were 8,773 shares purchased during the most recent quarter, effectively completing the authorization for the repurchase of shares under this program.

The following table is a summary of the Corporation's purchases of common stock during the fourth quarter of 2022:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plan	Maximum number of shares that may yet be purchased under the plan
November 1 - November 30, 2022	**8,773**	**$ 34.58**	**261,000**	**0**
Total	**8,773**	**$ 34.58**	**261,000**	**0**

On June 2, 2022, the Corporation entered into an issuer stock repurchase agreement with an independent third-party

broker under which the broker was authorized to repurchase the Corporation's common stock on behalf of the Corporation, subject to certain price, market and volume constraints specified in the agreement. The agreement was established in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (Exchange Act), and was effective 30 days after the date of the agreement or on July 5, 2022, and terminated, subject to certain other conditions set forth in the agreement, on July 28, 2022. The shares were purchased pursuant to the Corporation's previously announced stock repurchase program and in a manner consistent with applicable laws and regulations, including the provisions of the safe harbor contained in Rule 10b-18 under the Exchange Act.

On October 24, 2022, the Corporation announced that the Board of Directors approved on October 18, 2022, a new plan to repurchase, in open market and privately negotiated transactions, up to 255,575, or approximately 3%, of the outstanding shares of the Corporation's common stock. This new common stock repurchase program replaces and supersedes any and all earlier announced repurchase plans. As of December 31, 2022, no common stock had been repurchased under this new plan.

On November 23, 2022, ACNB Corporation entered into an issuer stock repurchase agreement with an independent third-party broker under which the broker was authorized to repurchase the Corporation's common stock on behalf of the Corporation, subject to certain price, market and volume constraints specified in the agreement. The agreement was established in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (Exchange Act), and commenced on December 26, 2022, and terminated, subject to certain other conditions set forth in the agreement, on January 27, 2023. The shares were to be purchased pursuant to the Corporation's common stock repurchase program, as previously announced on October 24, 2022, and in a manner consistent with applicable laws and regulations, including the provisions of the safe harbor contained in Rule 10b-18 under the Exchange Act.

There have been no unregistered sales of stock in 2022 or 2021.

ITEM 6— [Reserved]

ITEM 7—MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following is management's discussion and analysis of the significant changes in the financial condition, results of operations, comprehensive income, capital resources, and liquidity presented in its accompanying consolidated financial statements for ACNB Corporation (the Corporation or ACNB), a financial holding company. Please read this discussion in conjunction with the consolidated financial statements and disclosures included herein. Current performance does not guarantee, assure or indicate similar performance in the future.

CRITICAL ACCOUNTING POLICIES

The accounting policies that the Corporation's management deems to be most important to the portrayal of its financial condition and results of operations, and that require management's most difficult, subjective or complex judgment, often result in the need to make estimates about the effect of such matters which are inherently uncertain. The following policies are deemed to be critical accounting policies by management:

The allowance for loan losses represents management's estimate of probable losses inherent in the loan portfolio. Management makes numerous assumptions, estimates and adjustments in determining an adequate allowance. The Corporation assesses the level of potential loss associated with its loan portfolio and provides for that exposure through an allowance for loan losses. The allowance is established through a provision for loan losses charged to earnings. The allowance is an estimate of the losses inherent in the loan portfolio as of the end of each reporting period. The Corporation assesses the adequacy of its allowance on a quarterly basis. The specific methodologies applied on a consistent basis are discussed in greater detail under the caption, *Allowance for Loan Losses*, in a subsequent section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

EXECUTIVE OVERVIEW

Dollars in thousands, except per share data	For the Year Ended December 31, 2022	2021	2020	2019	2018
INCOME STATEMENT DATA					
Interest income	**$ 87,049**	$ 78,159	$ 85,290	$ 69,558	$ 64,494
Interest expense	**3,624**	6,915	12,222	10,140	7,399
Net interest income	**83,425**	71,244	73,068	59,418	57,095
Provision for loan losses	**—**	50	9,140	600	1,620
Net interest income after provision for loan losses	**83,425**	71,194	63,928	58,818	55,475
Other income	**21,807**	22,776	20,090	18,169	15,948
Other expenses	**60,281**	58,951	61,316	47,621	44,703
Income before income taxes	**44,951**	35,019	22,702	29,366	26,720
Provision for income taxes	**9,199**	7,185	4,308	5,645	4,972
Net income	**$ 35,752**	$ 27,834	$ 18,394	$ 23,721	$ 21,748
BALANCE SHEET DATA (AT YEAR-END)					
Assets	**$ 2,525,507**	$ 2,786,987	$ 2,555,362	$ 1,720,253	$ 1,647,724
Securities	**$ 620,250**	$ 446,161	$ 350,182	$ 212,177	$ 190,835
Loans, net	**$ 1,520,749**	$ 1,449,394	$ 1,617,558	$ 1,258,766	$ 1,288,501
Deposits	**$ 2,198,975**	$ 2,426,389	$ 2,185,525	$ 1,412,260	$ 1,348,092
Borrowings	**$ 62,954**	$ 69,902	$ 92,209	$ 99,731	$ 118,164
Stockholders’ equity	**$ 245,042**	$ 272,114	$ 257,972	$ 189,516	$ 168,137
COMMON SHARE DATA					
Earnings per share — basic	**$ 4.15**	$ 3.19	$ 2.13	$ 3.36	$ 3.09
Cash dividends declared	**$ 1.06**	$ 1.03	$ 1.00	$ 0.98	$ 0.89
Book value per share	**$ 28.78**	$ 31.35	$ 29.62	$ 26.77	$ 23.86
Weighted average number of common shares	**8,623,012**	8,714,926	8,638,654	7,061,524	7,035,818
Dividend payout ratio	**25.50 %**	32.22 %	47.22 %	29.17 %	28.79 %
PROFITABILITY RATIOS AND CONDITION					
Return on average assets	**1.31 %**	1.03 %	0.78 %	1.40 %	1.34 %
Return on average equity	**14.35 %**	10.52 %	7.39 %	13.33 %	13.62 %
Average stockholders’ equity to average assets	**9.15 %**	9.81 %	10.53 %	10.54 %	9.85 %
SELECTED ASSET QUALITY RATIOS					
Non-performing loans to total loans	**0.25 %**	0.42 %	0.48 %	0.40 %	0.52 %
Net charge-offs to average loans outstanding	**0.08 %**	0.08 %	0.16 %	0.06 %	0.13 %
Allowance for loan losses to total loans	**1.16 %**	1.30 %	1.23 %	1.09 %	1.07 %
Allowance for loan losses to non-performing loans	**463.08 %**	306.05 %	256.16 %	269.27 %	206.51 %

Consolidated Condensed Statements of Income for the three months and years ended December 31, 2022 and 2021 are as follows:

Dollars in thousands, except per share data	Three Months Ended December 31,		Years Ended December 31,	
INCOME STATEMENT DATA	**2022**	**2021**	**2022**	**2021**
Interest income	**$ 24,894**	$ 18,674	**$ 87,049**	$ 78,159
Interest expense	**846**	1,324	**3,624**	6,915
Net interest income	**24,048**	17,350	**83,425**	71,244
Provision for loan losses	**—**	—	**—**	50
Net interest income after provision for loan losses	**24,048**	17,350	**83,425**	71,194
Other income	**5,423**	5,633	**21,807**	22,776
Other expenses	**16,673**	17,457	**60,281**	58,951
Income before income taxes	**12,798**	5,526	**44,951**	35,019
Provision for income taxes	**2,599**	1,031	**9,199**	7,185
Net income	**$ 10,199**	$ 4,495	**$ 35,752**	$ 27,834
Basic earnings per share	**$ 1.20**	$ 0.52	**$ 4.15**	$ 3.19

The primary source of the Corporation’s revenues is net interest income derived from interest earned on loans and investments, less deposit and borrowing funding costs. Revenues are influenced by general economic factors, including market interest rates, the economy of the markets served, stock market conditions, as well as competitive forces within the markets.

The Corporation’s overall strategy is to increase loan growth in its local markets, while maintaining a reasonable funding base by offering competitive deposit products and services. ACNB reported record earnings in 2022 driven by strong growth in net interest income. The 2022 net income of $35,752,000 represents a 28.4% increase over the net income results for the year ended December 31, 2021. Basic earnings per share in 2022 increased 30.1% over the earnings per share for 2021.

In 2022, the Corporation’s net interest margin increased to 3.33% compared to 2.82% in 2021. Net interest income was $83,425,000 in 2022 compared to $71,244,000 in 2021. The increase was driven by higher interest rates, deployment of excess liquidity, lower funding costs and growth in higher-yielding assets. Other income was $21,807,000 and $22,776,000 in 2022 and 2021, respectively. The decrease was primarily a result of lower income from mortgage loans held for sale, as interest rates continued to increase in 2022, and losses from the changes in fair value of equity securities. Other expenses increased to $60,281,000, or by 2.3%, in 2022, as compared to $58,951,000 in 2021. The increase was driven primarily by equipment, professional services, FDIC and regulatory, intangible assets amortization and other operating expenses partially offset by a decrease in salary and employee benefits expense. A more thorough discussion of the Corporation’s results of operations is included in the following pages.

RESULTS OF OPERATIONS

Net Interest Income

The primary source of ACNB’s traditional banking revenue is net interest income, which represents the difference between interest income on earning assets and interest expense on liabilities used to fund those assets. Earning assets include loans, securities, and interest bearing deposits with banks. Interest bearing liabilities include deposits and borrowings.

Net interest income is affected by changes in interest rates, volume of interest bearing assets and liabilities, and the composition of those assets and liabilities. The “interest rate spread” and “net interest margin” are two common statistics related to changes in net interest income. The interest rate spread represents the difference between the yields earned on interest earning assets and the rates paid for interest bearing liabilities. The net interest margin is defined as the percentage of net interest income to average earning assets, which also considers the Corporation’s net non-interest bearing funding sources, the largest of which are non-interest bearing demand deposits and stockholders’ equity.

The following table includes average balances, rates, interest income and expense, interest rate spread, and net interest margin:

Table 1 — Average Balances, Rates and Interest Income and Expense

	2022			2021		
Dollars in thousands	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
INTEREST EARNING ASSETS						
Loans	**$ 1,506,354**	**$ 70,246**	**4.66 %**	$ 1,552,074	$ 71,186	4.59 %
Taxable securities	**516,126**	**9,799**	**1.90 %**	358,256	5,423	1.51 %
Tax-exempt securities	**53,242**	**1,144**	**2.15 %**	38,829	543	1.40 %
Total Securities	**569,368**	**10,943**	**1.92 %**	397,085	5,966	1.50 %
Other	**427,706**	**5,860**	**1.37 %**	578,150	1,007	0.17 %
Total Interest Earning Assets	**2,503,428**	**87,049**	**3.48 %**	2,527,309	78,159	3.09 %
Cash and due from banks	**31,511**			23,799		
Premises and equipment	**29,205**			30,742		
Other assets	**175,492**			136,035		
Allowance for loan losses	**(18,679)**			(19,927)		
Total Assets	**$ 2,720,957**			$ 2,697,958		
LIABILITIES AND STOCKHOLDERS' EQUITY						
INTEREST BEARING LIABILITIES						
Interest bearing demand deposits	**$ 946,864**	**$ 1,091**	**0.12 %**	$ 872,729	$ 911	0.10 %
Savings deposits	**409,839**	**167**	**0.04 %**	367,543	664	0.18 %
Time deposits	**370,766**	**1,303**	**0.35 %**	494,322	3,437	0.70 %
Total Interest Bearing Deposits	**1,727,469**	**2,561**	**0.15 %**	1,734,594	5,012	0.29 %
Short-term borrowings	**35,882**	**77**	**0.21 %**	35,153	39	0.11 %
Long-term borrowings	**24,814**	**986**	**3.97 %**	49,935	1,864	3.73 %
Total Interest Bearing Liabilities	**1,788,165**	**3,624**	**0.20 %**	1,819,682	6,915	0.38 %
Non-interest bearing demand deposits	**609,622**			594,483		
Other liabilities	**74,096**			19,119		
Stockholders' equity	**249,074**			264,674		
Total Liabilities and Stockholders' Equity	**$ 2,720,957**			$ 2,697,958		
NET INTEREST INCOME		**$ 83,425**			$ 71,244	
INTEREST RATE SPREAD			**3.28 %**			2.71 %
NET INTEREST MARGIN			**3.33 %**			2.82 %

For yield calculation purposes, nonaccruing loans are included in average loan balances. Loan fees (including PPP fees) of $2,193,000 and $6,117,000 as of December 31, 2022 and 2021, respectively, are included in interest income. Yields on tax-exempt securities and loans are not tax effected.

Table 1 presents balance sheet items on a daily average basis, net interest income, interest rate spread, and net interest margin for the years ending December 31, 2022 and 2021. Table 2 analyzes the relative impact on net interest income for changes in the volume of interest earning assets and interest bearing liabilities and changes in rates earned and paid by the Corporation on such assets and liabilities.

Net interest income totaled $83,425,000 for the year ended December 31, 2022, compared to $71,244,000 for the same period in 2021, an increase of $12,181,000, or 17.1%. Net interest income increased due to a higher net interest margin that benefited from higher interest rates, deployment of excess liquidity into securities, lower funding costs and growth in higher-yielding assets. Interest income increased $8,890,000, or 11.4%, driven by higher interest rates and a shift from cash and cash equivalents into securities. Interest expense decreased $3,291,000, or 47.6%, in 2022 from 2021. The decrease in interest expense was driven by a reduction in long-term borrowings and a reduction in deposits costs. Paycheck Protection Program (PPP) fees and purchase accounting accretion for the year ended December 31, 2022 totaled $3,768,000, compared to $8,781,000 for the year ended December 31, 2021.

Average earning assets were $2,503,428,000 in 2022, a decrease of $23,881,000, or 0.9%, from the average balance of $2,527,309,000 in 2021. Average cash and cash equivalents decreased while average total securities increased in 2022 as compared to 2021. Average interest bearing liabilities were $1,788,165,000 in 2022, down from $1,819,682,000 in 2021.

Average deposits (including non-interest bearing) were up 0.3%, while average borrowings decreased by 28.7% due to principal paybacks. Average lower-cost transaction and savings deposits increased in 2022. The decrease in average time deposits was in part from existing customers moving to better liquidity available from transaction and savings deposits.

The following table shows changes in net interest income attributed to changes in rates and changes in average balances of interest earning assets and interest bearing liabilities:

Table 2 — Rate/Volume Analysis

	2022 versus 2021		
	Due to Changes in		
In thousands	Volume	Rate	Total
INTEREST EARNING ASSETS			
Loans	$ (2,119)	$ 1,179	$ (940)
Taxable securities	2,775	1,601	4,376
Tax-exempt securities	246	355	601
Total Securities	3,021	1,956	4,977
Other	(328)	5,181	4,853
Total	$ 574	$ 8,316	$ 8,890
INTEREST BEARING LIABILITIES			
Interest bearing demand deposits	$ 81	$ 99	$ 180
Savings deposits	69	(566)	(497)
Time deposits	(716)	(1,418)	(2,134)
Short-term borrowings	1	37	38
Long-term borrowings	(991)	113	(878)
Total	(1,556)	(1,735)	(3,291)
Change in Net Interest Income	$ 2,130	$ 10,051	$ 12,181

The net change attributable to the combination of rate and volume has been allocated on a consistent basis between volume and rate based on the absolute value of each. For yield calculation purposes, nonaccruing loans are included in average balances.

Provision for Loan Losses

As a result of stable loan metrics, combined with low credit losses in the portfolio, the provision for loan losses charged against earnings was $0 in 2022 compared to $50,000 in 2021. The determination of the provision was a result of the analysis of the adequacy of the allowance for loan losses calculation. The allowance for loan losses generally does not include the loans acquired through acquisition, which were recorded at fair value as of the acquisition date. Each quarter, the Corporation assesses risk in the loan portfolio and reserve required compared with the balance in the allowance for loan losses and the current evaluation factors. For additional discussion of the provision and the loans associated therewith, please refer to the *Asset Quality* section of this Management's Discussion and Analysis. ACNB charges confirmed loan losses to the allowance and credits the allowance for recoveries of previous loan charge-offs.

Other Income

Other income was $21,807,000 and $22,776,000 in 2022 and 2021, respectively. The decrease was primarily a result of lower income from mortgage loans held for sale, as interest rates continued to increase in 2022, and losses from the changes in fair value of equity securities. Income from mortgage loans held for sale was $487,000 for the year ended December 31, 2022 compared to $3,393,000 for the year ended December 31, 2021. A $298,000 net fair value loss was recognized on local bank and CRA-related equity securities in 2022 due to normal variations in market value compared to a $439,000 net fair value gain in 2021. A net loss of $234,000 was recognized on the sale of securities in 2022, and no securities were sold in 2021. The largest source of other income is commissions from insurance sales attributable to ACNB Insurance Services, Inc. Commissions from insurance sales increased by 35.1% in 2022 to $8,307,000, driven primarily by the acquisition of the business and assets of the Hockley & O'Donnell Agency in the first quarter of 2022. Service charges on deposit accounts increased 15.8% to $4,066,000 for 2022 driven by improved customer activity. During the third quarter of 2022, additional bank-owned life

insurance was purchased with a cash surrender value of $12,200,000 driving the increase in 2022 as compared to 2021.

Other Expenses

Other expenses increased 2.3% to $60,281,000 for the year ended December 31, 2022. The largest component of other expenses is salaries and employee benefits, which decreased 2.3% in 2022 to $35,979,000 compared to $36,816,000 in 2021. The decrease was a result of lower incentive compensation and pension expenses. Equipment expense was $6,612,000 for the year ended December 31, 2022 compared to $6,175,000 for the prior year of 2021. The increase in equipment expense was attributable to the additional ongoing expenses related to the banking subsidiary's core systems conversion in late 2021 and the implementation of a new loan origination system in late 2022. Professional services expense was $2,086,000 for the year ended December 31, 2022 compared to $1,304,000 for the prior year of 2021. The increase in professional services expense was a result of additional costs related to the change in the Corporation's independent audit firm, consultants for Current Expected Credit Loss (CECL) standard readiness and purchase accounting work, loan workout costs for a large commercial loan, legal expenses, and executive recruiters to fill key roles within the organization. FDIC and regulatory and intangible assets amortization expenses were $1,128,000 and $1,492,000, respectively, for the year ended December 31, 2022 compared to $960,000 and $1,164,000 for the prior year of 2021. The increase in intangible assets amortization expense was due to the acquisition of the business and assets of the Hockley & O'Donnell Insurance Agency. Other operating expense was $6,154,000 for the year ended December 31, 2022 compared to $5,841,000 for the prior year of 2021. The increase in other operating expense was driven primarily by waived consumer loan fees, internet banking expense, and operational and customer fraud losses.

Provision for Income Taxes

ACNB recognized income taxes of $9,199,000, or 20.5% of pretax income, during 2022 as compared to $7,185,000, or 20.5%, during 2021. The variances from the federal statutory rate of 21% in the respective periods are generally due to tax-free income, which includes interest income on tax-free loans and investment securities and income from life insurance policies, federal income tax credits, and the impact of non-tax deductible expense. Note K — "Income Taxes", to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," includes a reconciliation of our federal statutory tax rate to the Corporation's effective tax rate, which is a comparison between years and measures income tax expense as a percentage of pretax income.

FINANCIAL CONDITION

Total assets were $2,525,507,000 at December 31, 2022 compared to $2,786,987,000 at December 31, 2021, a decrease of 9.4%. The decrease was driven by a reduction in cash and cash equivalents of $541,970,000 as a result of investing excess cash into securities, funding loan growth and deposit outflows. Total loans outstanding were $1,538,610,000 at December 31, 2022 compared to $1,468,427,000 at December 31, 2021, an increase of 4.8%. Year-over-year, the increase was driven mainly by growth in the commercial real estate and construction loan portfolios. Excluding payoffs for PPP loans, loans grew by 6.0% from December 31, 2021 to December 31, 2022. Total securities were $620,250,000 at December 31, 2022 compared to $446,161,000 at December 31, 2021, an increase of 39.0%. Total deposits were $2,198,975,000 at December 31, 2022. Deposits decreased by $227,414,000, or 9.4%, since December 31, 2021. The decrease in deposits was a result of customers seeking higher yielding alternative investment or deposit products as market interest rates rose during 2022.

Investment Securities

ACNB uses investment securities to generate interest and dividend income, manage interest rate risk, provide collateral for certain funding products, and provide liquidity. The decision to change the securities portfolio in 2022 was to provide better yields on excess deposits. The investment portfolio is comprised of U.S. Government agency, municipal, and corporate securities. These securities provide the appropriate characteristics with respect to credit quality, yield and maturity relative to the management of the overall balance sheet.

At December 31, 2022, the securities balance included a net unrealized loss on available for sale securities of $52,734,000, net of taxes, on amortized cost of $617,641,000 versus a net unrealized loss of $3,474,000, net of taxes, on amortized cost of $441,565,000 at December 31, 2021. The change in fair value of available for sale securities during 2022 was driven by more investments in the available for sale portfolio and an increase in market interest rates during 2022. The changes in value are deemed to be related solely to changes in market interest rates as the credit quality of the portfolio remained strong.

At December 31, 2022, the securities balance included held to maturity securities with an amortized cost of $64,977,000 and a fair value of $58,078,000, as compared to an amortized cost of $6,454,000 and a fair value of $6,652,000 at December 31, 2021. During the second quarter of 2022, approximately $39.7 million of municipal securities were transferred from available for sale to held to maturity to mitigate the unrealized loss on available for sale securities. The held to maturity securities also

include U.S. government pass-through mortgage-backed securities in which the full payment of principal and interest is guaranteed.

The Corporation does not own investments consisting of pools of Alt-A or subprime mortgages, private label mortgage-backed securities, or trust preferred investments.

During 2022, the Corporation deployed excess liquidity by moving approximately $250,000,000 from cash and cash equivalents into higher-yielding securities. These new purchases were consistent with the current investment portfolio, but with higher yields to enhance the net interest margin and net interest income in future quarters. Purchases were primarily in government sponsored entities (GSE) pass-through instruments issued by the Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA) or Federal Home Loan Mortgage Corporation (FHLMC), which guarantee the timely payment of principal on these investments.

The fair values of securities available for sale (carried at fair value) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1) or by matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific security but rather by relying on the security's relationship to other benchmark quoted prices. The Corporation uses independent service providers to provide matrix pricing. Please refer to Note C — "Securities" in the Notes to Consolidated Financial Statements for more information on the security portfolio and Note L — "Fair Value Measurements" in the Notes to Consolidated Financial Statements for more information about fair value which is incorporated herein by reference.

The following tables set forth the composition of the securities portfolio and the securities maturity schedule, including weighted average yield, as of the end of the years indicated:

Table 3 — Investment Securities

In thousands	2022	2021
AVAILABLE FOR SALE SECURITIES AT FAIR VALUE		
U.S. Government and agencies	**$ 210,999**	$ 245,041
Mortgage-backed securities	**295,718**	133,496
State and municipal	**15,235**	44,611
Corporate bonds	**31,602**	13,950
	$ 553,554	$ 437,098
HELD TO MATURITY SECURITIES AT AMORTIZED COST		
Mortgage-backed securities	**3,279**	6,454
State and municipal	**61,698**	—
	$ 64,977	$ 6,454
EQUITY SECURITIES WITH READILY DETERMINABLE FAIR VALUES		
CRA Mutual Fund	**$ 915**	$ 1,036
Canapi Ventures SBIC Fund	**206**	—
Stock in other Banks	**598**	1,573
	$ 1,719	$ 2,609

Table 4 discloses investment securities at the scheduled maturity date at December 31, 2022. Many securities have call features that make their redemption possible before the stated maturity date.

Table 4 — Securities Maturity Schedule

	1 Year or Less		Over 1 - 5 Years		Over 5 - 10 Years		Over 10 Years or No Maturity		Total	
Dollars in thousands	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
U.S. Government and agencies	$ 11,012	2.43 %	$ 148,541	1.68 %	$ 78,847	2.30 %	$ 3,067	4.30 %	$ 241,467	1.95 %
Mortgage-backed securities	—	—	10,936	0.59	15,037	2.30	304,841	2.36	330,814	2.30
State and municipal	285	2.00	377	1.34	16,437	2.67	59,834	3.52	76,933	3.32
Corporate bonds	—	—	17,296	4.88	14,108	4.54	2,000	5.25	33,404	4.76
	$ 11,297	2.42 %	$ 177,150	1.92 %	$ 124,429	2.60 %	$ 369,742	2.58 %	$ 682,618	2.41 %

Securities are at amortized cost. Mortgage-backed securities are allocated based upon scheduled maturities.

The Corporation continues to analyze increasing investments to increase interest income, despite the possible subsequent decrease in market value if rates increase further.

Fair value of equity securities with readily determinable fair values are as follows at December 31, 2022:

	1 Year or Less		Over 1 - 5 Years		Over 5 - 10 Years		No Maturity		Total	
Dollars in thousands	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
CRA Mutual Fund	$ —	— %	$ —	— %	$ —	— %	$ 915	— %	$ 915	— %
Canapi Ventures SBIC Fund	—	—	—	—	—	—	206	—	206	—
Stock in other Banks	—	—	—	—	—	—	598	—	598	—
	$ —	— %	$ —	— %	$ —	— %	$ 1,719	— %	$ 1,719	— %

Loans

Year over year, loans outstanding increased by $70,183,000, or 4.8%, in 2022 as compared to 2021. Year-over-year, the increase was driven mainly by growth in the commercial real estate and construction loan portfolios. Excluding payoffs for PPP loans, loans grew by 6.0% from December 31, 2021 to December 31, 2022. Commercial real estate loans increased $35,550,000, or 4.5%, in 2022 while real estate construction loans increased $30,470,000, or 60.9% in 2022. Growth in both portfolios was spread throughout the footprint and across various property types. Despite the intense competition in the Corporation's market areas, management continues to focus on asset quality and disciplined underwriting standards in the loan origination process.

Residential real estate mortgages, which includes home equity loan and lines of credit secured by the owner's home, increased by $4,352,000, or 1.0%. Growth was driven by an increase in home equity loans. Included in the mortgages were $114,751,000 in residential mortgage loans secured by junior liens or home equity loans, which are also in many cases junior liens. Junior liens inherently have more credit risk by virtue of the fact that another financial institution may have a senior security position in the case of foreclosure liquidation of collateral to extinguish the debt. Generally, foreclosure actions could become more prevalent if the real estate market weakens, property values deteriorate, or rates increase sharply.

Included in the commercial, financial and agricultural category are loans to Pennsylvania school districts, municipalities (including townships) and essential purpose authorities. In most cases, these loans are backed by the general obligation of the local municipal body. In many cases, these loans are obtained through a bid process that includes other local and regional banks. These loans are predominantly bank qualified for mostly tax-free interest income treatment for federal income taxes. These loans totaled $72,945,000 in 2022, an increase of 16.1% from $62,823,000 held at the end of 2021; these loans are especially subject to refinancing in certain rate environments.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 provided over $2.0 trillion in emergency economic relief to individuals and businesses impacted by the COVID-19 pandemic. The CARES Act authorized the SBA to temporarily guarantee loans under a new 7(a) loan program called the PPP. As a qualified SBA lender, the Corporation was

automatically authorized to originate PPP loans. As of December 31, 2022, the Corporation did not have any outstanding balances under the PPP program. As of December 31, 2022, the Corporation had originated an aggregate total of 2,217 loans in the amount of $223,036,703 under the PPP. Deferred fee income was approximately $9.5 million, before costs. The Corporation recognized $986,000 and $5,627,000 of PPP fees in 2022 and 2021, respectively.

Table 5 — Loan Portfolio

Loans at December 31 were as follows:

In thousands	2022	2021
Commercial, financial and agricultural	**$ 178,762**	$ 179,567
Real estate:		
Commercial	**821,805**	786,255
Construction	**80,470**	50,000
Residential	**446,239**	441,887
Consumer	**11,334**	10,718
Total Loans	**$ 1,538,610**	$ 1,468,427

The repricing range of the loan portfolio at December 31, 2022, and the amounts of loans with predetermined and fixed rates are presented in the tables below:

Table 6 — Loan Sensitivities

LOANS MATURING

In thousands	Less than 1 Year	1-5 Years	Over 5 Years	Total
Commercial, financial and agricultural	**$ 41,813**	**$ 59,583**	**$ 77,366**	**$ 178,762**
Real estate:				
Commercial	**33,306**	**86,125**	**702,374**	**821,805**
Construction	**24,670**	**17,091**	**38,709**	**80,470**
Residential	**32,454**	**30,231**	**383,554**	**446,239**
Total	**$ 132,243**	**$ 193,030**	**$ 1,202,003**	**$ 1,527,276**

LOANS BY REPRICING OPPORTUNITY

In thousands	Less than 1 Year	1-5 Years	Over 5 Years	Total
Commercial, financial and agricultural	**$ 62,131**	**$ 64,136**	**$ 52,495**	**$ 178,762**
Real estate:				
Commercial	**161,986**	**480,382**	**179,437**	**821,805**
Construction	**41,748**	**24,025**	**14,697**	**80,470**
Residential	**126,952**	**122,671**	**196,616**	**446,239**
Total	**$ 392,817**	**$ 691,214**	**$ 443,245**	**$ 1,527,276**
Loans with a fixed interest rate	**$ 95,530**	**$ 691,031**	**$ 439,840**	**$ 1,226,401**
Loans with a variable interest rate	**297,287**	**183**	**3,405**	**300,875**
Total	**$ 392,817**	**$ 691,214**	**$ 443,245**	**$ 1,527,276**

Most of the Corporation's lending activities are with customers located within the Bank's market area of southcentral Pennsylvania and northern Maryland area. Unemployment rates in the subsidiary bank's market recently, and historically, have been better than those for Pennsylvania and Maryland as a whole, and similar to the United States. Included in commercial real estate loans are loans made to lessors of non-residential properties that total $434,057,000, or 28.2% of total loans, at December 31, 2022. These borrowers are geographically dispersed throughout ACNB's marketplace and are leasing commercial properties to a varied group of tenants including medical offices, retail space, and other commercial purpose facilities. Because of the varied nature of the tenants, in aggregate, management believes that these loans present an acceptable

risk when compared to commercial loans in general. ACNB does not originate or hold Alt-A or subprime mortgages in its loan portfolio.

Asset Quality

The ACNB loan portfolio is subject to varying degrees of credit risk. Credit risk is mitigated through prudent and disciplined underwriting standards, ongoing credit review, and monitoring and reporting asset quality measures. Additionally, loan portfolio diversification, limiting exposure to a single industry or borrower, and requiring collateral also reduces ACNB’s credit risk. ACNB’s commercial, consumer and residential mortgage loans are principally to borrowers in ACNB’s market area of southcentral Pennsylvania and northern Maryland. As the majority of ACNB’s loans are located in this area, a substantial portion of the debtor’s ability to honor the obligation may be affected by the level of economic activity in the market area.

As a result of stable loan risk metrics, combined with low credit losses in the portfolio, the provision for loan losses for 2022 was $0 despite solid loan growth. Non-performing loans were $3,857,000, or 0.25% of total loans, at December 31, 2022, compared to $6,219,000, or 0.42% of total loans, at December 31, 2021. Non-performing assets were $4,331,000, or 0.17% of total assets, at December 31, 2022, compared to $6,219,000, or 0.22% of total assets, at December 31, 2021. Net charge-offs for the year ended December 31, 2022 were 0.08% of total average loans, compared to 0.08% for the year ended December 31, 2021. Net charge-offs for the year were due to a few isolated credits of unrelated borrowers and were not indicative of a general weakness in the overall loan portfolio.

Non-performing assets include nonaccrual loans and restructured loans (troubled debt restructures or TDRs), accruing loans past due 90 days or more, and other foreclosed assets. The accrual of interest on residential mortgage and commercial loans (consisting of commercial and industrial, commercial real estate, and commercial real estate construction loan categories) is discontinued at the time the loan is 90 days past due unless the credit is well secured and in the process of collection. Consumer loans (consisting of home equity lines of credit and consumer loan categories) are typically charged off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. ACNB occasionally returns nonaccrual loans to performing status when the borrower brings the loan current and performs in accordance with contractual terms for a reasonable period of time. ACNB categorizes a loan as a TDR if it changes the terms of the loan, such as interest rate, repayment schedule or both, to terms that it otherwise would not have granted to a borrower, for economic or legal reasons related to the borrower’s financial difficulties.

The following table sets forth the Corporation’s non-performing assets as of the end of the years indicated:

Table 7 — Non-Performing Assets

Dollars in thousands	**2022**	**2021**
Nonaccrual loans, including TDRs	**$ 2,654**	$ 5,489
Accruing loans 90 days past due	**1,203**	730
Total Non-Performing Loans	**3,857**	6,219
Foreclosed assets	**474**	—
Total Non-Performing Assets	**$ 4,331**	$ 6,219
Total Accruing Troubled Debt Restructurings	**$ 3,461**	$ 3,574
Ratios:		
Non-performing loans to total loans	**0.25 %**	0.42 %
Non-performing assets to total assets	**0.17 %**	0.22 %
Allowance for loan losses to non-performing loans	**463.08 %**	306.05 %

If interest due on all nonaccrual loans had been accrued at original contract rates, it is estimated that income before income taxes would have been greater by $410,000 in 2022 and $462,000 in 2021. The decrease in nonaccrual loans from 2021 to 2022 is discussed further below.

Impaired loans at December 31, 2022 and 2021, totaled $6,115,000 and $9,063,000, respectively. At December 31, 2022 and 2021, the Corporation had nonaccruing and accruing troubled debt restructurings of $3,461,000 and $3,637,000, respectively. $0 and $63,000, respectively, of the impaired loans were troubled debt restructured loans, which were also classified as nonaccrual. $3,461,000 and $3,574,000 of the impaired loans were accruing troubled debt restructured loans at December 31, 2022 and 2021, respectively. Loans whose terms are modified are classified as troubled debt restructurings if the borrowers have been granted concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve interest rates being granted below current market

rates for the credit risk of the loan or an extension of a loan's stated maturity date. Nonaccrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification. Loans classified as troubled debt restructurings are designated as impaired. The related allowance for loan losses on all impaired loans totaled $820,000 and $1,455,000 at December 31, 2022 and 2021, respectively. The decrease in accruing troubled debt restructurings was a result of payment made in accordance with loan terms. The decrease in nonaccrual loans was a result of additional loans added to this category net of paydowns and payoffs made by the customers on these loans. Potential problem loans are defined as performing loans that have characteristics that cause management to have doubts as to the ability of the borrower to perform under present loan repayment terms and which may result in the reporting of these loans as non-performing loans in the future. Total additional potential problem loans approximated $605,000 at December 31, 2022, compared to $1,725,000 at December 31, 2021.

Foreclosed assets held for resale consist of the fair value of real estate acquired through foreclosure on real estate loan collateral or the acceptance of ownership of real estate in lieu of the foreclosure process. Fair values are based on appraisals that consider the sales prices of similar properties in the proximate vicinity less estimated selling costs. Foreclosed assets held for resale totaled $474,000, consisting of one property, at December 31, 2022 compared to $0 at December 31, 2021.

Allowance for Loan Losses

ACNB maintains the allowance for loan losses at a level believed to be adequate by management to absorb probable losses in the loan portfolio, and it is funded through a provision for loan losses charged to earnings. On a quarterly basis, ACNB utilizes a defined methodology in determining the adequacy of the allowance for loan losses, which considers specific credit reviews, past loan losses, historical experience, and qualitative factors. This methodology results in an allowance that is considered appropriate in light of the high degree of judgment required and that is prudent and conservative, but not excessive.

Management assigns internal risk ratings for each commercial lending relationship. Utilizing historical loss experience, adjusted for changes in trends, conditions and other relevant factors, management derives estimated losses for non-rated and non-classified loans. When management identifies impaired loans with uncertain collectability of principal and interest, it evaluates a specific reserve on a quarterly basis in order to estimate potential losses. Management's analysis considers:

- adverse situations that may affect the borrower's ability to repay;
- the current estimated fair value of underlying collateral; and,
- prevailing market conditions.

Loans not tested for impairment do not require a specific reserve allocation. Management places these loans in a pool of loans with similar risk factors and assigns the general loss factor to determine the reserve. For homogeneous loan types, such as consumer and residential mortgage loans, management bases specific allocations on the average loss ratio for the previous three years for each specific loan pool. Additionally, management adjusts projected loss ratios for other factors, including the following:

- lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices;
- national, regional, and local economic and business conditions, as well as the condition of various market segments, including the impact on the value of underlying collateral for collateral dependent loans;
- nature and volume of the portfolio and terms of loans;
- experience, ability and depth of lending management and staff;
- volume and severity of past due, classified and nonaccrual loans, as well as other loan modifications; and,
- existence and effect of any concentrations of credit and changes in the level of such concentrations.

Management determines the unallocated portion of the allowance for loan losses, which represents the difference between the reported allowance for loan losses and the calculated allowance for loan losses, based on the following criteria:

- the risk of imprecision in the specific and general reserve allocations;
- the perceived level of consumer and small business loans with demonstrated weaknesses for which it is not practicable to develop specific allocations;

- other potential exposure in the loan portfolio;
- variances in management's assessment of national, regional, and local economic conditions; and,
- other internal or external factors that management believes appropriate at that time, such as COVID-19.

The unallocated portion of the allowance is deemed to be appropriate as it reflects an uncertainty that remains in the loan portfolio; specifically reserves where the Corporation believes that tertiary losses are probable above the loss amount derived using appraisal-based loss estimation, where such additional loss estimates are in accordance with regulatory and GAAP guidance. Appraisal-based loss derivation does not fully develop the loss present in certain unique, ultimately bank-owned collateral. The Corporation has determined that the amount of provision in 2022 and the resulting allowance at December 31, 2022, are appropriate given management's current analysis of the continuing level of risk in the loan portfolio. Management also believes the unallocated allowance is appropriate. The amount of the unallocated portion of the allowance decreased at December 31, 2022, as management deemed this to be reasonable. Otherwise, the assessment concluded that credit quality was stable and past due loans manageable.

Management believes the above methodology materially reflects losses inherent in the portfolio. Management charges actual loan losses to the allowance for loan losses. Management periodically updates the methodology and the assumptions discussed above.

Management bases the provision for loan losses, or lack of provision, on the overall analysis taking into account the methodology discussed above, which is consistent with recent years' improvement in the credit quality in the loan portfolio, and with lessened risk from the impact of the COVID-19 crisis. The provision for 2022 was $0, compared to $50,000 for 2021. The decrease in the allowance for loan losses as a percentage of total loans of 1.30% at December 31, 2021 to 1.16% at December 31, 2022 was driven by stable to improving credit metrics in the loan portfolio.

Federal and state regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses and may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio and economic conditions, management believes the current level of the allowance for loan losses is adequate.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* ASU 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The new model referred to as current expected credit losses (CECL) model, will apply to: (a) financial assets subject to credit losses and measured at amortized cost; and (b) certain off-balance sheet credit exposures. This includes loans, held to maturity debt securities, loan commitments, financial guarantees and net investments in leases as well as reinsurance and trade receivables. The estimate of expected credit losses should consider historical information, current information, and supportable forecasts, including estimates of prepayments. ASU 2016-13 was originally effective for SEC filers for annual periods beginning after December 15, 2019, and interim periods within those annual periods. In November 2019, the FASB approved a delay of the required implementation date of ASU 2016-13 for smaller reporting companies, as defined by the Securities and Exchange Commission, including the Corporation, resulting in a required implementation date for the Corporation of January 1, 2023.

Management has formed a focus group consisting of multiple members from areas, including credit, finance, loan servicing, and information systems. The Corporation is completing its data and model validation analyses, with parallel processing of our existing allowance for loan losses model. The Corporation is continuing to conduct model comparisons and finalized policy and control framework over the adoption process. The Corporation is currently evaluating the provisions of ASU 2016-13 to determine the potential impact the new standard will have on the financial condition or results of operations.

The following tables set forth information on the analysis of the allowance for loan losses and the allocation of the allowance for loan losses as of the dates indicated:

Table 8 — Analysis of Allowance for Loan Losses

Dollars in thousands	Years Ended December 31, 2022	2021
Beginning balance	**$ 19,033**	$ 20,226
Provision for loan losses	**—**	50
Loans charged-off:		
Commercial, financial and agricultural	**238**	1,176
Commercial real estate and construction	**831**	—
Residential mortgage	**36**	22
Consumer	**181**	120
Total Loans Charged-Off	**1,286**	1,318
Recoveries:		
Commercial, financial and agricultural	**58**	43
Commercial real estate and construction	**—**	—
Residential mortgage	**27**	—
Consumer	**29**	32
Total Recoveries	**114**	75
Net charge-offs	**1,172**	1,243
Ending balance	**$ 17,861**	$ 19,033
Ratios:		
Net charge-offs to average loans	**0.08 %**	0.08 %
Allowance for loan losses to total loans	**1.16 %**	1.30 %

Table 9 — Allocation of the Allowance for Loan Losses

Dollars in thousands	2022 Amount	2022 Percent of Loan Type to Total Loans	2021 Amount	2021 Percent of Loan Type to Total Loans
Commercial, financial and agricultural	**$ 2,848**	**11.6 %**	$ 3,176	12.2 %
Real estate:				
Commercial	**10,016**	**53.5**	10,716	53.6
Construction	**1,000**	**5.2**	616	3.4
Residential	**3,376**	**29.0**	3,736	30.1
Consumer	**376**	**0.7**	408	0.7
Unallocated	**245**	**N/A**	381	N/A
Total	**$ 17,861**	**100.0 %**	$ 19,033	100.0 %

The allowance for loan losses at December 31, 2022, was $17,861,000, or 1.16% of loans, as compared to $19,033,000, or 1.30% of loans, at December 31, 2021. The ratio of non-performing loans plus foreclosed assets to total assets was 0.17% at December 31, 2022, as compared to 0.22% at December 31, 2021.

Loans past due 90 days and still accruing were $1,203,000 and nonaccrual loans were $2,654,000 as of December 31, 2022. Loans past due 90 days and still accruing were $730,000 at December 31, 2021, while nonaccruals were $5,489,000.

As to nonaccrual and substandard loans, management believes that adequate collateralization generally exists for these loans in accordance with GAAP. Each quarter, the Corporation assesses risk in the loan portfolio compared with the balance in the allowance for loan losses and the current evaluation factors.

Additional information on nonaccrual loans at December 31, 2022 and 2021, is as follows:

Dollars in thousands	Number of Credit Relationships	Balance	Current Specific Loss Allocations	Current Year Charge-Offs	Location	Originated
December 31, 2022						
Owner occupied commercial real estate	**5**	**$ 1,772**	**$ 192**	**$ —**	**In market**	**2012-2019**
Investment/rental residential real estate	**1**	**101**	**—**	**—**	**In market**	**2016**
Commercial and industrial	**2**	**781**	**628**	**—**	**In market**	**2017-2018**
Total	**8**	**$ 2,654**	**$ 820**	**$ —**		
December 31, 2021						
Owner occupied commercial real estate	7	$ 3,890	$ 599	$ —	**In market**	**2008-2019**
Investment/rental residential real estate	1	112	—	—	**In market**	**2016**
Commercial and industrial	3	1,487	856	970	**In market**	**2008-2019**
Total	11	$ 5,489	$ 1,455	$ 970		

Management deemed it appropriate to provide this type of more detailed information by collateral type in order to provide additional detail on the loans.

All nonaccrual impaired loans are to borrowers located within the market area served by the Corporation in southcentral Pennsylvania and northern Maryland. All nonaccrual impaired loans were originated by ACNB's banking subsidiary, except for one participation loans discussed below, for purposes listed in the classifications in the table above. The Corporation had no impaired and nonaccrual loans included in commercial real estate construction at December 31, 2022.

Owner occupied commercial real estate includes five unrelated loan relationships. The merger-acquired loan relationship for a light manufacturing enterprise was paid off during the third quarter of 2022. An $859,000 relationship in food service that was performing when acquired in 2017 was added in the first quarter of 2020 after becoming 90 days past due early in the year, subsequent payments have been received. A $255,000 commercial mortgage loan was added to this category in the third quarter of 2022. A $350,000 commercial mortgage was added to this category in the fourth quarter of 2022. The other unrelated loans in this category have balances of less than $189,000 each, for which the real estate is collateral and is used in connection with a business enterprise that is suffering economic stress or is out of business. The loans in this category were originated between 2012 and 2019 and are business loans impacted by specific borrower credit situations. Collateral valuation resulted in an $191,690 specific allocation on one of the five loan relationships. Most loans in this category are making principal payments. Collection efforts will continue unless it is deemed in the best interest of the Corporation to initiate foreclosure procedures.

The acquired commercial real estate participation loan previously included in this category was transferred to foreclosed assets held for resale. The Corporation previously recognized an $831,000 specific reserve on this loan and the $831,000 was charged-off during the third quarter of 2022.

Investment/rental residential real estate includes one loan relationship (which is deemed to be adequately collateralized) totaling $104,000 for which the real estate is collateral and the purpose of which is for speculation, rental, or other non-owner occupied uses; this relationship is making principal reductions.

A $1,795,000 commercial and industrial loan was added in the fourth quarter of 2020 after ceasing operations, with a current balance of $162,000. Liquidation is mostly complete with a specific allocation of $9,000 after a $970,000 third quarter of 2021 charge-off. A related $371,000 owner occupied real estate loan was also in nonaccrual but settled in the first quarter of 2022. A third unrelated loan relationship was added in the first quarter of 2021 with a current outstanding balance of $619,000 and a specific allocation of $619,000 due to concerns on collateralization and liens.

The Corporation utilizes a systematic review of its loan portfolio on a quarterly basis in order to determine the adequacy of the allowance for loan losses. In addition, ACNB engages the services of an outside independent loan review function and sets the timing and coverage of loan reviews during the year. The results of this independent loan review are included in the systematic review of the loan portfolio. The allowance for loan losses consists of a component for individual loan impairment, primarily based on the loan's collateral fair value and expected cash flow. A watch list of loans is identified for evaluation based on internal and external loan grading and reviews. Loans other than those determined to be impaired are grouped into pools of loans with similar credit risk characteristics. These loans are evaluated as groups with allocations made to the allowance based on historical loss experience adjusted for current trends in delinquencies, trends in underwriting and oversight, concentrations of credit, and general economic conditions within the Corporation's trading area. The provision expense was based on the loans discussed above, as well as current trends in the watch list and the local economy as a whole. The charge-

offs discussed elsewhere in this Management's Discussion and Analysis create the recent loss history experience and result in the qualitative adjustment which, in turn, affects the calculation of losses inherent in the portfolio. The provision for loan losses of $0 for 2022 and the provision for loan losses of $50,000 for 2021, was a result of an analysis and the measurement of the adequacy of the allowance for loan losses at each period. More specifically, with the manageable level of nonaccrual loans and substandard loans in 2022, the $0 provision addition to the allowance was necessary in proportion to loan portfolio growth, net charge-offs and estimated loss from nonaccrual and substandard loans in accordance with management's belief that adequate collateralization generally exists for these loans in accordance with GAAP. Each quarter, the Corporation assesses risk in the loan portfolio compared with the balance in the allowance for loan losses and the current evaluation factors.

Premises and Equipment

On January 12, 2022, ACNB Bank announced plans to build a full-service community banking office to serve the Upper Adams area of Adams County, PA. The Upper Adams Office opened in October 2022 and, as a result, three offices were consolidated into the new community banking office. Two of the former office buildings were subsequently transferred to Assets Held for Sale at fair market value. Also, as part of the Bank's branch optimization program, in the third quarter of 2022, the Bank announced the planned closure of three additional community banking offices effective December 2022. As a result, two of the former branch office buildings were transferred to Assets Held for Sale at fair market value. The total of the four branch office buildings transferred to assets held for sale have a carrying value of $3,393,000 at December 31, 2022.

Foreclosed Assets Held for Resale

The carrying value of real estate acquired through foreclosure was $474,000 with one property at December 31, 2022, compared to $0 with no properties at December 31, 2021. All acquired properties are actively marketed.

Other Assets

Other assets increased $19,136,000, or 69.0%, in 2022 compared to 2021, due primarily to an increase in deferred tax assets and pension related assets, as well as normal variations in a number of non-earning asset accounts.

Deposits

ACNB relies on deposits as a primary source of funds for lending activities. Total deposits were $2,198,975,000 at December 31, 2022. Deposits decreased by $227,414,000, or 9.4%, since December 31, 2021. The decrease in deposits were in interest bearing and non-interest bearing deposits, and was a result of customers seeking higher yielding alternative investment or deposit products as market interest rates rose during 2022. Historically, deposits vary between quarters mostly reflecting different levels held by local companies, government units and school districts during different times of the year. Despite the decline in deposits in 2022, the loan-to-deposit ratio was 69.97% at December 31, 2022.

ACNB's deposit pricing function employs a disciplined pricing approach based upon liquidity needs and alternative funding rates, but also strives to price deposits to be competitive with relevant local competition, including local government investment trusts, credit unions and larger regional banks. Given the Corporation's funding level, the Corporation made a decision to restrain deposit rates and thereby moderate deposit costs in 2022 despite an increase in market interest rates and an increase in rates by competitors. Interest bearing deposit costs for 2022 was 0.15% compared to 0.29% for 2021.

Table 10 — Time Deposits

Maturities of time deposits exceeding $250,000 outstanding at December 31, 2022, are summarized as follows:

In thousands		
Three months or less	$	22,004
Over three through six months		19,617
Over six through twelve months		8,167
Over twelve months		1,780
Total	$	51,568

Borrowings

Short-term borrowings are comprised primarily of securities sold under agreements to repurchase and short-term borrowings from the FHLB. As of December 31, 2022, short-term borrowings were $41,954,000, an increase of $6,752,000, or 19.2%, from the December 31, 2021, balance of $35,202,000. Agreements to repurchase accounts are within the commercial and local government customer base and have attributes similar to core deposits. Investment securities are pledged in sufficient amounts to collateralize these agreements. Compared to year-end 2021, repurchase agreement balances were up due to normal

changes in the cash flow position of ACNB's commercial and local government customer base. There were no short-term FHLB borrowings, at December 31, 2022 and 2021. This account is used or not used due to daily fluctuation in deposits and loans. Short-term FHLB borrowings are used to even out Bank funding from seasonal and daily fluctuations in the deposit base.

Long-term borrowings consist of longer-term advances from the FHLB that provides term funding for loan assets, and Corporate borrowings that were acquired or originated in regards to the acquisitions and to refund or extend such Corporation borrowings. Long-term borrowings totaled $21,000,000 at December 31, 2022, versus $34,700,000 at December 31, 2021. The Corporation decreased long-term borrowings 39.5% from December 31, 2021 as excess liquidity was used to pay down higher cost funding. Further borrowings will be used when necessary for a variety of risk management and funding purposes. Please refer to the *Liquidity* discussion below for more information on the Corporation's ability to borrow.

The following tables set forth information about the Corporation's short-term borrowings as of the dates indicated:

In thousands	**2022**	**2021**
Short-term borrowings outstanding at end of year:		
FHLB overnight advance	**$ —**	$ —
Securities sold under repurchase agreements	**41,954**	35,202
Total	**$ 41,954**	$ 35,202

Dollars in thousands	**2022**	**2021**
Average interest rate at year-end	**0.12 %**	0.12 %
Maximum amount outstanding at any month-end	**$ 41,954**	$ 45,681
Average amount outstanding	**$ 35,882**	$ 35,153
Weighted average interest rate	**0.12 %**	0.11 %

Capital

ACNB's capital management strategies have been developed to provide an appropriate rate of return, in the opinion of management, to shareholders, while maintaining its "well capitalized" regulatory position in relationship to its risk exposure. Total shareholders' equity was $245,042,000 at December 31, 2022, compared to $272,114,000 at December 31, 2021. The decline in shareholders' equity was primarily attributable to the change in accumulated other comprehensive income due to unrealized losses in the securities portfolio resulting from the increase in market interest rates during the year.

The primary source of additional capital to ACNB is earnings retention, which represents net income less dividends declared. During 2022, ACNB retained $26,635,000, or 74.5%, of its net income, as compared to $18,866,000, or 67.8%, in 2021.

Quarterly cash dividends paid to ACNB Corporation shareholders in 2022 totaled $9,117,000, or $1.06 per common share. Compared to prior year, ACNB Corporation paid $1.03 in total dividends per common share in 2021, which included a special dividend of $0.02 per common share paid on June 15, 2021.

ACNB Corporation has a Dividend Reinvestment and Stock Purchase Plan that provides registered holders of ACNB Corporation common stock with a convenient way to purchase additional shares of common stock by permitting participants in the plan to automatically reinvest cash dividends on all or a portion of the shares owned and to make quarterly voluntary cash payments under the terms of the plan. Participation in the plan is voluntary, and there are eligibility requirements to participate in the plan. Cumulative to December 31, 2022, 235,403 shares were issued under this plan. Proceeds are used for general corporate purposes.

On October 24, 2022, the Corporation announced that the Board of Directors approved on October 18, 2022, a new plan to repurchase, in open market and privately negotiated transactions, up to 255,575, or approximately 3%, of the outstanding shares of the Corporation's common stock. This new common stock repurchase program replaces and supersedes any and all earlier announced repurchase plans. As of December 31, 2022, no common stock has been repurchased under this new plan.

ACNB is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on ACNB. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, ACNB must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and

reclassifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require ACNB to maintain minimum amounts and ratios of total and Tier 1 capital to average and risk adjusted assets. Management believes, as of December 31, 2022 and 2021, that ACNB's banking subsidiary met all minimum capital adequacy requirements to which it is subject and is categorized as "well capitalized" for regulatory purposes. There are no subsequent conditions or events that management believes have changed the banking subsidiary's category.

Regulatory Capital Changes

In July 2013, the federal banking agencies issued final rules to implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. The phase-in period for community banking organizations began January 1, 2015, while larger institutions (generally those with assets of $250 billion or more) began compliance effective January 1, 2014. The final rules call for the following capital requirements:

- a minimum ratio of common Tier 1 capital to risk-weighted assets of 4.5%;
- a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%;
- a minimum ratio of total capital to risk-weighted assets of 8.0%; and,
- a minimum leverage ratio of 4.0%.

In addition, the final rules established a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets applicable to all banking organizations.

The Corporation calculated regulatory capital ratios as of December 31, 2022, and confirmed no material impact on the capital, operations, liquidity and earnings of the Corporation and the banking subsidiary from the changes in the regulations.

Table 11 — Risk-Based Capital

ACNB Corporation considers the capital ratios of the banking subsidiary to be the relevant measurement of capital adequacy.

In 2019, the federal banking agencies issued a final rule to provide an optional simplified measure of capital adequacy for qualifying community banking organizations, including the community bank leverage ratio (CBLR) framework. Generally, under the CBLR framework, qualifying community banking organizations with total assets of less than $10 billion, and limited amounts of off-balance sheet exposures and trading assets and liabilities, may elect whether to be subject to the CBLR framework if they have a CBLR of greater than 9% (subsequently reduced to 8% as a COVID-19 relief measure). Qualifying community banking organizations that elect to be subject to the CBLR framework and continue to meet all requirements under the framework would not be subject to risk-based or other leverage capital requirements and, in the case of an insured depository institution, would be considered to have met the well capitalized ratio requirements for purposes of the FDIC's Prompt Corrective Action framework. The CBLR framework was available for banks to use in their March 31, 2020 Call Report. The Corporation has performed changes to capital adequacy and reporting requirements within the quarterly Call Report, and it opted out of the CBLR framework.

The banking subsidiary's capital ratios are as follows:

	2022	2021	To be Well Capitalized under Prompt Corrective Action Regulations
Tier 1 leverage ratio (to average assets)	**9.50 %**	8.81 %	5.00 %
Common Tier 1 capital (to risk-weighted assets)	**14.68 %**	16.32 %	6.50 %
Tier 1 risk-based capital ratio (to risk-weighted assets)	**14.68 %**	16.32 %	8.00 %
Total risk-based capital ratio	**15.76 %**	17.57 %	10.00 %

For further information on the actual and required capital amounts and ratios, please refer to Note N — "Stockholders' Equity and Regulatory Matters" in the Notes to Consolidated Financial Statements.

Liquidity

Effective liquidity management ensures the cash flow requirements of depositors and borrowers, as well as the operating

cash needs of ACNB, are met.

ACNB's funds are available from a variety of sources, including assets that are readily convertible such as interest bearing-deposits with banks, maturities and repayments from the securities portfolio, scheduled repayments of loans receivable, the core deposit base, the ability to raise brokered deposits, and the ability to borrow from the FHLB and Federal Reserve Discount Window. At December 31, 2022, ACNB's banking subsidiary could borrow approximately $821,375,000 from the FHLB of which $808,275,000 was available. At December 31, 2022, ACNB's banking subsidiary could borrow approximately $5,619,000 from the Discount Window, of which the full amount was available. The underlying collateral at the Discount Window is made up of investment securities held in a joint-custody account under the Corporation's name.

ACNB's banking subsidiary maintains several unsecured Fed Funds lines with correspondent banks. As of December 31, 2022, Fed Funds line capacity at the banking subsidiary was $75,000,000, of which the full amount was available. In 2018, ACNB Corporation executed a guaranty for a note related to a $1,500,000 commercial line of credit from a local bank, with normal terms and conditions for such a line, for ACNB Insurance Services, Inc., the borrower and a wholly-owned subsidiary of ACNB Corporation. The commercial line of credit is for general working capital needs as they arise by the borrower. A subsequent draw taken was reduced to $0 in 2020 on this commercial line of credit since its inception. The liability is recorded for the net drawn amount of this line, no further liability is recorded for the remaining line as to the guarantor's obligation as the guarantor would have full recourse from all assets of its wholly-owned subsidiary. The Corporation maintains a $5,000,000 unsecured line of credit with a correspondent bank. The line of credit remains at full capacity at year-end.

Another source of liquidity is securities sold under repurchase agreements to customers of ACNB's banking subsidiary totaling $41,954,000 and $35,202,000 at December 31, 2022 and 2021, respectively. These agreements vary in balance according to the cash flow needs of customers and competing accounts at other financial organizations.

The liquidity of the parent company also represents an important aspect of liquidity management. The parent company's cash outflows consist principally of dividends to shareholders and corporate expenses. The main source of funding for the parent company is the dividends it receives from its subsidiaries. Federal and state banking regulations place certain legal restrictions and other practicable safety and soundness restrictions on dividends paid to the parent company from the subsidiary bank. For a discussion of ACNB's dividend restrictions, please refer to Item 1 — "Business" and Note J — "Regulatory Restrictions on Dividends" in the Notes to Consolidated Financial Statements.

ACNB manages liquidity by monitoring projected cash inflows and outflows on a daily basis, and believes it has sufficient funding sources to maintain sufficient liquidity under varying degrees of business conditions for liquidity and capital resource requirements for all material short- and long-term cash requirements from known contractual and other obligations.

On March 30, 2021, the Corporation issued $15 million of subordinated debt in order to pay off existing higher rate debt, to potentially repurchase ACNB common stock and to use for inorganic growth opportunities. Otherwise, the $15 million of subordinated debt qualifies as Tier 2 capital at the Holding Company level, but can be transferred to the Bank where it qualifies as Tier 1 Capital. The debt has a 4.00% fixed-to-floating rate and a stated maturity of March 31, 2031. The debt is redeemable by the Corporation at its option, in whole or in part, on or after March 30, 2026, and at any time upon occurrences of certain unlikely events such as receivership insolvency or liquidation of ACNB or ACNB Bank.

Off-Balance Sheet Arrangements

The Corporation is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and, to a lesser extent, standby letters of credit. At December 31, 2022, the Corporation had unfunded outstanding commitments to extend credit of $401,786,000 and outstanding standby letters of credit of $11,429,000. Because these commitments generally have fixed expiration dates and many will expire without being drawn upon, the total commitment level does not necessarily represent future cash requirements. Please refer to Note O — "Financial Instruments with Off-balance Sheet Risk" in the Notes to Consolidated Financial Statements for a discussion of the nature, business purpose, and importance of the Corporation's off-balance sheet arrangements.

New Accounting Pronouncements

See Note A — "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements for a summary of these new accounting pronouncements not yet adopted.

ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Not required for smaller reporting companies.

ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) The following audited consolidated financial statements and related documents are set forth in this Annual Report on Form 10-K on the following pages:

	Page
Report of Independent Registered Public Accounting Firm (Crowe LLP, Washington, DC, Firm ID: 173)	46
Report of Independent Auditor (RSM US LLP, Philadelphia, PA, Firm ID: 49)	48
Consolidated Statements of Condition	50
Consolidated Statements of Income	51
Consolidated Statements of Comprehensive Income	52
Consolidated Statements of Changes in Stockholders' Equity	53
Consolidated Statements of Cash Flows	54
Notes to Consolidated Financial Statements	55

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors of ACNB Corporation and Subsidiaries
Gettysburg, PA

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statement of condition of ACNB Corporation (the "Company") as of December 31, 2022, the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Losses — Qualitative Risk Factors
As more fully described in Notes A and D to the consolidated financial statements, the Company's allowance for loan losses as of December 31, 2022 was $17.9 million. The Company estimates and records an allowance for loan losses for loans collectively evaluated for impairment by developing a loss rate based on historical losses and qualitative risk factors. Qualitative risk factors are used to adjust historical loss rates considering relevant factors such as lending policies and procedures; national, regional and local economic and business conditions; nature and volume of the portfolio and terms of loans; experience, ability and depth of lending management and staff; volume and severity of past due, classified and nonaccrual loans; and existence, effect and changes of any concentrations of credit. The application of the adjustments for qualitative risk factors to the historical loss rate calculation is subjective.

We identified three qualitative risk factor components of the allowance for loan losses as a critical audit matter because of the extent of auditor judgment applied and significant audit effort to evaluate the significant subjective and complex judgments made by management. These three qualitative risk factors are the nature and volume of the portfolio and terms of loans, the volume and severity of past due, classified and nonaccrual loans; and the national, regional and local economic and business conditions (the "three qualitative risk factors").

The primary procedures performed to address this critical audit matter include:

Testing the effectiveness of internal controls over:

- The Company's review of the three qualitative risk factors of the allowance for loan loss calculation, including:
  - the review of the judgments used in developing their methodology,
  - the relevance and reliability of the data used to develop the methodology,
  - the reasonableness of the amounts derived from each of the three qualitative risk factors
- The mathematical accuracy of the three qualitative risk factor calculations.

Substantively testing management's estimate, which included:

- Evaluation of completeness and accuracy of the data used to determine the three qualitative risk factors and agreed to source documentation.
- Evaluation of management judgment involved in the development of the methodology for the three qualitative risk factors including the evaluation of the reasonableness and appropriateness of the magnitude of the adjustments.
- Analytical procedures to evaluate changes that occurred in the three qualitative risk factors.

/s/ Crowe LLP

We have served as the Company's auditor since 2022.

Washington, D.C.
March 3, 2023

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
ACNB Corporation and Subsidiaries

Opinion on the Financial Statements
We have audited the accompanying statement of condition of ACNB Corporation and its Subsidiaries (the Company) as of December 31, 2021, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters
The critical audit matters communicated below are matters arising from the audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Loan Losses—Qualitative Factors
The allowance for loan losses as of December 31, 2021 was $19.0 million. As described in Notes A and D to the consolidated financial statements, the allowance for loan losses is established through a provision for loan losses and represents an amount which, in management's judgement, will be adequate to absorb losses on existing loans. The allowance consists of specific and general components in the amounts of $1.5 million and $17.5 million, respectively. Specific reserves estimate potential losses on identified impaired loans with uncertain collectability of principal and interest. The general component covers pools of loans by loan class including commercial loans not considered impaired, as well as smaller balance homogeneous loans, such as residential real estate, home equity, and other consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for the previous twelve quarters for each of these categories of loans, adjusted for qualitative risk factors. The evaluation of the qualitative factors requires a significant amount of judgement by management and involves a high degree of subjectivity.

We identified the qualitative factor component of the allowance for loan losses as a critical audit matter as auditing the underlying qualitative factors required significant auditor judgment as amounts determined by management rely on analysis that is highly subjective and includes significant estimation uncertainty.

Our audit procedures related to the qualitative factors included the following, among others:

- We obtained an understanding of the relevant controls related to management's assessment and review of the qualitative factors, and tested such controls for design and operating effectiveness, including controls over management's establishment, review and approval of the qualitative factors and the data used in determining the qualitative factors.

- We obtained an understanding of how management developed the estimates and related assumptions, including:

  – Testing completeness and accuracy of key data inputs used in forming assumptions or calculations and testing the reliability of the underlying data on which these factors are based by comparing information to source documents and external information sources.

  – Evaluating the reasonableness of the qualitative factor established by management as compared to the underlying internal or external information sources.

We served as the Company's auditor from 2018 to May 20, 2022.

/s/ RSM US LLP

Philadelphia, Pennsylvania
March 14, 2022

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF CONDITION

Dollars in thousands, except per share data	December 31, 2022	2021
ASSETS		
Cash and due from banks	$ 40,067	$ 14,912
Interest bearing deposits with banks	128,094	695,219
Total Cash and Cash Equivalents	168,161	710,131
Equity securities with readily determinable fair values	1,719	2,609
Debt securities available for sale	553,554	437,098
Securities held to maturity, fair value $58,078; $6,652	64,977	6,454
Loans held for sale	123	2,193
Loans, net of allowance for loan losses $17,861; $19,033	1,520,749	1,449,394
Assets held for sale	3,393	1,093
Premises and equipment	27,053	30,980
Right of use assets	3,162	3,270
Restricted investment in bank stocks	1,629	2,303
Investment in bank-owned life insurance	77,993	64,261
Investments in low-income housing partnerships	1,129	1,254
Goodwill	44,185	42,108
Intangible assets, net	10,332	6,101
Foreclosed assets held for resale	474	—
Other assets	46,874	27,738
Total Assets	$ 2,525,507	$ 2,786,987
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	$ 595,049	$ 623,360
Interest bearing	1,603,926	1,803,029
Total Deposits	2,198,975	2,426,389
Short-term borrowings	41,954	35,202
Long-term borrowings	21,000	34,700
Lease liabilities	3,162	3,270
Other liabilities	15,374	15,312
Total Liabilities	2,280,465	2,514,873
STOCKHOLDERS' EQUITY		
Preferred stock, $2.50 par value; 20,000,000 shares authorized; no shares outstanding	—	—
Common stock, $2.50 par value; 20,000,000 shares authorized; 8,838,720 and 8,795,877 shares issued; 8,515,120 and 8,679,206 shares outstanding	22,086	21,978
Treasury stock, at cost (323,600 and 116,671 shares)	(8,927)	(2,245)
Additional paid-in capital	96,022	94,688
Retained earnings	193,873	167,238
Accumulated other comprehensive loss	(58,012)	(9,545)
Total Stockholders' Equity	245,042	272,114
Total Liabilities and Stockholders' Equity	$ 2,525,507	$ 2,786,987

The accompanying notes are an integral part of the consolidated financial statements.

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

Dollars in thousands, except per share data	Years Ended December 31, 2022	2021
INTEREST AND DIVIDEND INCOME		
Loans, including fees	**$ 70,246**	$ 71,186
Securities:		
Taxable	**9,799**	5,423
Tax-exempt	**1,144**	543
Dividends	**104**	230
Other	**5,756**	777
Total Interest Income	**87,049**	78,159
INTEREST EXPENSE		
Deposits	**2,561**	5,012
Short-term borrowings	**77**	39
Long-term borrowings	**986**	1,864
Total Interest Expense	**3,624**	6,915
Net Interest Income	**83,425**	71,244
PROVISION FOR LOAN LOSSES	**—**	50
Net Interest Income after Provision for Loan Losses	**83,425**	71,194
OTHER INCOME		
Commissions from insurance sales	**8,307**	6,151
Service charges on deposit accounts	**4,066**	3,510
Income from fiduciary, investment management and brokerage activities	**3,160**	3,169
Income from mortgage loans held for sale	**487**	3,393
Earnings on investment in bank-owned life insurance	**1,532**	1,408
Gain on life insurance proceeds	**—**	101
Net losses on sales or calls of securities	**(234)**	—
Net gains on sales of low income housing partnership	**421**	—
Net (losses) gains on equity securities	**(298)**	439
Service charges on ATM and debit card transactions	**3,322**	3,387
Other	**1,044**	1,218
Total Other Income	**21,807**	22,776
OTHER EXPENSES		
Salaries and employee benefits	**35,979**	36,816
Net occupancy	**4,076**	4,114
Equipment	**6,612**	6,175
Other tax	**1,632**	1,572
Professional services	**2,086**	1,304
Supplies and postage	**823**	718
Marketing and corporate relations	**299**	287
FDIC and regulatory	**1,128**	960
Intangible assets amortization	**1,492**	1,164
Other operating	**6,154**	5,841
Total Other Expenses	**60,281**	58,951
Income Before Income Taxes	**44,951**	35,019
PROVISION FOR INCOME TAXES	**9,199**	7,185
Net Income	**$ 35,752**	$ 27,834
PER SHARE DATA		
Basic earnings	**$ 4.15**	$ 3.19
Cash dividends declared	**$ 1.06**	$ 1.03

The accompanying notes are an integral part of the consolidated financial statements.

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

In thousands	Years Ended December 31, 2022	2021
NET INCOME	**$ 35,752**	$ 27,834
OTHER COMPREHENSIVE INCOME (LOSS)		
SECURITIES		
Unrealized losses arising during the period, net of income taxes of $(14,499) and $(2,321), respectively	**(50,192)**	(8,119)
Reclassification adjustment for net gains included in net income, net of income taxes of $55 and $0, respectively (A) (C)	**193**	—
Total unrealized loss on investment securities	**(49,999)**	(8,119)
Unrealized losses on securities transferred to held to maturity, net of income taxes of $(1,072) and $0, respectively	**(3,751)**	—
Amortization of unrealized losses on securities transferred to held to maturity, net of income taxes of $211 and $0, respectively	**739**	—
Total unrealized loss remaining on investment securities held to maturity	**(3,012)**	—
PENSION		
Amortization of pension net loss, transition liability, and prior service cost, net of income taxes of $90 and $280, respectively (B) (C)	**317**	975
Unrecognized net loss, net of income taxes of $15 and $944, respectively (C)	**476**	3,237
Total unrealized loss on pension	**793**	4,212
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	**(48,467)**	(3,907)
TOTAL COMPREHENSIVE (LOSS) INCOME	**$ (12,715)**	$ 23,927

(A) Gross amounts are included in net gains on sales or calls of securities on the Consolidated Statements of Income in total other income.

(B) Gross amounts are included in the computation of net periodic benefit cost and are included in salaries and employee benefits on the Consolidated Statements of Income in total other expenses.

(C) Income tax amounts are included in the provision for income taxes on the Consolidated Statements of Income.

The accompanying notes are an integral part of the consolidated financial statements.

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2022 and 2021

Dollars in thousands	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE—January 1, 2021	$ 21,918	$ (728)	$ 94,048	$ 148,372	$ (5,638)	$ 257,972
Net income	—	—	—	27,834	—	27,834
Other comprehensive loss, net of taxes	—	—	—	—	(3,907)	(3,907)
Common stock shares issued (23,884 shares)	60	—	278	—	—	338
Repurchased shares (54,071 shares)	—	(1,517)	—	—	—	(1,517)
Restricted stock compensation expense	—	—	362	—	—	362
Cash dividends declared ($1.03 per share)	—	—	—	(8,968)	—	(8,968)
BALANCE—December 31, 2021	21,978	(2,245)	94,688	167,238	(9,545)	272,114
Net income	**—**	**—**	**—**	**35,752**	**—**	**35,752**
Other comprehensive loss, net of taxes	**—**	**—**	**—**	**—**	**(48,467)**	**(48,467)**
Common stock shares issued (20,908 shares)	**52**	**—**	**661**	**—**	**—**	**713**
Repurchased shares (206,929 shares)	**—**	**(6,682)**	**—**	**—**	**—**	**(6,682)**
Restricted stock grants (21,935 shares)	**56**	**—**	**673**	**—**	**—**	**729**
Cash dividends declared ($1.06 per share)	**—**	**—**	**—**	**(9,117)**	**—**	**(9,117)**
BALANCE—December 31, 2022	**$ 22,086**	**$ (8,927)**	**$ 96,022**	**$ 193,873**	**$ (58,012)**	**$ 245,042**

The accompanying notes are an integral part of the consolidated financial statements.

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands	Years Ended December 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 35,752	$ 27,834
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of loans originated for sale	(487)	(3,393)
Gain on sales of foreclosed assets held for resale, including writedowns	—	(88)
Loss on sale of premises and equipment	41	26
Earnings on investment in bank-owned life insurance	(1,532)	(1,408)
Loss on sales or calls of securities	234	—
Loss (gain) on equity securities	298	(439)
Gain on sale of low-income housing partnership	(421)	—
Gain on life insurance proceeds	—	(101)
Restricted stock compensation expense	729	362
Depreciation and amortization	3,796	3,441
Provision for loan losses	—	50
Net amortization of investment securities premiums	2,156	1,626
(Increase) decrease in accrued interest receivable	(1,395)	1,430
Decrease in accrued interest payable	(58)	(1,325)
Mortgage loans originated for sale	(36,664)	(104,633)
Proceeds from sales of loans originated for sale	39,221	116,867
Increase in other assets	(4,303)	(4,324)
Decrease in deferred tax expense	924	236
Increase in other liabilities	910	5,965
Net Cash Provided by Operating Activities	39,201	42,126
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investment securities held to maturity	2,903	3,840
Proceeds from maturities of investment securities available for sale	58,578	105,340
Proceeds from sales of investment securities held to maturity	1,054	—
Proceeds from sales of investment securities available for sale	3,129	—
Proceeds from sales of equity securities	811	—
Purchase of investment securities available for sale	(284,336)	(216,786)
Purchase of investment securities held to maturity	(22,204)	—
Purchase of equity securities	(206)	—
Redemption of restricted investment in bank stocks	674	639
Net (increase) decrease in loans	(71,829)	168,013
Purchase of bank-owned life insurance	(12,200)	—
Proceeds from sale of low-income housing partnerships	421	—
Acquisition of insurance agency	(7,800)	—
Proceeds from life insurance death benefits	—	649
Capital expenditures	(1,811)	(1,576)
Proceeds from sale of premises and equipment	1,093	213
Proceeds from sale of foreclosed real estate	—	189
Net Cash (Used in) Provided by Investing Activities	(331,723)	60,521
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in demand deposits	(28,311)	66,694
Net (decrease) increase in time certificates of deposits and interest bearing deposits	(199,103)	174,170
Net increase (decrease) in short-term borrowings	6,752	(3,262)
Proceeds from long-term borrowings	1,500	15,000
Repayments on long-term borrowings	(15,200)	(34,045)
Dividends paid	(9,117)	(8,968)
Common stock repurchased	(6,682)	(1,517)
Common stock issued	713	60
Net Cash (Used in) Provided by Financing Activities	(249,448)	208,132
Net (Decrease) Increase in Cash and Cash Equivalents	(541,970)	310,779
CASH AND CASH EQUIVALENTS — BEGINNING	710,131	399,352
CASH AND CASH EQUIVALENTS — ENDING	$ 168,161	$ 710,131
Supplemental disclosures of cash flow information		
Interest paid	$ 3,682	$ 8,240
Income taxes paid	$ 7,225	$ 7,400
Loans transferred to foreclosed assets held for resale and other foreclosed transactions	$ 474	$ 101
Non-cash investing activities		
Investments transferred from available for sale to held to maturity	$ 39,683	$ —
Premises and equipment transferred to assets held for sale	$ 3,393	$ —

The accompanying notes are an integral part of the consolidated financial statements.

ACNB CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

ACNB Corporation (the Corporation or ACNB), headquartered in Gettysburg, Pennsylvania, provides banking, insurance, and financial services to businesses and consumers through its wholly-owned subsidiaries, ACNB Bank (Bank) and ACNB Insurance Services, Inc., formerly Russell Insurance Group, Inc. The Bank engages in full-service commercial and consumer banking and wealth management services, including trust and retail brokerage, through its twenty-six community banking offices, including seventeen community banking office locations in Adams, Cumberland, Franklin, and York Counties, Pennsylvania, and nine community banking office locations in Carroll and Frederick Counties, Maryland. There are also loan production offices situated in Lancaster and York, Pennsylvania, and Hunt Valley, Maryland.

ACNB Insurance Services, Inc. is a full-service insurance agency based in Westminster, Maryland, with additional locations in Jarrettsville, Maryland, and Gettysburg, Pennsylvania. The agency offers a broad range of property, casualty, health, life and disability insurance to both individual and commercial clients.

On January 11, 2020, ACNB completed the acquisition of Frederick County Bancorp, Inc. (FCBI), a bank holding company based in Frederick, Maryland. In addition, Frederick County Bank, a Maryland state-chartered bank and FCBI's wholly-owned subsidiary, merged with and into ACNB Bank. ACNB Bank now operates in the Frederick County, Maryland, market as "FCB Bank, A Division of ACNB Bank" and serves its marketplace with banking and wealth management services via the network of four community banking offices located in Frederick County, Maryland.

On July 1, 2017, ACNB completed its acquisition of New Windsor Bancorp, Inc. (New Windsor) of Taneytown, Maryland. At the effective time of the acquisition, New Windsor merged with and into a wholly-owned subsidiary of ACNB, immediately followed by the merger of New Windsor State Bank (NWSB) with and into ACNB Bank. ACNB Bank now operates in the Carroll County, Maryland market as "NWSB Bank, A Division of ACNB Bank" and serves its marketplace with banking and wealth management services via the network of five community banking offices located in Carroll County, Maryland.

On February 28, 2022, ACNB Insurance Services, Inc. completed the acquisition of the business and assets of Hockley & O'Donnell Insurance Agency, LLC, Gettysburg, PA. This insurance agency acquisition in Adams County, PA, leveraged the affiliation with ACNB Corporation and ACNB Bank in their headquarters market.

On December 19, 2022, plans for ACNB Bank to rebrand its Maryland banking divisions were announced. Effective January 1, 2023, these divisions, NWSB Bank and FCB Bank, formally adopted the ACNB Bank name and brand identity in the counties of Carroll and Frederick in northern Maryland, respectively. The goal of this rebranding initiative is to eliminate customer confusion, especially for those who bank in multiple markets, and to provide future operating and cost efficiencies. Further, this step now fully aligns the brand of ACNB Bank with that of ACNB Insurance Services, Inc., which was rebranded effective January 1, 2022, to create enhanced synergies and market recognition throughout the Corporation's footprint in southcentral Pennsylvania and northern Maryland.

The Corporation's primary sources of revenue are interest income on loans and investment securities and fee income on its products and services. Expenses consist of interest expense on deposits and borrowed funds, provisions for loan losses, and other operating expenses.

Basis of Financial Statements

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of the Corporation and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated.

Assets held by the Corporation's Wealth Management Department, including trust and retail brokerage, in an agency, fiduciary or retail brokerage capacity for its customers are excluded from the consolidated financial statements since they do not constitute assets of the Corporation. Assets held by the Wealth Management Department amounted to $518,800,000 and $537,800,000 at December 31, 2022 and 2021, respectively. Income from fiduciary, investment management and brokerage activities are included in other income.

Subsequent Events

The Corporation has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2022, for items that should potentially be recognized or disclosed in the consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

Use of Estimates

To prepare financial statements in conformity with U.S. generally accepted accounting principles (GAAP) management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses.

Cash Flows

Cash and cash equivalents include cash on hand, balances due from banks, and federal funds sold, all of which mature within 90 days. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and federal funds purchased and repurchase agreements.

Interest-Bearing Deposits in Other Financial Institutions

Interest-bearing deposits in other financial institutions are carried at cost.

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as “held to maturity” and recorded at amortized cost. Debt securities not classified as held to maturity or trading are classified as “available for sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, in other comprehensive income (loss). Equity securities with readily determinable fair values are recorded at fair value with changes in fair value recognized in net income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses on debt securities, management considers (1) whether management intends to sell the security, or (2) if it is more likely than not that management will be required to sell the security before recovery, or (3) if management does not expect to recover the entire amortized cost basis. In assessing potential other-than-temporary impairment for equity securities, consideration is given to management’s intention and ability to hold the securities until recovery of unrealized losses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Transfers of debt securities into the held to maturity category from the available for sale category are made at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer is retained in other comprehensive income and in the carrying value of the held to maturity securities. Such amounts are amortized over the remaining expected life of the security.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by aggregate outstanding commitments from investors or current investor yield requirements. Net unrealized losses are recognized through a valuation allowance by charges to income.

Mortgage loans held for sale are sold with the mortgage servicing rights released to another financial institution through a correspondent relationship. The correspondent financial institution absorbs all of the risk related to rate lock commitments. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

Loans

The Corporation grants commercial, residential, and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout southcentral Pennsylvania and northern Maryland. The ability of the Corporation’s debtors to honor their contracts is dependent upon the real estate values and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

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

The accrual of interest on residential mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer loans (consisting of home equity lines of credit and consumer loan classes) are typically charged off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued, but not collected, for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses (the allowance) is established as losses are estimated to occur through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as either doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers pools of loans by loan class including commercial loans not considered impaired, as well as smaller balance homogeneous loans, such as residential real estate, home equity, and other consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative risk factors. These qualitative risk factors include:

- lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices;
- national, regional and local economic and business conditions, as well as the condition of various market segments, including the impact on the value of underlying collateral for collateral dependent loans;
- nature and volume of the portfolio and terms of loans;
- experience, ability and depth of lending management and staff;
- volume and severity of past due, classified and nonaccrual loans, as well as other loan modifications; and,
- existence and effect of any concentrations of credit and changes in the level of such concentrations.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management’s best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

The unallocated component of the allowance is maintained to cover uncertainties that could affect management’s estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying

assumptions used in the methodologies for estimating specific and general losses in the portfolio. It covers risks that are inherently difficult to quantify including, but not limited to, collateral risk, information risk, and historical charge-off risk.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal and/or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and/or interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and commercial construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

A specific allocation within the allowance for loan losses is established for an impaired loan if its carrying value exceeds its estimated fair value. The estimated fair values of the Corporation's impaired loans are measured based on the estimated fair value of the loan's collateral or the discounted cash flows method.

It is the policy of the Corporation to order an updated valuation on all real estate secured loans when the loan becomes 90 days past due and there has not been an updated valuation completed within the previous 12 months. In addition, the Corporation orders third-party valuations on all impaired real estate collateralized loans within 30 days of the loan being classified as impaired. Until the valuations are completed, the Corporation utilizes the most recent independent third-party real estate valuation to estimate the need for a specific allocation to be assigned to the loan. These existing valuations are discounted downward to account for such things as the age of the existing collateral valuation, change in the condition of the real estate, change in local market and economic conditions, and other specific factors involving the collateral. Once the updated valuation is completed, the collateral value is updated accordingly.

For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging reports, equipment appraisals, or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

The Corporation actively monitors the values of collateral as well as the age of the valuation of impaired loans. The Corporation orders valuations at least every 18 months, or more frequently if management believes that there is an indication that the fair value has declined.

For impaired loans secured by collateral other than real estate, the Corporation considers the net book value of the collateral, as recorded in the most recent financial statements of the borrower, and determines fair value based on estimates made by management.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a troubled debt restructure.

Loans whose terms are modified are classified as troubled debt restructured loans if the Corporation grants such borrowers concessions that it would not otherwise consider and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a temporary reduction in interest rate, a below market interest rate given the risk associated with the loan, or an extension of a loan's stated maturity date. Nonaccrual troubled debt restructurings may be restored to accrual status if principal and interest payments, under the modified terms, are current for a sustained period of time and, based on a well-documented credit evaluation of the borrower's financial condition, there is reasonable assurance of repayment. Loans classified as troubled debt restructurings are generally designated as impaired.

The allowance calculation methodology includes further segregation of loan classes into credit quality rating categories. The borrower's overall financial condition, repayment sources, guarantors, and value of collateral, if appropriate, are generally evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments.

Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans classified special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current

sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass.

In addition, federal and state regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses and may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio and economic conditions, management believes the current level of the allowance for loan losses is adequate.

Commercial and Industrial Lending — The Corporation originates commercial and industrial loans primarily to businesses located in its primary market area and surrounding areas. These loans are used for various business purposes which include short-term loans and lines of credit to finance machinery and equipment purchases, inventory, and accounts receivable. Generally, the maximum term for loans extended on machinery and equipment is based on the projected useful life of such machinery and equipment. Most business lines of credit are written on demand and may be renewed annually.

Commercial and industrial loans are generally secured with short-term assets; however, in many cases, additional collateral such as real estate is provided as additional security for the loan. Loan-to-value maximum values have been established by the Corporation and are specific to the type of collateral. Collateral values may be determined using invoices, inventory reports, accounts receivable aging reports, collateral appraisals, etc.

In underwriting commercial and industrial loans, an analysis is performed to evaluate the borrower's character and capacity to repay the loan, the adequacy of the borrower's capital and collateral, as well as the conditions affecting the borrower. Evaluation of the borrower's past, present and future cash flows is also an important aspect of the Corporation's analysis.

Commercial loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions.

Commercial Real Estate Lending — The Corporation engages in commercial real estate lending in its primary market area and surrounding areas. The Corporation's commercial loan portfolio is secured primarily by commercial retail space, office buildings, and hotels. Generally, commercial real estate loans have terms that do not exceed 20 years, have loan-to-value ratios of up to 80% of the appraised value of the property, and are typically secured by personal guarantees of the borrowers.

In underwriting these loans, the Corporation performs a thorough analysis of the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the property securing the loan. Appraisals on properties securing commercial real estate loans originated by the Corporation are performed by independent appraisers.

Commercial real estate loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and the complexities involved in valuing the underlying collateral.

Commercial Real Estate Construction Lending — The Corporation engages in commercial real estate construction lending in its primary market area and surrounding areas. The Corporation's commercial real estate construction lending consists of commercial and residential site development loans, as well as commercial building construction and residential housing construction loans.

The Corporation's commercial real estate construction loans are generally secured with the subject property. Terms of construction loans depend on the specifics of the project, such as estimated absorption rates, estimated time to complete, etc.

In underwriting commercial real estate construction loans, the Corporation performs a thorough analysis of the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the project using feasibility studies, market data, etc. Appraisals on properties securing commercial real estate construction loans originated by the Corporation are performed by independent appraisers.

Commercial real estate construction loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and the uncertainties surrounding total construction costs.

Residential Mortgage Lending — One-to-four family residential mortgage loan originations, including home equity closed-end loans, are generated by the Corporation's marketing efforts, its present customers, walk-in customers, and referrals. These loans originate primarily within the Corporation's market area or with customers primarily from the market area.

The Corporation offers fixed-rate and adjustable-rate mortgage loans with terms up to a maximum of 30 years for both permanent structures and those under construction. The Corporation's one-to-four family residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas. The majority of the Corporation's residential mortgage loans originate with a loan-to-value of 80% or less. Loans in excess of 80% are required to have private mortgage insurance.

In underwriting one-to-four family residential real estate loans, the Corporation evaluates both the borrower's financial ability to repay the loan as agreed and the value of the property securing the loan. Properties securing real estate loans made by the Corporation are appraised by independent appraisers. The Corporation generally requires borrowers to obtain an attorney's title opinion or title insurance, as well as fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. The Corporation has not engaged in subprime residential mortgage originations.

Residential mortgage loans are subject to risk due primarily to general economic conditions, as well as periods of weak housing markets.

Home Equity Lines of Credit Lending — The Corporation originates home equity lines of credit primarily within the Corporation's market area or with customers primarily from the market area. Home equity lines of credit are generated by the Corporation's marketing efforts, its present customers, walk-in customers, and referrals.

Home equity lines of credit are secured by the borrower's primary residence with a maximum loan-to-value of 90% and a maximum term of 20 years. In underwriting home equity lines of credit, the Corporation evaluates both the value of the property securing the loan and the borrower's financial ability to repay the loan as agreed. The ability to repay is determined by the borrower's employment history, current financial condition, and credit background.

Home equity lines of credit generally present a moderate level of risk due primarily to general economic conditions, as well as periods of weak housing markets.

Junior liens inherently have more credit risk by virtue of the fact that another financial institution may have a higher security position in the case of foreclosure liquidation of collateral to extinguish the debt. Generally, foreclosure actions could become more prevalent if the real estate markets are weak and property values deteriorate.

Consumer Lending — The Corporation offers a variety of secured and unsecured consumer loans, including those for vehicles and mobile homes and loans secured by savings deposits. These loans originate primarily within the Corporation's market area or with customers primarily from the market area.

Consumer loan terms vary according to the type and value of collateral and the creditworthiness of the borrower. In underwriting consumer loans, a thorough analysis of the borrower's financial ability to repay the loan as agreed is performed. The ability to repay is determined by the borrower's employment history, current financial condition, and credit background.

Consumer loans may entail greater credit risk than residential mortgage loans or home equity lines of credit, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

Concentration of Credit Risk

Most of the Corporation's activities are with customers located within southcentral Pennsylvania and northern Maryland. Note C discusses the types of securities in which the Corporation invests. Note D discusses the types of lending in which the Corporation engages. Included in commercial real estate loans are loans made to lessors of non-residential dwellings that total $434,057,000, or 28.2%, of total loans at December 31, 2022. These borrowers are geographically disbursed throughout ACNB's marketplace and are leasing commercial properties to a varied group of tenants including medical offices, retail space and recreational facilities. Because of the varied nature of the tenants in aggregate, management believes that these loans do not present any greater risk than commercial loans in general.

Acquired Loans

Acquired loans (impaired and non-impaired) are initially recorded at their acquisition-date fair values. The carryover of allowance for loan losses related to acquired loans is prohibited as any credit losses in the loans are included in the determination of the fair value of the loans at the acquisition date. After acquisition, losses are recognized by an increase in the allowance for loan losses.

Such purchased credit impaired loans are accounted for individually or aggregated into pools of loans based on common rick characteristics such as credit risk, expected lifetime losses, environmental factors, collateral values, discount rates, expected payments and expected prepayments. The Corporation estimates the amount and timing of expected cash flows for each loan or pool, and the expected cash flows in excess of amount paid is recorded as interest income over the remaining life of the loan or pool (accretable yield). The excess of the loan's or pool's contractual principal and interest over expected cash flows is not recorded (non-accretable difference).

Over the life of the loan or pool, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded as a provision for loan losses. If the present value of expected cash flows is greater that the carrying amount, it is recognized as part of future income.

Transfers of Financial 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 Corporation, (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 Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Premises and Equipment

Land is carried at cost. Buildings, furniture, fixtures, equipment and leasehold improvements are carried at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method over the assets' estimated useful lives. Normally, a building's useful life is 40 years, except for building remodels and additions, which are depreciated over fifteen years. Bank equipment, including furniture and fixtures, is normally depreciated over five - fifteen years depending upon the nature of the purchase. Maintenance and normal repairs are charged to expense when incurred while major additions and improvements are capitalized. Gains and losses on disposals are reflected in current operations. Amortization of leasehold improvements is computed by straight line over the shorter of the assets' useful life or the related lease term.

Restricted Investment in Bank Stocks

Restricted investment in bank stocks, which represents required investments in the common stock of correspondent banks, is carried at cost as of December 31, 2022 and 2021, and consists of common stock in the Atlantic Central Bankers Bank, Community Bankers Bank and Federal Home Loan Bank (FHLB).

Management evaluates the restricted investment in bank stocks for impairment in accordance with Accounting Standard Codification (ASC) Topic 942, *Financial Services—Depository and Lending.* Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) the significance of the decline in net assets of the correspondent bank as compared to the capital stock amount for the correspondent bank and the length of time this situation has persisted, (2) commitments by the correspondent bank to make payments required by law or regulation and the level of such payments in relation to the operating performance of the correspondent bank, (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the correspondent bank, and (4) the liquidity position of the correspondent bank.

Management believes no impairment charge was necessary related to the restricted investment in bank stocks during 2022 or 2021.

Bank-Owned Life Insurance

The Corporation's banking subsidiary maintains nonqualified compensation plans for selected senior officers. To fund the benefits under these plans, the Bank is the owner of single premium life insurance policies on participants in the nonqualified retirement plans. Investment in bank-owned life insurance policies was used to finance the nonqualified compensation plans and provide tax-exempt income to the Corporation.

ASC Topic 715, *Compensation—Retirement Benefits*, requires a liability to be recorded during the service period when a split-dollar life insurance agreement continues after participants' employment or retirement. The required accrued liability is based on either the post-employment benefit cost for continuing life insurance or based on the future death benefit depending on the contractual terms of the underlying agreement. The Corporation's liability is based on the post-employment benefit cost for continuing life insurance. The Corporation incurred approximately $81,000 and $86,000 of expense in 2022 and 2021, respectively, related to these benefits.

Investments in Low-Income Housing Partnerships

The Corporation's investments in low-income housing partnerships are accounted for using the "equity method" prescribed by ASC Topic 323, *Investments — Equity Method*. In accordance with ASC Topic 740, *Income Taxes*, tax credits are recognized as they become available. Any residual loss is amortized as the tax credits are received.

Goodwill and Intangible Assets

The Corporation accounts for its acquisitions using the acquisition accounting method required by ASC Topic 805, *Business Combinations*. Acquisition accounting requires the total purchase price to be allocated to the estimated fair values of assets and liabilities acquired, including certain intangible assets that must be recognized. Generally, this results in a residual amount in excess of the net fair values, which is recorded as goodwill.

ASC Topic 350, *Intangibles—Goodwill and Other,* requires that goodwill is not amortized to expense, but rather that it be assessed or tested for impairment at least annually. If certain events occur which might indicate goodwill has been impaired, the goodwill is tested for impairment when such events occur. Impairment write-downs are charged to results of operations in the period in which the impairment is determined. The Corporation did not identify any impairment on ACNB Insurance Services, Inc.'s outstanding goodwill from its most recent testing, which was performed as of October 1, 2022. The Corporation did not identify any impairment on the Bank's outstanding goodwill from its most recent qualitative assessment, which was completed as of December 31, 2022. If certain events occur which might indicate goodwill has been impaired, the goodwill is tested for impairment when such events occur. Other acquired intangible assets that have finite lives, such as core deposit intangibles, customer relationship intangibles and renewal lists, are amortized over their estimated useful lives and subject to periodic impairment testing. Core deposit intangibles are primarily amortized over ten years using accelerated methods. Customer renewal lists are amortized using the straight line method over their estimated useful lives which range from eight to fifteen years.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are adjusted to the fair value, less costs to sell as necessary. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets. Outstanding foreclosed asset balance of $474,000 and $0 was held at December 31, 2022 and 2021, respectively.

Income Taxes

The Corporation accounts for income taxes in accordance with income tax accounting guidance ASC Topic 740, *Income Taxes*.

Current income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Corporation determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Corporation accounts for uncertain tax positions if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more-likely-than-not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment.

The Corporation recognizes interest and penalties on income taxes, if any, as a component of income tax expense.

Retirement Plan

Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Stock-based Compensation

The ACNB Corporation 2009 Restricted Stock plan expired by its own terms after 10 years on February 24, 2019. The purpose of this plan was to provide employees and directors of the Bank who have responsibility for its growth with additional incentives by allowing them to acquire ownership in the Corporation and, thereby, encouraging them to contribute to the success of the Corporation. As of December 31, 2022, 25,945 shares were issued under the plan and all shares are fully vested. No further shares may be issued under this restricted stock plan.

On May 1, 2018, stockholders approved and ratified the ACNB Corporation 2018 Omnibus Stock Incentive Plan, effective as of March 20, 2018, in which awards shall not exceed, in the aggregate, 400,000 shares of common stock, plus any shares that are authorized, but not issued, under the ACNB Corporation 2009 Restricted Stock Plan. As of December 31, 2022, 57,522 shares were issued under this plan, of which 44,154 are fully vested and the remaining 13,368 will vest over the next one year.

Plan expense is recognized over the vesting period of the stock issued under both plans. $729,000 and $110,000 of compensation expenses related to the grants were recognized for the years ended December 31, 2022 and 2021, respectively.

Net Income per Share

The Corporation has a simple capital structure. Basic earnings per share of common stock is computed based on 8,623,012 and 8,714,926 weighted average shares of common stock outstanding for 2022 and 2021, respectively. All outstanding unvested restricted stock awards that contain rights to nonforfeitable dividends are considered participating for this calculation.

Advertising Costs

Costs of advertising, which are included in marketing expenses, are expensed when incurred.

Off-Balance Sheet Credit-Related Financial Instruments

In the ordinary course of business, the Corporation has entered into commitments to extend credit, including commitments under commercial lines of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Comprehensive Income (Loss)

Comprehensive Income (Loss) consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale and unrealized gains and losses on changes in funded status

of the pension plan which are also recognized as separate components of equity. The components of the accumulated other comprehensive loss, net of taxes, are as follows:

In thousands	Unrealized Gains on Securities	Pension Liability	Accumulated Other Comprehensive Loss
Ending Balance — December 31, 2021	$ (3,474)	$ (6,071)	$ (9,545)
December 31, 2022			
Beginning balance	**$ (3,474)**	**$ (6,071)**	**$ (9,545)**
Amounts reclassified from accumulated other comprehensive loss, net of tax			
Unrealized gain on available for sale securities, net of tax	**(50,192)**	—	**(50,192)**
Realized losses on securities, net of tax	**193**	—	**193**
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	**739**	—	**739**
Amortization of pension net loss, transition liability and prior service cost, net of tax	—	**317**	**317**
Unrecognized pension net gain, net of tax	—	**476**	**476**
Net current period other comprehensive (loss) income	**(49,260)**	**793**	**(48,467)**
Ending Balance	**$ (52,734)**	**$ (5,278)**	**$ (58,012)**

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the financial statements.

Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Dividend Restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note L — "Fair Value Measurements". Fair value estimates involve uncertainties and matters of significant judgement regarding interest rate, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Segment Reporting

While the Corporation monitors the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Corporate-wide basis. Segment determination also considered organizational structure and is consistent with the presentation of financial information to the chief operation decision maker to evaluate segment performance, develop strategy, and allocate resources. The Corporation's chief operating decision maker is the Board of Directors. Management has determined that the Corporation has two reportable segments consisting of Banking and Insurance. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment. Please refer to Note S — "Segment and Related Information" for a discussion of insurance operations.

New Accounting Pronouncements

ASU 2016-13

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* ASU 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The new model referred to as current expected credit losses (CECL) model, will apply to: (a) financial assets subject to credit losses and measured at amortized cost; and (b) certain off-balance sheet credit exposures. This includes loans, held to maturity debt securities, loan commitments, financial guarantees and net investments in leases as well as reinsurance and trade receivables. The estimate of expected credit losses should consider historical information, current information, and supportable forecasts, including estimates of prepayments. ASU 2016-13 was originally effective for SEC filers for annual periods beginning after December 15, 2019, and interim periods within those annual periods. In November 2019, the FASB approved a delay of the required implementation date of ASU 2016-13 for smaller reporting companies, as defined by the Securities and Exchange Commission, including the Corporation, resulting in a required implementation date for the Corporation of January 1, 2023.

Management has formed a focus group consisting of multiple members from areas, including credit, finance, loan servicing, and information systems. The Corporation is completing its data and model validation analyses, with parallel processing of our existing allowance for loan losses model. The Corporation is continuing to conduct model comparisons and finalized policy and control framework over the adoption process. The Corporation is currently evaluating the provisions of ASU 2016-13 to determine the potential impact the new standard will have on the financial condition or results of operations.

ASU 2020-04

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*. The ASU provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendment only applies to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of the reference rate reform. The ASU is effective as of March 12, 2020 through December 31, 2022.

Furthermore, in December 2022, the FASB issued ASU 2022-06, *Deferral of the Sunset Date of Reference Rate Reform (Topic 848).* This ASU extends the sunset date of ASC Topic 848 (Reference Rate Reform) to December 31, 2024, in response to the United Kingdom's Financial Conduct Authority (FCA) extension of the intended cessation date of LIBOR in the United States.

The Corporation evaluated the impact of this standard, and believes that its adoption will not have a material impact on the Corporation's consolidated financial condition or results of operations.

ASU 2022-02

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.* ASU 2022-02 made certain targeted amendments specific to troubled debt restructurings (TDRs) by creditors and vintage disclosure related to gross write-offs. Upon adoption, the Corporation will be required to apply the loan and refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan, rather than applying the recognition and measurement guidance for TDRs. The ASU also requires companies to disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases within scope of Subtopic 326-20. ASU 2022-02 is effective March 31, 2023, for entities that have adopted ASU 2016-13, otherwise effective date is the same as ASU 2016-13. The Corporation's current plan is to adopt ASU 2016-13 January 1, 2023 and will simultaneously implement ASU 2022-02.

NOTE B — RESTRICTIONS ON CASH AND DUE FROM BANKS

In return for services obtained through correspondent banks, the Corporation is required to maintain non-interest bearing cash balances in those correspondent banks. At December 31, 2022 and 2021, all compensating balances are met by vault cash.

NOTE C — SECURITIES

Amortized cost and fair value of securities at December 31, 2022 and 2021, were as follows:

In thousands	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SECURITIES AVAILABLE FOR SALE				
December 31, 2022				
U.S. Government and agencies	**$ 241,467**	**$ —**	**$ 30,468**	**$ 210,999**
Mortgage-backed securities, residential	**327,535**	**342**	**32,159**	**295,718**
State and municipal	**15,235**	**196**	**196**	**15,235**
Corporate bonds	**33,404**	**15**	**1,817**	**31,602**
	$ 617,641	**$ 553**	**$ 64,640**	**$ 553,554**
December 31, 2021				
U.S. Government and agencies	$ 249,463	$ 503	$ 4,925	$ 245,041
Mortgage-backed securities, residential	133,697	1,562	1,763	133,496
State and municipal	44,547	315	251	44,611
Corporate bonds	13,858	164	72	13,950
	$ 441,565	$ 2,544	$ 7,011	$ 437,098

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
SECURITIES HELD TO MATURITY				
December 31, 2022				
Mortgage-backed securities, residential	**$ 3,279**	**$ —**	**$ 194**	**$ 3,085**
State and municipal	**61,698**	**—**	**6,705**	**54,993**
	$ 64,977	**$ —**	**$ 6,899**	**$ 58,078**
December 31, 2021				
Mortgage-backed securities, residential	$ 6,454	$ 198	$ —	$ 6,652
	$ 6,454	$ 198	$ —	$ 6,652

Fair value of equity securities with readily determinable fair values at December 31, 2022 and 2021, are as follows:

In thousands	Fair Value at January 1, 2022	Purchases	Sales	Gains	Losses	Fair Value at December 31, 2022
December 31, 2022						
CRA Mutual Fund	**$ 1,036**	**$ —**	**$ —**	**$ —**	**$ 121**	**$ 915**
Canapi Ventures SBIC Fund	**—**	**206**	**—**	**—**	**—**	**206**
Stock in other banks	**1,573**	**—**	**811**	**13**	**177**	**598**
	$ 2,609	**$ 206**	**$ 811**	**$ 13**	**$ 298**	**$ 1,719**

In thousands	Fair Value at January 1, 2021	Gains	Losses	Fair Value at December 31, 2021
December 31, 2021				
CRA Mutual Fund	$ 1,065	$ —	$ 29	$ 1,036
Stock in other banks	1,105	468	—	1,573
	$ 2,170	$ 468	$ 29	$ 2,609

The following table shows the Corporation's investments' gross unrealized and unrecognized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2022 and 2021:

In thousands	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
SECURITIES AVAILABLE FOR SALE						
December 31, 2022						
U.S. Government and agencies	**$ 25,426**	**$ 1,461**	**$ 185,573**	**$ 29,007**	**$ 210,999**	**$ 30,468**
Mortgage-backed securities, residential	**221,249**	**19,362**	**63,145**	**12,797**	**284,394**	**32,159**
State and municipal	**6,229**	**196**	**—**	**—**	**6,229**	**196**
Corporate bonds	**24,337**	**1,217**	**5,250**	**600**	**29,587**	**1,817**
	$ 277,241	**$ 22,236**	**$ 253,968**	**$ 42,404**	**$ 531,209**	**$ 64,640**
December 31, 2021						
U.S. Government and agencies	$ 177,107	$ 3,537	$ 34,297	$ 1,388	$ 211,404	$ 4,925
Mortgage-backed securities, residential	77,969	1,495	7,727	268	85,696	1,763
State and municipal	20,289	224	2,123	27	22,412	251
Corporate bonds	5,790	72	—	—	5,790	72
	$ 281,155	$ 5,328	$ 44,147	$ 1,683	$ 325,302	$ 7,011

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
SECURITIES HELD TO MATURITY						
December 31, 2022						
Mortgage-backed securities, residential	**$ 3,085**	**$ 194**	**$ —**	**$ —**	**$ 3,085**	**$ 194**
State and municipal	**38,086**	**3,875**	**16,907**	**2,830**	**54,993**	**6,705**
	$ 41,171	**$ 4,069**	**$ 16,907**	**$ 2,830**	**$ 58,078**	**$ 6,899**
December 31, 2021						
Mortgage-backed security, residential	$ —	$ —	$ —	$ —	$ —	$ —
	$ —	$ —	$ —	$ —	$ —	$ —

All mortgage-backed security investments are government sponsored enterprise (GSE) pass-through instruments issued by the Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA) or Federal Home Loan Mortgage Corporation (FHLMC), which guarantee the timely payment of principal on these investments.

Management sells securities from its available for sale portfolio in an effort to manage and allocate the portfolio. At December 31, 2022, management had not identified any securities with an unrealized loss that it intends to sell or will be required to sell. In estimating other-than-temporary impairment losses on debt securities, management considers (1) whether management intends to sell the security, or (2) if it is more likely than not that management will be required to sell the security before recovery, or (3) if management does not expect to recover the entire amortized cost basis. In assessing potential other-than-temporary impairment for equity securities, consideration is given to management's intention and ability to hold the securities until recovery of unrealized losses.

Amortized cost and fair value at December 31, 2022, by contractual maturity, where applicable, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay with or without penalties.

In thousands	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
1 year or less	$ 11,012	$ 10,876	$ 285	$ 283
Over 1 year through 5 years	165,837	149,826	377	356
Over 5 years through 10 years	92,955	77,710	16,437	15,248
Over 10 years	20,302	19,424	44,599	39,106
Mortgage-backed securities, residential	327,535	295,718	3,279	3,085
	$ 617,641	$ 553,554	$ 64,977	$ 58,078

The Corporation enacted a sale of certain amortizing securities designated as held-to-maturity under the standards set forth in ASC 320. It was determined that the combination of scheduled, equal installments, principal prepayments on such securities had resulted in the collection of more than eighty-five percent of the principal outstanding at acquisition, and the non-recurrence of the event to enact a sale of such securities

The Corporation realized gross gains of $14,000 and gross losses of $248,000 on sales of securities available for sale and held to maturity during 2022. The Corporation did not sell any securities available for sale during 2021.

The Corporation reassessed classification of certain investments and effective April 1, 2022, the Corporation transferred $39.7 million of state and municipal securities from available for sale to held to maturity securities. The transfer occurred at fair value. The related unrealized loss of $4.8 million included in other comprehensive loss remained in other comprehensive loss, to be amortized out of other comprehensive loss with an offsetting entry to interest income as a yield adjustment over the remaining term of the securities. No gain or loss was recorded at the time of transfer.

At December 31, 2022 and 2021, securities with a carrying value of $342,180,000 and $353,989,000, respectively, were pledged as collateral as required by law on public and trust deposits, repurchase agreements, and for other purposes.

NOTE D — LOANS AND ALLOWANCE FOR LOAN LOSSES

The following tables present the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Corporation's internal risk rating system as of December 31, 2022 and 2021:

In thousands	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2022					
Originated Loans					
Commercial and industrial	$ 145,691	$ 3,239	$ 1,225	$ —	$ 150,155
Commercial real estate	604,315	23,773	5,352	—	633,440
Commercial real estate construction	73,538	1,562	—	—	75,100
Residential mortgage	323,121	3,469	73	—	326,663
Home equity lines of credit	70,669	675	—	—	71,344
Consumer	10,723	—	—	—	10,723
Total Originated Loans	1,228,057	32,718	6,650	—	1,267,425
Acquired Loans					
Commercial and industrial	27,746	796	65	—	28,607
Commercial real estate	182,396	5,767	202	—	188,365
Commercial real estate construction	5,114	256	—	—	5,370
Residential mortgage	32,960	2,334	141	—	35,435
Home equity lines of credit	12,375	37	385	—	12,797
Consumer	611	—	—	—	611
Total Acquired Loans	261,202	9,190	793	—	271,185
Total Loans					
Commercial and industrial	173,437	4,035	1,290	—	178,762
Commercial real estate	786,711	29,540	5,554	—	821,805
Commercial real estate construction	78,652	1,818	—	—	80,470
Residential mortgage	356,081	5,803	214	—	362,098
Home equity lines of credit	83,044	712	385	—	84,141
Consumer	11,334	—	—	—	11,334
Total Loans	$ 1,489,259	$ 41,908	$ 7,443	$ —	$ 1,538,610

In thousands	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2021					
Originated Loans					
Commercial and industrial	$ 139,908	$ 5,549	$ 2,056	$ —	$ 147,513
Commercial real estate	500,978	56,462	8,658	—	566,098
Commercial real estate construction	41,002	1,659	—	—	42,661
Residential mortgage	299,041	4,961	75	—	304,077
Home equity lines of credit	74,094	883	—	—	74,977
Consumer	9,708	—	—	—	9,708
Total Originated Loans	1,064,731	69,514	10,789	—	1,145,034
Acquired Loans					
Commercial and industrial	29,728	1,555	771	—	32,054
Commercial real estate	207,937	11,596	624	—	220,157
Commercial real estate construction	5,228	2,111	—	—	7,339
Residential mortgage	39,378	4,175	1,495	—	45,048
Home equity lines of credit	17,491	37	257	—	17,785
Consumer	997	—	13	—	1,010
Total Acquired Loans	300,759	19,474	3,160	—	323,393
Total Loans					
Commercial and industrial	169,636	7,104	2,827	—	179,567
Commercial real estate	708,915	68,058	9,282	—	786,255
Commercial real estate construction	46,230	3,770	—	—	50,000
Residential mortgage	338,419	9,136	1,570	—	349,125
Home equity lines of credit	91,585	920	257	—	92,762
Consumer	10,705	—	13	—	10,718
Total Loans	$ 1,365,490	$ 88,988	$ 13,949	$ —	$ 1,468,427

The following table provides changes in accretable yield for all acquired loans accounted for under ASC 310-30. Loans accounted for under ASC 310-20 are not included in this table.

In thousands	Year Ended December 31, 2022	Year Ended December 31, 2021
Balance at beginning of period	**$ 435**	$ 596
Acquisitions of impaired loans	**—**	—
Reclassification from non-accretable differences	**642**	253
Accretion to loan interest income	**(644)**	(414)
Balance at end of period	**$ 433**	$ 435

Cash flows expected to be collected on acquired loans are estimated quarterly by incorporating several key assumptions similar to the initial estimate of fair value. These key assumptions include probability of default and the amount of actual prepayments after the acquisition date. Prepayments affect the estimated life of the loans and could change the amount of interest income, and possibly principal expected to be collected. In reforecasting future estimated cash flows, credit loss expectations are adjusted as necessary. Improved cash flow expectations for loans or pools are recorded first as a reversal of previously recorded impairment, if any, and then as an increase in prospective yield when all previously recorded impairment has been recaptured. Decreases in expected cash flows are recognized as impairment through a charge to the provision for loan losses and credit to the allowance for loan losses.

The following table summarizes information relative to impaired loans by loan portfolio class as of December 31, 2022 and 2021:

In thousands	Impaired Loans with Allowance			Impaired Loans with No Allowance	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance
December 31, 2022					
Commercial and industrial	**$ 781**	**$ 781**	**$ 628**	**$ —**	**$ —**
Commercial real estate	**350**	**350**	**192**	**4,984**	**4,984**
Commercial real estate construction	—	—	—	—	—
Residential mortgage	—	—	—	—	—
Home equity lines of credit	—	—	—	—	—
Total	**$ 1,131**	**$ 1,131**	**$ 820**	**$ 4,984**	**$ 4,984**
December 31, 2021					
Commercial and industrial	$ 1,005	$ 1,005	$ 855	$ 482	$ 1,452
Commercial real estate	1,311	1,311	600	6,265	6,265
Commercial real estate construction	—	—	—	—	—
Residential mortgage	—	—	—	—	—
Home equity lines of credit	—	—	—	—	—
Total	$ 2,316	$ 2,316	$ 1,455	$ 6,747	$ 7,717

The following table summarizes information in regards to the average of impaired loans and related interest income by loan portfolio class as of December 31, 2022 and 2021:

In thousands	Impaired Loans with Allowance		Impaired Loans with No Allowance	
	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income
December 31, 2022				
Commercial and industrial	**$ 991**	**$ —**	**$ 2**	**$ —**
Commercial real estate	**856**	**—**	**5,566**	**589**
Commercial real estate construction	—	—	—	—
Residential mortgage	—	—	—	—
Home equity lines of credit	—	—	—	—
Total	**$ 1,847**	**$ —**	**$ 5,568**	**$ 589**
December 31, 2021				
Commercial and industrial	$ 1,888	$ —	$ 7	$ —
Commercial real estate	1,468	181	6,673	20
Commercial real estate construction	—	2	123	—
Residential mortgage	—	—	60	—
Home equity lines of credit	—	—	—	—
Total	$ 3,356	$ 183	$ 6,863	$ 20

No additional funds are committed to be advanced in connection with impaired loans.

If interest on all nonaccrual loans had been accrued at original contract rates, interest income would have increased by $410,000 in 2022 and $462,000 in 2021.

The following table presents nonaccrual loans by loan portfolio class as of December 31, 2022 and 2021, the table below excludes $735,000 and $4.6 million, respectively, in purchase credit impaired loans, net of unamortized fair value adjustments:

In thousands	2022	2021
Commercial and industrial	**$ 781**	$ 1,487
Commercial real estate	**1,873**	4,002
Commercial real estate construction	**—**	—
Residential mortgage	**—**	—
Home equity lines of credit	**—**	—
Total	**$ 2,654**	$ 5,489

There were no loans whose terms have been modified resulting in a troubled debt restructuring during the years ended December 31, 2022 and 2021. The Corporation classifies certain loans as troubled debt restructurings when credit terms to a borrower in financial difficulty are modified. The modifications may include a reduction in rate, an extension in term and/or the restructuring of scheduled principal payments. The Corporation had pre-existing nonaccruing and accruing troubled debt restructurings of $3,461,000 and $3,637,000 at December 31, 2022 and 2021, respectively. All of the Corporation's troubled debt restructured loans are also impaired loans, of which some have resulted in a specific allocation and, subsequently, a charge-off as appropriate. Included in the non-accrual loan total at December 31, 2022 and 2021, were $0 and $63,000, respectively, of troubled debt restructurings. In addition to the troubled debt restructurings included in non-accrual loans, the Corporation also has a loan classified as an accruing troubled debt restructurings at December 31, 2022 and 2021, which total $3,461,000 and $3,574,000, respectively. There were no defaulted troubled debt restructured loans as of December 31, 2022 and 2021. There were no charge-offs on any of the troubled debt restructured loans for the years ended December 31, 2022 and 2021. There were no specific allocations on any troubled debt restructured loans for the years ended December 31, 2022 and 2021. All troubled debt restructured loans were current as of December 31, 2022, with respect to their associated forbearance agreement. As of December 31, 2022, there are no active forbearance agreements. All forbearance agreements have expired or the loans have paid off.

Consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process at December 31, 2022 and 2021, totaled $1,101,000 and $399,000, respectively.

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due.

The following table presents the classes of the loan portfolio summarized by the past due status as of December 31, 2022 and 2021:

In thousands	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable >90 Days and Accruing
December 31, 2022							
Originated Loans							
Commercial and industrial	$ 257	$ —	$ 162	$ 419	$ 149,736	$ 150,155	$ —
Commercial real estate	1,809	—	255	2,064	631,376	633,440	—
Commercial real estate construction	24	—	—	24	75,076	75,100	—
Residential mortgage	1,846	734	330	2,910	323,753	326,663	330
Home equity lines of credit	245	117	49	411	70,933	71,344	49
Consumer	150	80	—	230	10,493	10,723	—
Total originated loans	4,331	931	796	6,058	1,261,367	1,267,425	379
Acquired Loans							
Commercial and industrial	30	—	—	30	28,577	28,607	—
Commercial real estate	217	350	—	567	187,798	188,365	—
Commercial real estate construction	—	—	—	—	5,370	5,370	—
Residential mortgage	1,123	236	375	1,734	33,701	35,435	375
Home equity lines of credit	193	—	449	642	12,155	12,797	449
Consumer	5	—	—	5	606	611	—
Total acquired loans	1,568	586	824	2,978	268,207	271,185	824
Total Loans							
Commercial and industrial	287	—	162	449	178,313	178,762	—
Commercial real estate	2,026	350	255	2,631	819,174	821,805	—
Commercial real estate construction	24	—	—	24	80,446	80,470	—
Residential mortgage	2,969	970	705	4,644	357,454	362,098	705
Home equity lines of credit	438	117	498	1,053	83,088	84,141	498
Consumer	155	80	—	235	11,099	11,334	—
Total Loans	$ 5,899	$ 1,517	$ 1,620	$ 9,036	$ 1,529,574	$ 1,538,610	$ 1,203

In thousands	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable >90 Days and Accruing
December 31, 2021							
Originated Loans							
Commercial and industrial	$ 20	$ 64	$ 1,397	$ 1,481	$ 146,032	$ 147,513	$ —
Commercial real estate	—	—	2,483	2,483	563,615	566,098	—
Commercial real estate construction	—	—	—	—	42,661	42,661	—
Residential mortgage	970	140	475	1,585	302,492	304,077	475
Home equity lines of credit	239	42	255	536	74,441	74,977	255
Consumer	84	58	—	142	9,566	9,708	—
Total originated loans	1,313	304	4,610	6,227	1,138,807	1,145,034	730
Acquired Loans							
Commercial and industrial	—	—	—	—	32,054	32,054	—
Commercial real estate	—	270	—	270	219,887	220,157	—
Commercial real estate construction	—	—	—	—	7,339	7,339	—
Residential mortgage	210	950	—	1,160	43,888	45,048	—
Home equity lines of credit	1,156	—	—	1,156	16,629	17,785	—
Consumer	—	—	—	—	1,010	1,010	—
Total acquired loans	1,366	1,220	—	2,586	320,807	323,393	—
Total Loans							
Commercial and industrial	20	64	1,397	1,481	178,086	179,567	—
Commercial real estate	—	270	2,483	2,753	783,502	786,255	—
Commercial real estate construction	—	—	—	—	50,000	50,000	—
Residential mortgage	1,180	1,090	475	2,745	346,380	349,125	475
Home equity lines of credit	1,395	42	255	1,692	91,070	92,762	255
Consumer	84	58	—	142	10,576	10,718	—
Total Loans	$ 2,679	$ 1,524	$ 4,610	$ 8,813	$ 1,459,614	$ 1,468,427	$ 730

The following table summarizes the allowance for loan losses and recorded investment in loans:

In thousands	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction	Residential Mortgage	Home Equity Lines of Credit	Consumer	Unallocated	Total
December 31, 2022								
Allowance for loan losses								
Beginning balance- January 1, 2022	**$ 3,176**	**$ 10,716**	**$ 616**	**$ 3,235**	**$ 501**	**$ 408**	**$ 381**	**$ 19,033**
Charge-offs	**(238)**	**(831)**	**—**	**(3)**	**(33)**	**(181)**	**—**	**(1,286)**
Recoveries	**58**	**—**	**—**	**5**	**22**	**29**	**—**	**114**
Provisions (credits)	**(148)**	**131**	**384**	**(208)**	**(143)**	**120**	**(136)**	**—**
Ending balance- December 31, 2022	**$ 2,848**	**$ 10,016**	**$ 1,000**	**$ 3,029**	**$ 347**	**$ 376**	**$ 245**	**$ 17,861**
Ending balance: individually evaluated for impairment	**$ 628**	**$ 192**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 820**
Ending balance: collectively evaluated for impairment	**$ 2,220**	**$ 9,824**	**$ 1,000**	**$ 3,029**	**$ 347**	**$ 376**	**$ 245**	**$ 17,041**
Loans receivables								
Ending balance	**$ 178,762**	**$ 821,805**	**$ 80,470**	**$ 362,098**	**$ 84,141**	**$ 11,334**	**$ —**	**$ 1,538,610**
Ending balance: individually evaluated for impairment	**$ 781**	**$ 5,334**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 6,115**
Ending balance: collectively evaluated for impairment	**$ 177,981**	**$ 816,471**	**$ 80,470**	**$ 362,098**	**$ 84,141**	**$ 11,334**	**$ —**	**$ 1,532,495**
December 31, 2021								
Allowance for loan losses								
Beginning balance- January 1, 2021	$ 4,037	$ 9,569	$ 503	$ 3,395	$ 693	$ 648	$ 1,381	$ 20,226
Charge-offs	(1,176)	—	—	—	(22)	(120)	—	(1,318)
Recoveries	43	—	—	—	—	32	—	75
Provisions	272	1,147	113	(160)	(170)	(152)	(1,000)	50
Ending balance- December 31, 2021	$ 3,176	$ 10,716	$ 616	$ 3,235	$ 501	$ 408	$ 381	$ 19,033
Ending balance: individually evaluated for impairment	$ 855	$ 600	$ —	$ —	$ —	$ —	$ —	$ 1,455
Ending balance: collectively evaluated for impairment	$ 2,321	$ 10,116	$ 616	$ 3,235	$ 501	$ 408	$ 381	$ 17,578
Loans receivables								
Ending balance	$ 179,567	$ 786,255	$ 50,000	$ 349,125	$ 92,762	$ 10,718	$ —	$ 1,468,427
Ending balance: individually evaluated for impairment	$ 1,487	$ 7,576	$ —	$ —	$ —	$ —	$ —	$ 9,063
Ending balance: collectively evaluated for impairment	$ 178,080	$ 778,679	$ 50,000	$ 349,125	$ 92,762	$ 10,718	$ —	$ 1,459,364

The Bank has granted loans to certain of its executive officers, directors and their related interests. These loans were made on substantially the same basis, including interest rates and collateral as those prevailing for comparable transactions with other borrowers at the same time. The aggregate amount of these loans was $5,950,000 and $5,759,000 at December 31, 2022 and 2021, respectively. During 2022, $975,000 new loans were extended and repayments totaled $784,000. None of these loans were past due, in nonaccrual status, or restructured at December 31, 2022.

Loan Modifications/Troubled Debt Restructurings/COVID-19

As of December 31, 2022, the Corporation had originated an aggregate total of 2,217 loans in the amount of $223,036,703 under the PPP, resulting in approximately $9.5 million in total fee income. Of this fee income amount

$5,627,000, before costs, was recognized in 2021 as an adjustment to interest income yield, and the remaining $986,000, before costs, was recognized in 2022. As of December 31, 2022, the Corporation did not have any outstanding balances under the PPP program.

NOTE E — PREMISES AND EQUIPMENT

Premises and equipment at December 31 were as follows:

In thousands	2022	2021
Land	**$ 5,418**	$ 6,953
Buildings and improvements	**32,515**	33,139
Furniture and equipment	**14,598**	16,781
Construction in process	**8**	888
	52,539	57,761
Accumulated depreciation	**(25,486)**	(26,781)
	$ 27,053	$ 30,980

Depreciation expense was $2,304,000 and $2,277,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE F — INVESTMENTS IN LOW-INCOME HOUSING PARTNERSHIPS

ACNB Corporation is a limited partner in two partnerships, whose purpose is to develop, manage and operate residential low-income properties. At December 31, 2022 and 2021, the carrying value of these investments was approximately $1,129,000 and $1,254,000, respectively. In December 2022, ACNB Corporation sold one limited partnership resulting in a $421,000 gain on sale.

NOTE G — DEPOSITS

Deposits were comprised of the following as of December 31:

	In thousands	
	2022	2021
Non-interest bearing demand	**$ 595,049**	$ 623,360
Interest bearing demand	**365,034**	320,597
Savings	**945,762**	1,052,380
Time certificates of deposit of $250,000 or less	**241,562**	322,855
Time certificates of deposit greater than $250,000	**51,568**	107,197
	$ 2,198,975	$ 2,426,389

Scheduled maturities of time certificates of deposit at December 31, 2022, were as follows:

Years Ending	In thousands
2023	$ 218,193
2024	47,457
2025	15,665
2026	7,138
2027	4,660
Thereafter	17
	$ 293,130

NOTE H — LEASE COMMITMENTS

The Corporation enters into noncancellable lease arrangements primarily for some of its community offices. Certain lease arrangements contain clauses requiring increasing rental payments over the lease term, which are generally contractually stipulated. Many of these lease arrangements provide the Corporation with the option to renew the lease arrangement after the

initial lease term. These options are included in determining the lease term used to establish the right-of-use assets and lease liabilities, in accordance with ASU 2016-02, when it is reasonably certain the Corporation will exercise its renewal option. As most of the Corporation's leases do not have a readily determinable implicit rate, the incremental borrowing rate is primarily used to determine the discount rate for purposes of measuring the right-of-use assets and lease liabilities. The Corporation's lease arrangements do not contain any material residual value guarantees or material restrictive covenants.

The following right-of-use assets and lease liabilities are reported within the consolidated statements of condition as follows:

In thousands	December 31, 2022	
Operating Leases:		
Right of use assets	$	3,162
Lease liabilities		3,162

In thousands	December 31, 2021	
Operating Leases:		
Right of use assets	$	3,270
Lease liabilities		3,270

Supplemental balance sheet information related to leases was as follows for the year ended December 31, 2022:

Operating Leases:	
Weighted average remaining lease term	5.0 years
Weighted average discount rate	5.42 %

The following summarizes the remaining scheduled future minimum lease payments for operating leases as of December 31, 2022:

Years Ending	**In thousands**	
2023	$	953
2024		957
2025		917
2026		746
2027		441
Thereafter		779
Total minimum lease payments		4,793
Less: Amount representing interest (1)		1,631
Present value of net minimum lease payments	$	3,162

(1) Amount necessary to reduce net minimum lease payments to present value calculated at the Corporation's incremental borrowing rate.

As of December 31, 2022, the Corporation does not have any significant additional operating or finance leases that have not yet commenced. The total rent expense for all operating leases was $1,034,000 and $967,000 for the years ended December 31, 2022 and 2021, respectively.

ACNB leased space at several of its owned offices to other unrelated organizations. Total rental income for these properties was $78,000 and $77,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE I — BORROWINGS

Short-term borrowings and weighted-average interest rates at December 31 are as follows:

Dollars in thousands	2022 Amount	2022 Rate	2021 Amount	2021 Rate
Securities sold under repurchase agreements	**$ 41,954**	**0.12 %**	$ 35,202	0.12 %

Under an agreement with the FHLB, the Bank has short-term borrowing capacity included within its maximum borrowing capacity. All FHLB advances are collateralized by a security agreement covering qualifying loans and unpledged U.S. Treasury, agency and mortgage-backed securities. In addition, all FHLB advances are secured by the FHLB capital stock owned by the Bank having a par value of $1,215,100 at December 31, 2022. The Corporation also has lines of credit that total $75,000,000 with correspondent banks for overnight federal funds borrowings. There were no advances on these lines at December 31, 2022 and 2021.

The following table presents the short-term borrowings subject to an enforceable master netting arrangement or repurchase agreement as of December 31, 2022 and 2021:

					Gross Amounts Not Offset in the Statements of Condition		
Dollars in thousands		Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Condition	Net Amounts of Liabilities Presented in the Statements of Condition	Financial Instruments	Cash Collateral Pledged	Net Amount
December 31, 2022							
Repurchase agreements							
Commercial customers and government entities	**(a)**	**$ 41,954**	**$ —**	**$ 41,954**	**$ (41,954)**	**$ —**	**$ —**
December 31, 2021							
Repurchase agreements							
Commercial customers and government entities	(a)	$ 35,202	$ —	$ 35,202	$ (35,202)	$ —	$ —

(a) As of December 31, 2022 and 2021, the fair value of securities pledged in connection with repurchase agreements was $52,157,000 and $46,160,000, respectively.

A summary of long-term debt as of December 31 is as follows:

Dollars in thousands	2022 Amount	2022 Rate	2021 Amount	2021 Rate
FHLB fixed-rate advances maturing:				
2022	**$ —**	**— %**	$ 11,000	2.69 %
Loan payable variable rate	**—**	**— %**	2,700	3.32 %
Trust preferred subordinated debt	**6,000**	**3.21 %**	6,000	1.69 %
Subordinated debt	**15,000**	**4.00 %**	15,000	4.00 %
	$ 21,000	**3.78 %**	$ 34,700	2.69 %

The FHLB advances are collateralized by the assets defined in the security agreement and FHLB capital stock described previously. The Corporation can borrow a maximum of $821,375,000 from the FHLB, of which $808,275,000 was available at December 31, 2022.

The loan payable variable rate represents a promissory note (note) issued by FCBI in July 2011 and assumed by ACNB Corporation through the acquisition. The note has been amended from time to time through change in terms agreements. Under

the current change in terms agreement, the maturity date of the note is December 30, 2022, with the rate of interest accruing on the principal balance of 3.25% per year. The note is unsecured. The note was paid off on December 30, 2022.

The trust preferred subordinated debt is comprised of debt securities issued by FCBI in December 2006 and assumed by ACNB Corporation through the acquisition. FCBI completed the private placement of an aggregate of $6,000,000 of trust preferred securities. The interest rate on the subordinated debentures is currently adjusted quarterly to 163 basis points over three-month LIBOR. The debenture has a provision for when LIBOR is no longer available. On December 15, 2022 the most recent interest rate reset date, the interest rate was adjusted to 6.39900% for the period ending March 14, 2023. The trust preferred securities mature on December 15, 2036, and may be redeemed at par, at the Corporation's option, on any interest payment date. The proceeds were transferred to FCBI as trust preferred subordinated debt under the same terms and conditions. The Corporation then contributed the full amount to the Bank in the form of Tier 1 capital. The Corporation has, through various contractual agreements, fully and unconditionally guaranteed all of the trust obligations with respect to the capital securities.

On March 30, 2021, ACNB Corporation (the Company) entered into Subordinated Note Purchase Agreements (Purchase Agreements) with certain institutional accredited investors and qualified institutional buyers (the Purchasers) pursuant to which the Company sold and issued $15.0 million in aggregate principal amount of its 4.00% fixed-to-floating rate subordinated notes due March 31, 2031 (the Notes). The Notes will bear interest at a fixed rate of 4.00% per year, from and including March 30, 2021 to, but excluding, March 31, 2026 or earlier redemption date. From and including March 31, 2026 to, but excluding the maturity date or earlier redemption date, the interest rate will reset quarterly at a variable rate equal to the then current 90-day average Secured Overnight Financing Rate (SOFR) plus 329 basis points. As provided in the Notes, the interest rate on the Notes during the applicable floating rate period may be determined based on a rate other than the 90-day average SOFR. The Notes were issued by the Company to the Purchasers at a price equal to 100% of their face amount. The Company used the net proceeds it received from the sale of the Notes to retire outstanding debt of the Company, repurchase issued and outstanding shares of the Company, support general corporate purposes, underwrite growth opportunities, create an interest reserve for the Notes, and downstream proceeds to ACNB Bank (the Bank), to be used by the Bank to continue to meet regulatory capital requirements, increase the regulatory lending ability of the Bank, and support the Bank's organic growth initiatives. The Notes have a stated maturity of March 31, 2031, are redeemable by the Company at its option, in whole or in part, on or after March 30, 2026, and at any time upon the occurrences of certain events.

NOTE J — REGULATORY RESTRICTIONS ON DIVIDENDS

Dividend payments by the Bank to the Corporation are subject to the Pennsylvania Banking Code, the Federal Deposit Insurance Act, and the regulations of the FDIC, including final rules to implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. Under the Banking Code, no dividends may be paid except from "accumulated net earnings" (generally, retained earnings). The Federal Reserve Board and the FDIC have formal and informal policies which provide that insured banks and bank holding companies should generally pay dividends only out of current operating earnings, with some exceptions. As of December 31, 2022, $36,288,000 of undistributed earnings of the Bank, included in consolidated retained earnings, was available for distribution to the Corporation as dividends without prior regulatory approval. Additionally, dividends paid by the Bank to the Corporation would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements. Some of the undistributed earnings of the Bank were distributed to the Corporation for general corporate expenses and future shareholder dividends.

NOTE K — INCOME TAXES

The components of income tax expense for the years ended December 31, 2022 and 2021, are as follows:

In thousands	2022	2021
Federal:		
Current	**$ 7,461**	$ 6,189
Deferred	**592**	24
	8,053	6,213
State:		
Current	**1,259**	949
Deferred	**(113)**	23
	1,146	972
	$ 9,199	$ 7,185

Reconciliations of the statutory federal income tax to the income tax expense reported in the consolidated statements of income for the years ended December 31, 2022 and 2021, are as follows:

	Percentage of Income before Income Taxes	
	2022	2021
Federal income tax at statutory rate	**21.0 %**	21.0 %
State income taxes, net of federal benefit	**1.8 %**	2.2 %
Tax-exempt income	**(1.1)%**	(1.1)%
Earnings on investment in bank-owned life insurance	**(0.7)%**	(0.9)%
Tax credit benefits	**(0.6)%**	(0.8)%
Reduction of federal tax rate	**— %**	— %
Other	**0.1 %**	0.1 %
	20.5 %	20.5 %

Rehabilitation and low-income housing income tax credits were $281,000, during 2022 and 2021, respectively.

Components of deferred tax assets and liabilities at December 31 were as follows:

In thousands	2022	2021
Deferred tax assets:		
Allowance for loan losses	**$ 4,128**	$ 4,336
Available for sale securities	**15,210**	1,017
Accrued deferred compensation	**1,064**	1,126
Lease liability	**731**	—
Pension	**1,608**	1,714
Deferred loan fees	**—**	203
Other-than-temporary impairment	**—**	43
Nonaccrual interest	**792**	590
Deferred director fees	**978**	844
Purchase accounting	**149**	(1,112)
Other	**719**	1,719
	25,379	10,480
Deferred tax liabilities:		
Deferred loan fees	**66**	—
Accumulated depreciation	**208**	354
Prepaid benefit cost	**4,571**	4,148
Right of use asset	**731**	—
Prepaid expenses	**179**	131
Goodwill/intangibles	**1,462**	1,333
	7,217	5,966
Net Deferred Tax Asset included in Other Assets	**$ 18,162**	$ 4,514

The Corporation did not have any uncertain tax positions at December 31, 2022 and 2021. The Corporation’s policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the Consolidated Statements of Income.

Years that remain open for potential review by the Internal Revenue Service are 2018 through 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law making several changes to the Internal Revenue Code. The changes include, but are not limited to: increasing the limitation on the amount of deductible interest expense, allowing companies to carryback certain net operating losses, and increasing the amount of net operating loss carryforwards that corporations can use to offset taxable income.

The tax law changes in the CARES Act did not have a material impact on the Corporation’s income tax provision.

NOTE L — FAIR VALUE MEASUREMENTS

Management uses its best judgment in estimating the fair value of the Corporation’s financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Corporation could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective reporting dates and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period end.

Fair value measurement and disclosure guidance defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions.

Fair value measurement and disclosure guidance provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the

volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value in accordance with fair value measurement and disclosure guidance.

This guidance further clarifies that when there has been a significant decrease in the volume and level of activity for the asset or liability, some transactions may not be orderly. In those situations, the entity must evaluate the weight of the evidence to determine whether the transaction is orderly. The guidance provides a list of circumstances that may indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair value.

Fair value measurement and disclosure guidance establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For assets measured at fair value, the fair value measurements by level within the fair value hierarchy, and the basis of measurement used at December 31, 2022 and 2021, are as follows:

		Fair Value Measurements at December 31, 2022			
In thousands	**Basis**	**Total**	**Level 1**	**Level 2**	**Level 3**
U.S. Government and agencies		**$ 210,999**	**$ —**	**$ 210,999**	**$ —**
Mortgage-backed securities, residential		**295,718**	**—**	**295,718**	**—**
State and municipal		**15,235**	**—**	**15,235**	**—**
Corporate bonds		**31,602**	**—**	**31,602**	**—**
Total securities available for sale	**Recurring**	**$ 553,554**	**$ —**	**$ 553,554**	**$ —**
Equity securities with readily determinable fair values	**Recurring**	**$ 1,719**	**$ 1,719**	**$ —**	**$ —**
Collateral dependent impaired loans	**Non-recurring**	**$ 3,773**	**$ —**	**$ —**	**$ 3,773**

		Fair Value Measurements at December 31, 2021			
In thousands	**Basis**	**Total**	**Level 1**	**Level 2**	**Level 3**
U.S. Government and agencies		$ 245,041	$ —	$ 245,041	$ —
Mortgage-backed securities, residential		133,496	—	133,496	—
State and municipal		44,611	—	44,611	—
Corporate bonds		13,950	—	13,950	—
Total securities available for sale	Recurring	$ 437,098	$ —	$ 437,098	$ —
Equity securities with readily determinable fair values	Recurring	$ 2,609	$ 2,609	$ —	$ —
Collateral dependent impaired loans	Non-recurring	$ 5,275	$ —	$ —	$ 5,275

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Corporation has utilized Level 3 inputs to determine fair value:

	Quantitative Information about Level 3 Fair Value Measurements				
Dollars in thousands	Fair Value Estimate	Valuation Technique	Unobservable Input	Range	Weighted Average
December 31, 2022					
Impaired loans	**$ 3,773**	**Appraisal of collateral(1)**	**Appraisal adjustments(2)**	**(10) – (50)%**	**(48)%**
December 31, 2021					
Impaired loans	$ 5,275	Appraisal of collateral(1)	Appraisal adjustments(2)	(10) – (50)%	(50) %

(1) Fair value is generally determined through management's estimate or independent third-party appraisals of the underlying collateral, which generally includes various Level 3 inputs which are not observable.

(2) Appraisals may be adjusted downward by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percentage of the appraisal. Higher downward adjustments are caused by negative changes to the collateral or conditions in the real estate market, actual offers or sales contracts received, and/or age of the appraisal.

The following information should not be interpreted as an estimate of the fair value of the entire Corporation since a fair value calculation is only provided for a limited portion of the Corporation's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Corporation's disclosures and those of other companies may not be meaningful.

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Corporation's financial instruments at December 31, 2022:

	December 31, 2022				
In thousands	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	**$ 40,067**	**$ 40,067**	**$ 6,977**	**$ 33,090**	**$ —**
Interest-bearing deposits with banks	**128,094**	**128,094**	**128,094**	**—**	**—**
Equity securities with readily determinable fair values	**1,719**	**1,719**	**1,719**	**—**	**—**
Debt securities available for sale	**553,554**	**553,554**	**—**	**553,554**	**—**
Securities held to maturity	**64,977**	**58,078**	**—**	**58,078**	**—**
Loans held for sale	**123**	**123**	**—**	**123**	**—**
Loans, less allowance for loan losses	**1,520,749**	**1,458,556**	**—**	**—**	**1,458,556**
Accrued interest receivable	**6,915**	**6,915**	**—**	**6,915**	**—**
Restricted investment in bank stocks	**1,629**	**1,629**	**—**	**1,629**	**—**
Financial liabilities:					
Demand deposits and savings	**1,905,845**	**1,905,845**	**—**	**1,905,845**	**—**
Time deposits	**293,130**	**276,182**	**—**	**276,182**	**—**
Short-term borrowings	**41,954**	**41,954**	**—**	**41,954**	**—**
Long-term borrowings	**—**	**—**	**—**	**—**	**—**
Trust preferred and subordinated debt	**21,000**	**18,648**	**—**	**18,648**	**—**
Accrued interest payable	**51**	**51**	**—**	**51**	**—**
Off-balance sheet financial instruments	**—**	**—**	**—**	**—**	**—**

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Corporation's financial instruments at December 31, 2021:

	December 31, 2021				
In thousands	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	$ 14,912	$ 14,912	$ 7,992	$ 6,920	$ —
Interest-bearing deposits with banks	695,219	695,219	695,219	—	—
Equity securities with readily determinable fair values	2,609	2,609	2,609	—	—
Debt securities available for sale	437,098	437,098	—	437,098	—
Securities held to maturity	6,454	6,652	—	6,652	—
Loans held for sale	2,193	2,193	—	2,193	—
Loans, less allowance for loan losses	1,449,394	1,459,900	—	—	1,459,900
Accrued interest receivable	5,520	5,520	—	5,520	—
Restricted investment in bank stocks	2,303	2,303	—	2,303	—
Financial liabilities:					
Demand deposits and savings	1,996,337	1,996,337	—	1,996,337	—
Time deposits	430,052	428,718	—	428,718	—
Short-term borrowings	35,202	35,202	—	35,202	—
Long-term borrowings	13,700	13,764	—	13,764	—
Trust preferred and subordinated debt	21,000	19,991	—	19,991	—
Accrued interest payable	109	109	—	109	—
Off-balance sheet financial instruments	—	—	—	—	—

NOTE M — RETIREMENT PLANS

The Corporation's banking subsidiary has a non-contributory, defined benefit pension plan. Retirement benefits are a function of both years of service and compensation. The funding policy is to contribute annually the amount that is sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act.

A measurement date of December 31 has been used for the fiscal years ended December 31, 2022 and 2021.

In thousands	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 39,123**	$ 39,412
Service cost	**777**	879
Interest cost	**1,052**	945
Actuarial loss	**(9,141)**	(660)
Benefits paid	**(1,585)**	(1,453)
Projected benefit obligation at end of year	**30,226**	39,123
Change in plan assets:		
Fair value of plan assets at beginning of year	**50,218**	45,337
Actual return on plan assets	**(5,514)**	6,334
Employer contribution	**—**	—
Benefits paid	**(1,585)**	(1,453)
Fair value of plan assets at end of year	**43,119**	50,218
Funded Status, included in other assets	**$ 12,893**	$ 11,095
Amounts recognized in accumulated other comprehensive loss:		
Total net actuarial loss	**$ 6,887**	$ 7,785
Prior service cost	**—**	—
Total included in accumulated other comprehensive loss (pretax)	**$ 6,887**	$ 7,785

For the years ended December 31, 2022 and 2021, the assumptions used to determine the benefit obligation are as follows:

	2022	2021
Discount rate	**5.10 %**	2.75 %
Rate of compensation increase	**3.50 %**	3.50 %

The discount rate assumption used to determine the benefit obligation increased since last year. This change results in a decrease in the benefit obligation.

The components of net periodic benefit (income) cost related to the non-contributory, defined benefit pension plan for the years ended December 31 are as follows:

In thousands	2022	2021
Components of net periodic benefit cost (income):		
Service cost	**$ 777**	$ 879
Interest cost	**1,052**	945
Expected return on plan assets	**(3,136)**	(2,814)
Recognized net actuarial loss	**407**	1,255
Amortization of prior service cost	**—**	—
Net Periodic Benefit (Income) Cost	**(900)**	265
Net loss	**(491)**	(4,181)
Amortization of net loss	**(407)**	(1,255)
Amortization of prior service cost	**—**	—
Total recognized in other comprehensive loss (income)	**$ (898)**	$ (5,436)
Total recognized in net periodic benefit cost (income) and other comprehensive (income) loss	**$ (1,798)**	$ (5,171)

For the years ended December 31, 2022 and 2021, the assumptions used to determine the net periodic benefit cost (income) are as follows:

	2022	2021
Discount rate	**2.75 %**	2.45 %
Expected long-term rate of return on plan assets	**6.75 %**	6.75 %
Rate of compensation increase	**3.50 %**	3.50 %

The Corporation's comparison of obligations to plan assets at December 31, 2022 and 2021 are as follows:

In thousands	2022	2021
Projected benefit obligation	**$ 30,226**	$ 39,123
Accumulated benefit obligation	**29,150**	37,159
Fair value of plan assets at measurement date	**43,119**	50,218

It has not yet been determined the amount that the Bank may contribute to the Plan in 2023. ACNB does not anticipate any refunds from the postretirement Plan. The Corporation reduced the future benefit accruals for the defined benefit pension plan effective January 1, 2010, in order to manage total benefit expense. The new formula is the earned benefit as of December 31, 2009, plus 0.75% of a participant's average monthly pay multiplied by years of benefit service earned on and after January 1, 2010, but not more than 25 years. The benefit formula percentage and maximum years of benefit service were both reduced. Effective April 1, 2012, no inactive or former participant in the Plan is eligible to again participate in the plan, and no employee hired after March 31, 2012, is eligible to participate in the Plan. As of the last annual census, ACNB Bank had a combined 343 active, vested terminated, and retired persons in the Plan.

For the year ended December 31, 2022 the mortality assumption has been updated to reflect the most recently published mortality information through October 20, 2022. The assumption changes decreased the benefit obligation by $9,714,000. For the year ended December 31, 2021 the mortality assumption has been updated to reflect the historical U.S. mortality date in the MP-2021 report. The assumption changes decreased the benefit obligation by $1,509,000.

Based on current data and assumptions, the following benefit payments, which reflect expected future service, as appropriate, are:

Years Ending	In thousands
2023	$ 1,920
2024	1,970
2025	2,010
2026	2,030
2027	2,020
2028 - 2032	10,440

The Corporation's pension plan weighted-average assets' allocations at December 31, 2022 and 2021, are as follows:

	2022	2021
Equity securities	**46 %**	65 %
Debt securities	**49 %**	31 %
Real property	**5 %**	4 %
	100 %	100 %

The Corporation's overall investment strategy is to achieve a mix of investments to meet the long-term rate of return assumption and near-term pension obligations with a diversification of assets types, fund strategies and fund managers. The mix of investments is adjusted periodically by retaining an advisory firm to recommend appropriate allocations after reviewing the Corporation's risk tolerance on contribution levels, funded status and plan expense, and any applicable regulatory requirements. The weighted-average assets' allocation in the above table represents the Corporation's conclusion on the appropriate mix of investments. The specific investment vehicles are institutional separate accounts from a variety of fund managers which are regularly reviewed by the Corporation for acceptable performance.

Equity securities included Corporation common stock in amounts of $3,339,000, or 8% of total plan assets, and $2,543,000, or 5% of total plan assets, at December 31, 2022 and 2021, respectively.

Fair value measurements at December 31, 2022, are as follows:

In thousands	Total	Level 1	Level 2	Level 3
Equity securities	**$ 19,749**	**$ 3,339**	**$ 16,410**	**$ —**
Debt securities	**21,228**	**—**	**21,228**	**—**
Real estate	**2,142**	**—**	**2,142**	**—**

Fair value measurements at December 31, 2021, are as follows:

In thousands	Total	Level 1	Level 2	Level 3
Equity securities	$ 32,909	$ 2,543	$ 30,366	$ —
Debt securities	15,441	—	15,441	—
Real estate	1,868	—	1,868	—

The Corporation's banking subsidiary maintains a 401(k) plan for the benefit of eligible employees. Employees may contribute up to 100% of their compensation subject to certain limits based on federal tax laws. The Bank makes matching contributions equal to 100% of an employee's compensation contributed to the plan up to 3% of an employee's pay, plus 50% of an employee's compensation contributed to the plan on the next 2% of their pay for the payroll period. Matching contributions vest immediately to the employee. Bank contributions to and expenses for the plan were $901,000 and $921,000 for 2022 and 2021, respectively.

ACNB Insurance Services, Inc. has a similar but separate 401(k) plan with the match of 6% for non-highly compensated employees and 3% match for highly compensated employees. ACNB Insurance Services, Inc.'s contributions to and expenses for the plan were $157,000 and $124,000 for 2022 and 2021, respectively.

The Corporation's banking subsidiary maintains nonqualified compensation plans for selected senior officers. The estimated present value of future benefits is accrued over the period from the effective date of the agreements until the expected retirement dates of the individuals. The balance accrued for these plans included in other liabilities as of December 31, 2022 and 2021, totaled $4,145,000 and $3,768,000, respectively. The annual expense included in salaries and benefits expense

totaled $628,000 and $505,000 during the years ended December 31, 2022 and 2021, respectively. To fund the benefits under these plans, the Bank is the owner of single premium life insurance policies on participants in the nonqualified retirement plans.

NOTE N — STOCKHOLDERS' EQUITY AND REGULATORY MATTERS

In January 2011, the Corporation offered stockholders the opportunity to participate in the ACNB Corporation Dividend Reinvestment and Stock Purchase Plan. The plan provides registered holders of ACNB Corporation common stock with a convenient way to purchase additional shares of common stock by permitting participants in the plan to automatically reinvest cash dividends on all or a portion of the shares owned and to make quarterly voluntary cash payments under the terms of the plan. Participation in the plan is voluntary, and there are eligibility requirements to participate in the plan. During 2022, 20,908 shares were issued under this plan with proceeds in the amount of $713,000. During 2021, 23,884 shares were issued under this plan with proceeds in the amount of $670,000. Proceeds are used for general corporate purposes.

The ACNB Corporation 2009 Restricted Stock Plan expired by its own terms after ten years on February 24, 2019. No further shares may be issued under this plan. Of the 200,000 shares of common stock authorized under this plan, 25,945 shares were issued. The remaining 174,055 shares were transferred to the ACNB Corporation 2018 Omnibus Stock Incentive Plan.

On May 1, 2018, stockholders approved and ratified the ACNB Corporation 2018 Omnibus Stock Incentive Plan, effective as of March 20, 2018, in which awards shall not exceed, in the aggregate, 400,000 shares of common stock, plus any shares that are authorized, but not issued, under the ACNB Corporation 2009 Restricted Stock Plan. As of December 31, 2022, there were 57,522 shares issued under this plan. The maximum number of shares that may yet be granted under this plan is 516,533.

On October 24, 2022, the Corporation announced that the Board of Directors approved on October 18, 2022, a plan to repurchase, in open market and privately negotiated transactions, up to 255,575, or approximately 3%, of the outstanding shares of the Corporation's common stock. This new common stock repurchase program replaces and supersedes any and all earlier announced repurchase plans. There were no treasury shares purchased under this plan during the quarter ended December 31, 2022.

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

In July 2013, the federal banking agencies issued final rules to implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. The phase-in period for community banking organizations began January 1, 2015, while larger institutions (generally those with assets of $250 billion or more) began compliance on January 1, 2014. The final rules call for the following capital requirements:

- a minimum ratio of common Tier 1 capital to risk-weighted assets of 4.5%;
- a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%;
- a minimum ratio of total capital to risk-weighted assets of 8.0%; and,
- a minimum leverage ratio of 4.0%.

In addition, the final rules established a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets applicable to all banking organizations.

Management believes, as of December 31, 2022, that the Corporation and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2022, the most recent notification from the federal banking regulators categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. There are no subsequent conditions or events that management believes have changed the Bank's category.

The actual and required capital amounts and ratios were as follows:

Dollars in thousands	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount (1)	Ratio (1)	Amount	Ratio
CORPORATION						
As of December 31, 2022						
Tier 1 leverage ratio (to average assets)	**$ 258,468**	**9.91 %**	**$ ≥104,372**	**≥4.0%**	**N/A**	**N/A**
Common Tier 1 risk-based capital ratio (to risk-weighted assets)	**252,468**	**15.00**	**≥75,733**	**≥4.5**	**N/A**	**N/A**
Tier 1 risk-based capital ratio (to risk-weighted assets)	**258,468**	**15.36**	**≥100,978**	**≥6.0**	**N/A**	**N/A**
Total risk-based capital ratio (to risk-weighted assets)	**291,421**	**17.32**	**≥134,637**	**≥8.0**	**N/A**	**N/A**
As of December 31, 2021						
Tier 1 leverage ratio (to average assets)	$ 249,574	8.91 %	$ ≥112,027	≥4.0%	N/A	N/A
Common Tier 1 risk-based capital ratio (to risk-weighted assets)	243,574	16.08	≥68,174	≥4.5	N/A	N/A
Tier 1 risk-based capital ratio (to risk-weighted assets)	249,574	16.47	≥90,899	≥6.0	N/A	N/A
Total risk-based capital ratio (to risk-weighted assets)	283,511	18.71	≥121,199	≥8.0	N/A	N/A
BANK						
As of December 31, 2022						
Tier 1 leverage ratio (to average assets)	**$ 246,184**	**9.50 %**	**$ ≥103,690**	**≥4.0%**	$ ≥ 129,612	**≥5.0 %**
Common Tier 1 risk-based capital ratio (to risk-weighted assets)	**246,184**	**14.68**	**≥75,441**	**≥4.5**	≥108,971	**≥6.5**
Tier 1 risk-based capital ratio (to risk-weighted assets)	**246,184**	**14.68**	**≥100,588**	**≥6.0**	≥134,118	**≥8.0**
Total risk-based capital ratio (to risk-weighted assets)	**264,137**	**15.76**	**≥134,118**	**≥8.0**	≥167,647	**≥10.0**
As of December 31, 2021						
Tier 1 leverage ratio (to average assets)	$ 246,259	8.81 %	$ ≥111,766	≥4.0%	$ ≥139,708	≥5.0 %
Common Tier 1 risk-based capital ratio (to risk-weighted assets)	246,259	16.32	≥67,906	≥4.5	≥98,086	≥6.5
Tier 1 risk-based capital ratio (to risk-weighted assets)	246,259	16.32	≥90,541	≥6.0	≥120,722	≥8.0
Total risk-based capital ratio (to risk-weighted assets)	265,126	17.57	≥120,722	≥8.0	≥150,902	≥10.0

(1) Amounts and ratios do not include capital conservation buffer.

NOTE O — FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist primarily of commitments to extend credit (typically mortgages and commercial loans) and, to a lesser extent, standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the consolidated balance sheet.

The Corporation’s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments. The Corporation does not anticipate any material losses from these commitments.

Commitments to extend credit, including commitments to grant loans and unfunded commitments under lines of 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 Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extensions of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, property and equipment and income-producing commercial properties. On loans secured by real estate, the Corporation generally requires loan to value ratios of no greater than 80%.

Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements and similar transactions. The terms of the letters of credit vary and may have renewal features. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Corporation generally holds collateral and/or personal guarantees supporting those commitments for which collateral is deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral and the enforcement of guarantees would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2022 and 2021, for guarantees under standby letters of credit issued is not material.

In 2018, ACNB Corporation executed a guaranty for a note related to a $1,500,000 commercial line of credit from a local bank, with normal terms and conditions for such a line, for ACNB Insurance Services, Inc., the borrower and a wholly-owned subsidiary of ACNB Corporation. The commercial line of credit is for general working capital needs as they arise by the borrower. A subsequent draw taken was reduced to $0 in 2020 on this commercial line of credit since its inception. The liability is recorded for the net drawn amount of this line, no further liability is recorded for the remaining line as to the guarantor's obligation as the guarantor would have full recourse from all assets of its wholly-owned subsidiary.

The Corporation maintains a $5,000,000 unsecured line of credit with a correspondent bank. The line of credit remains at full capacity at year-end.

The Corporation has not been required to perform on any financial guarantees, and has not incurred any losses on its commitments, during the past three years.

A summary of the Corporation's commitments at December 31 were as follows:

In thousands	2022	2021
Commitments to extend credit	**$ 401,786**	$ 365,320
Standby letters of credit	**11,429**	9,014

NOTE P — CONTINGENCIES

The Corporation is subject to claims and lawsuits which arise primarily in the ordinary course of business. Based on information presently available and advice received from legal counsel representing the Corporation in connection with any such claims and lawsuits, it is the opinion of management that the disposition or ultimate determination of any such claims and lawsuits will not have a material adverse effect on the consolidated financial position, consolidated results of operations or liquidity of the Corporation.

NOTE Q — ACNB CORPORATION (PARENT COMPANY ONLY) FINANCIAL INFORMATION

STATEMENTS OF CONDITION

In thousands	December 31, 2022	December 31, 2021
ASSETS		
Cash	**$ 18,263**	$ 13,451
Investment in banking subsidiary	**225,806**	266,983
Investment in other subsidiaries	**18,757**	11,807
Securities and other assets	**1,797**	2,549
Receivable from banking subsidiary	**1,508**	1,197
Total Assets	**$ 266,131**	$ 295,987
LIABILITIES AND STOCKHOLDERS' EQUITY		
Long-term debt	**$ 21,000**	$ 23,700
Other liabilities	**89**	173
Stockholders' equity	**245,042**	272,114
Total Liabilities and Stockholders' Equity	**$ 266,131**	$ 295,987

STATEMENTS OF INCOME AND COMPREHENSIVE (LOSS) INCOME

In thousands	Years Ended December 31, 2022	Years Ended December 31, 2021
Dividends from banking subsidiary	**$ 9,117**	$ 8,968
Gain on sale of securities	**13**	—
Other income	**519**	554
	9,649	9,522
Expenses	**1,653**	1,649
	7,996	7,873
Income tax benefit	**516**	511
	8,512	8,384
Equity in undistributed earnings of subsidiaries	**27,240**	19,450
Net Income	**$ 35,752**	$ 27,834
Comprehensive (Loss) Income	**$ (12,715)**	$ 23,927

STATEMENTS OF CASH FLOWS

In thousands	Years Ended December 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 35,752**	$ 27,834
Equity in undistributed earnings of subsidiaries	**(27,240)**	(19,450)
(Increase) Decrease in receivable from banking subsidiary	**(311)**	54
Gain on sale of securities	**(13)**	—
Gain (Loss) on equity securities	**177**	(468)
Gain on sale of low-income housing partnership	**(421)**	—
Other	**(308)**	555
Net Cash Provided by Operating Activities	**7,636**	8,525
CASH FLOWS FROM INVESTING ACTIVITIES		
Return on investment from subsidiary	**13,000**	—
Proceeds from sale of low-income housing partnership	**421**	—
Proceeds from sale of equity securities	**811**	—
Net Cash Used in Investing Activities	**14,232**	—
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from long-term debt	—	15,000
Repayments on long-term debt	**(2,700)**	(6,329)
Payment to repurchase common stock	**(6,681)**	(1,517)
Proceeds from issuance of common stock	**1,442**	343
Dividends paid	**(9,117)**	(8,968)
Net Cash Used in Financing Activities	**(17,056)**	(1,471)
Net Increase (Decrease) in Cash and Cash Equivalents	**4,812**	7,054
CASH AND CASH EQUIVALENTS — BEGINNING	**13,451**	6,397
CASH AND CASH EQUIVALENTS — ENDING	**$ 18,263**	$ 13,451

NOTE R — GOODWILL AND OTHER INTANGIBLES

On January 5, 2005, ACNB Corporation completed its acquisition of Russell Insurance Group, Inc. (now ACNB Insurance Services, Inc.) of Westminster, Maryland. The acquisition of ACNB Insurance Services, Inc. resulted in goodwill of approximately $6,308,000.

On July 1, 2017, ACNB Corporation completed its acquisition of New Windsor Bancorp Inc. (New Windsor) of Taneytown, Maryland. The acquisition of New Windsor resulted in goodwill of approximately $13,272,000 and generated $2,418,000 in core deposit intangibles.

On January 11, 2020, ACNB Corporation completed its acquisition of Frederick County Bancorp, Inc. (FCBI) of Frederick, Maryland. The acquisition of FCBI resulted in good will of approximately $22,528,000 and generated $3,560,000 in core deposit intangibles.

On February 28, 2022, ACNB Insurance Services, Inc. completed its acquisition of Hockley & O'Donnell Insurance Agency, LLC of Gettysburg, Pennsylvania. The purchase price was $7,800,000 and was funded with all cash and no additional contingent payments were required. The acquisition of Hockley & O'Donnell resulted in goodwill of approximately $2,077,000 and generated $5,723,000 in customer list and covenant not to compete intangibles. During the third quarter of 2022, goodwill was decreased and the customer list was increased by $587,000 due to finalizing the calculation.

The fair value of customer list intangibles was based upon an income approach which included estimated financial projections developed by the Corporation and included other fair value assumptions for attrition, present value discount rates using market participant assumptions. The fair value of the covenant not to compete intangible was based upon an income

approach which compared the present value impact of various non-compete scenarios and other fair value assumptions including present value discount rates using market participant assumptions.

Combined goodwill included in the Corporation's consolidated statement of condition is $44,185,000. Goodwill, which has an indefinite useful life, is evaluated for impairment annually and is evaluated for impairment more frequently if events and circumstances indicate that the asset might be impaired. The Corporation did not identify any goodwill impairment on ACNB Insurance Services, Inc. or the Bank's outstanding goodwill from its most recent testing. There are no impairment losses associated with goodwill as of December 31, 2022 and 2021. Additionally, there are no accumulated impairment losses associated with goodwill as of December 31, 2022 and 2021.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangible assets that have finite lives, such as core deposit intangibles, customer list intangibles and renewal lists, are amortized over their estimated useful lives and subject to periodic impairment testing. Core deposit intangibles are primarily amortized over ten years using accelerated methods. Customer lists are amortized over their estimated useful lives which range from eight to fifteen years.

The carrying value and accumulated amortization of the intangible assets and core deposit intangibles are as follows:

	2022		2021	
Dollars in thousands	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
ACNB Insurance Services, Inc. amortized intangible assets	**$ 16,151**	**$ 8,177**	$ 10,428	$ 7,448
New Windsor core deposit intangibles	**2,418**	**1,872**	2,418	1,627
FCBI core deposit intangibles	**3,560**	**1,748**	3,560	1,230
	$ 22,129	**$ 11,797**	$ 16,406	$ 10,305

Amortization expense was $1,492,000 and $1,164,000 for the years ended December 31, 2022 and 2021, respectively.

Amortization of the intangible assets for the five years subsequent to December 31, 2022, is expected to be as follows:

Years Ending	**In thousands**
2023	$ 1,419
2024	1,233
2025	1,104
2026	991
2027	846
Thereafter	4,739
	$ 10,332

NOTE S — SEGMENT AND RELATED INFORMATION

The Corporation has two reporting segments, the Bank and ACNB Insurance Services, Inc. ACNB Insurance Services, Inc. is managed separately from the banking segment, which includes the Bank and related financial services that the Corporation offers through its banking subsidiary. ACNB Insurance Services, Inc. offers a broad range of property and casualty, life and health insurance to both commercial and individual clients.

Segment information for 2022 and 2021 is as follows:

In thousands	Banking	Insurance	Total
2022			
Interest income and other income from external customers	**$ 101,240**	**$ 7,616**	**$ 108,856**
Interest expense	**3,591**	**33**	**3,624**
Depreciation and amortization expense	**2,995**	**801**	**3,796**
Income before income taxes	**43,639**	**1,312**	**44,951**
Total assets	**2,505,353**	**20,154**	**2,525,507**
Capital expenditures	**1,783**	**28**	**1,811**
2021			
Interest income and other income from external customers	$ 95,007	$ 5,928	$ 100,935
Interest expense	6,915	—	6,915
Depreciation and amortization expense	3,069	372	3,441
Income before income taxes	34,099	920	35,019
Total assets	2,774,449	12,538	2,786,987
Capital expenditures	1,561	15	1,576

NOTE T — REVENUE RECOGNITION

As of January 1, 2018, the Corporation adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as well as subsequent ASUs that modified ASC 606. The Company has elected to apply the ASU and all related ASUs using the cumulative effect approach. The implementation of the guidance had no material impact on the measurement or recognition of revenue of prior periods. The Corporation generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

Additional disclosures related to the Corporation’s largest sources of non-interest income within the consolidated statements of income that are subject to ASC 606 are as follows:

Income from fiduciary, investment management and brokerage activities - ACNB Bank’s Trust & Investment Services, under the umbrella of ACNB Wealth Management, provides a wide range of financial services, including trust services for individuals, businesses and retirement funds. Other services include, but are not limited to, those related to testamentary trusts, life insurance trusts, charitable remainder trusts, guardianships, power of attorney, custodial accounts and investment management and advisor accounts. In addition, ACNB’s Wealth Management Department offers retail brokerage-services through a third party provider. Wealth Management clients are located primarily within the Corporation’s geographic markets. Assets held by the Corporation’s Wealth Management Department, including trust and retail brokerage, in an agency, fiduciary or retail brokerage capacity for its customers are excluded from the consolidated financial statement since they do not constitute assets of the Corporation. Assets held by the Wealth Management Department amounted to $518,800,000 and $537,800,000 at December 31, 2022 and 2021, respectively. Income from fiduciary, investment management and brokerage activities are included in other income.

The majority of trust services revenue is earned and collected monthly, with the amount determined based on the investment funds in each trust multiplied by a fee schedule for type of trust. Each trust has one integrated set of performance obligations so no allocation is required. The performance obligation is met by performing the identified fiduciary service. Successful performance is confirmed by ongoing internal and regulatory control, measurement is by valuing the trust assets at a monthly date to which a fee schedule is applied. Wealth management fees are contractually agreed with each customer, and fee levels vary based mainly on the size of assets under management. The costs of acquiring trust customers are incremental and recognized within non-interest expense in the consolidated statements of income.

Service charges on deposit accounts - Deposits are included as liabilities in the consolidated balance sheets. Service charges on deposit accounts include: overdraft fees, which are charged when customers overdraw their accounts beyond available funds; automated teller machine (ATM) fees charged for withdrawals by deposit customers from other financial institutions' ATMs; and a variety of other monthly or transactional fees for services provided to retail and business customers, mainly associated with checking accounts. All deposit liabilities are considered to have one-day terms and therefore related fees are recognized in income at the time when the services are provided to the customers. Incremental costs of obtaining deposit contracts are not significant and are recognized as expense when incurred within non-interest expense in the consolidated statements of income.

Service charges on ATM and debit card transactions - The Corporation issues debit cards to consumer and business customers with checking, savings or money market deposit accounts. Debit card and ATM transactions are processed via electronic systems that involve several parties. The Corporation's debit card and ATM transaction processing is executed via contractual arrangements with payment processing networks, a processor and a settlement bank. As described above, all deposit liabilities are considered to have one-day terms and therefore interchange revenue from customers' use of their debit cards to initiate transactions are recognized in income at the time when the services are provided and related fees received in the Corporation's deposit account with the settlement bank. Incremental costs associated with ATM and interchange processing are recognized as expense when incurred within non-interest expense in the consolidated statements of income.

Other Fees and Other Income - Other fees and other income consists of safe deposit rents, money order fees, check cashing and cashiers' check fees, wire transfer fees, letter of credit fees, check order income, and other miscellaneous fees. These fees are largely transaction-based; therefore, the Corporation's performance obligation is satisfied and the resultant revenue is recognized at the point in time the service is rendered. Payments for transaction-based fees are generally received immediately or in the following month by a direct charge to a customer's account.

Commissions from insurance sales - Commission income is earned based on customers transactions. The commission income is recognized when the transaction is complete. The Corporation also receives a return on its investment in ACNB Insurance Services based on the income of the insurance company.

ITEM 9—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A—CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Corporation carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective in timely alerting them to material information relating to the Corporation (including its consolidated subsidiaries) required to be included in periodic SEC filings.

Based on the evaluation of the effectiveness of the design and operation of the disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures were effective as of December 31, 2022. The Corporation believes that the accompanying consolidated financial statements fairly present the financial condition and results of operations for the fiscal years presented in this report on Form 10-K.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes made in the Corporation's internal control over financial reporting in connection with the fourth quarter evaluation that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

ACNB Corporation (ACNB) is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with United States generally accepted accounting principles and, as such, include some amounts that are based on management's best estimates and judgments.

ACNB's management is responsible for establishing and maintaining effective internal control over financial reporting. The system of internal control over financial reporting, as it relates to the consolidated financial statements, is evaluated for effectiveness by management and tested for reliability through a program of internal audits and management testing and review. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

The Board of Directors of ACNB, through its Audit Committee, meets regularly with management, internal auditors, and the independent registered public accounting firm. The Audit Committee provides oversight to ACNB by reviewing audit plans and results, and evaluates management's actions for internal control, accounting and financial reporting matters. The internal auditors and independent registered public accounting firm have direct and confidential access to the Audit Committee to discuss the results of their examinations.

Management assessed the effectiveness of ACNB's internal control over financial reporting as of December 31, 2022. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its *Internal Control—Integrated Framework (2013)*. Based on our assessment, management concluded that as of December 31, 2022, ACNB's internal control over financial reporting is effective and meets the criteria of the *Internal Control—Integrated Framework (2013)*.

ACNB's independent registered public accounting firm, which audited the consolidated financial statements included in this annual report, has issued an attestation report on ACNB's internal control over financial reporting as of December 31, 2022 that appears in Item 8 of this Form 10-K and is incorporated into this item by reference.

/s/ JAMES P. HELT	/s/ JASON H. WEBER
James P. Helt President & Chief Executive Officer	Jason H. Weber Executive Vice President/Treasurer & Chief Financial Officer

ITEM 9B—OTHER INFORMATION

None.

ITEM 9C—DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10, relating to directors, executive officers, and control persons, is set forth in sections "Information as to Nominees and Directors", "Executive Officers of ACNB Corporation", "Meetings and Committees of the Board of Directors", "Audit Committee Report" and "Delinquent Section 16(a) Reports" of ACNB Corporation's definitive Proxy Statement to be used in connection with the 2023 Annual Meeting of Shareholders, which pages are incorporated herein by reference.

The Corporation first adopted a Code of Ethics that applies to directors, officers and employees of the Corporation and its subsidiaries in 2003. A copy of the Code of Ethics, as most recently approved by the Corporation's Board of Directors on February 21, 2023, is available under the Governance Documents section of the Corporation's Investor Relations website at investor.acnb.com. A request for the Corporation's Code of Ethics can be made either in writing to Chief Governance Officer, ACNB Corporation, 16 Lincoln Square, P.O. Box 3129, Gettysburg, Pennsylvania 17325 or by telephone at 717-334-3161.

There have been no material changes to the procedures by which shareholders may recommend nominees to the Corporation's Board of Directors.

ITEM 11—EXECUTIVE COMPENSATION

Incorporated by reference in response to this Item 11 is the information appearing under the headings "Director Compensation," "Executive Compensation" and "Potential Payments Upon Termination or Change In Control" in ACNB Corporation's 2023 definitive Proxy Statement.

ITEM 12—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference in response to this Item 12 is the information appearing under the heading "Share Ownership" in ACNB Corporation's 2023 definitive Proxy Statement.

The following table provides information about shares of the Corporation's stock that may be issued under existing equity compensation plans as of December 31, 2022:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	—	$ —	**516,533**
Equity compensation plans not approved by security holders	—	—	—
Total	—	$ —	**516,533**

ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Incorporated by reference in response to this Item 13 is the information appearing under the headings "Transactions with Directors and Executive Officers" and "Governance of the Corporation" in ACNB Corporation's 2023 definitive Proxy Statement.

ITEM 14—PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference in response to this Item 14 is the information appearing under the heading "Independent Auditors" in ACNB Corporation's 2023 definitive Proxy Statement.

PART IV

ITEM 15—EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. FINANCIAL STATEMENTS

The following financial statements are filed as part of this report:

- Reports of Independent Registered Public Accounting Firms
- Consolidated Statements of Condition
- Consolidated Statements of Income
- Consolidated Statements of Comprehensive Income (Loss)
- Consolidated Statements of Changes in Stockholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

2. FINANCIAL STATEMENT SCHEDULES

Financial statement schedules are omitted because the required information is either not applicable, not required, or is shown in the respective consolidated financial statements or in the notes thereto.

3. THE EXHIBITS FILED HEREWITH OR INCORPORATED BY REFERENCE AS A PART OF THIS ANNUAL REPORT ARE SET FORTH IN (b) BELOW.

(b) EXHIBITS

The following exhibits are included in this report:

Exhibit 2.1	Agreement and Plan of Reorganization by and among ACNB Corporation, ACNB South Acquisition Subsidiary, LLC, ACNB Bank, New Windsor Bancorp, Inc., and New Windsor State Bank dated as of November 21, 2016, as amended. (Incorporated by reference to Annex A of the Registrant's Registration Statement No. 333-215914 on Form S-4, filed with the Commission on February 6, 2017.) Schedules are omitted; the Registrant agrees to furnish copies of Schedules to the Securities and Exchange Commission upon request.
Exhibit 2.2	Amendment No. 2 to Agreement and Plan of Reorganization by and among ACNB Corporation, ACNB South Acquisition Subsidiary, LLC, ACNB Bank, New Windsor Bancorp, Inc., and New Windsor State Bank dated as of April 18, 2017. (Incorporated by reference to Exhibit 2.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the Commission on August 4, 2017.)
Exhibit 2.3	Agreement and Plan of Reorganization by and among ACNB Corporation, ACNB South Acquisition Subsidiary, LLC, ACNB Bank, Frederick County Bancorp, Inc. and Frederick County Bank dated as of July 1, 2019. (Incorporated by reference to Annex A of the Registrant's Registration Statement No. 333-233791 on Form S-4, filed with the Commission on September 16, 2019.) Schedules are omitted; the Registrant agrees to furnish copies of Schedules to the Securities and Exchange Commission upon request.
Exhibit 3(i)	Amended and Restated Articles of Incorporation of ACNB Corporation. (Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed with the Commission on May 7, 2018.)
Exhibit 3(ii)	Amended and Restated Bylaws of ACNB Corporation. (Incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K, filed with the Commission on November 21, 2022.)
Exhibit 4.1	Form of ACNB Corporation 4.00% Fixed-to-Floating Rate Subordinated Note due March 31, 2031. (Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K, filed with the Commission on March 30, 2021.)

Exhibit 10.1	ACNB Bank Amended and Restated Executive Supplemental Life Insurance Plan — Applicable to James P. Helt, David W. Cathell, Lynda L. Glass and Douglas A. Seibel. (Incorporated by reference to Exhibit 10.3 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Commission on March 6, 2015.)
Exhibit 10.2	ACNB Bank Amended and Restated Director Supplemental Life Insurance Plan — Applicable to Kimberly S. Chaney, Frank Elsner, III, Todd L. Herring, Scott L. Kelley, James J. Lott, Donna M. Newell, Daniel W. Potts, Marian B. Schultz, D. Arthur Seibel, Jr., David L. Sites, Alan J. Stock and James E. Williams. (Incorporated by reference to Exhibit 10.4 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Commission on March 6, 2015.)
Exhibit 10.3	ACNB Bank Amended and Restated Director Deferred Fee Plan — Applicable to Kimberly S. Chaney, Frank Elsner, III, Todd L. Herring, Scott L. Kelley, James J. Lott, Donna M. Newell, Marian B. Schultz, D. Arthur Seibel, Jr., Alan J. Stock and James E. Williams. (Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K, filed with the Commission on January 6, 2012.)
Exhibit 10.4	ACNB Bank Salary Savings Plan. (Incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, filed with the Commission on November 4, 2022.)
Exhibit 10.5	Group Pension Plan for Employees of ACNB Bank. (Incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, filed with the Commission on November 4, 2022.)
Exhibit 10.6	Amended and Restated Employment Agreement between ACNB Corporation, Adams County National Bank and Lynda L. Glass dated as of December 31, 2008. (Incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Commission on March 13, 2009.)
Exhibit 10.7	Employment Agreement between ACNB Corporation, Adams County National Bank and David W. Cathell dated as of April 17, 2009. (Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K, filed with the Commission on April 23, 2009.)
Exhibit 10.8	ACNB Corporation 2009 Restricted Stock Plan. (Incorporated by reference to Appendix C of the Registrant's Definitive Proxy Statement on Schedule 14A, filed with the Commission on March 25, 2009.)
Exhibit 10.9	Salary Continuation Agreement by and between ACNB Bank and Lynda L. Glass dated as of March 28, 2012. (Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K, filed with the Commission on April 3, 2012.)
Exhibit 10.10	Salary Continuation Agreement by and between ACNB Bank and David W. Cathell dated as of March 28, 2012. (Incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K, filed with the Commission on April 3, 2012.)
Exhibit 10.11	Amended and Restated 1996 Salary Continuation Agreement by and between ACNB Bank and Lynda L. Glass dated as of March 28, 2012. (Incorporated by reference to Exhibit 99.5 of the Registrant's Current Report on Form 8-K, filed with the Commission on April 3, 2012.)
Exhibit 10.12	Salary Continuation Agreement by and between ACNB Bank and James P. Helt dated as of March 28, 2012. (Incorporated by reference to Exhibit 10.20 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Commission on March 7, 2014.)
Exhibit 10.13	ACNB Bank Variable Compensation Plan effective January 1, 2014, as amended. (Incorporated by reference to Exhibit 10.16 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Commission on March 14, 2022.)
Exhibit 10.14	First Amendment to Amended and Restated Employment Agreement by and between ACNB Corporation, ACNB Bank and Lynda L. Glass as of December 27, 2016. (Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K, filed with the Commission on December 28, 2016.)
Exhibit 10.15	First Amendment to Employment Agreement by and between ACNB Corporation, ACNB Bank and David W. Cathell as of December 27, 2016. (Incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K, filed with the Commission on December 28, 2016.)
Exhibit 10.16	Amended and Restated Employment Agreement by and among ACNB Corporation, ACNB Bank and James P. Helt dated as of October 5, 2022. (Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K, filed with the Commission on October 7, 2022.)
Exhibit 10.17	ACNB Corporation 2018 Omnibus Stock Incentive Plan. (Incorporated by reference to Exhibit A of the Registrant's Definitive Proxy Statement on Schedule 14A, filed with the Commission on March 27, 2018.)

Exhibit 10.18	Form of ACNB Bank Variable Compensation Plan Restricted Stock Agreement for Employees dated as of June 15, 2020. (Incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K, filed with the Commission on June 19, 2020.)
Exhibit 10.19	Form of ACNB Bank Variable Compensation Plan Restricted Stock Agreement for Non-Employee Directors dated as of June 15, 2020. (Incorporated by reference to Exhibit 99.4 of the Registrant's Current Report on Form 8-K, filed with the Commission on June 19, 2020.)
Exhibit 10.20	Form of Exhibit B Split Dollar Policy Endorsement to ACNB Bank Amended and Restated Director Supplemental Life Insurance Plan dated November 27, 2018. (Incorporated by reference to Exhibit 99.4 of the Registrant's Current Report of Form 8-K, filed with the Commission on November 28, 2018.)
Exhibit 10.21	Salary Continuation Agreement by and between ACNB Bank and James P. Helt dated as of November 27, 2018. (Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K, filed with the Commission on November 28, 2018.)
Exhibit 10.22	Form of Subordinated Note Purchase Agreement dated March 30, 2021, by and among ACNB Corporation and the Purchasers. (Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the Commission on March 30, 2021.)
Exhibit 10.23	Amended and Restated Employment Agreement by and among ACNB Corporation, ACNB Bank and Jason H. Weber dated as of October 5, 2022. (Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K, filed with the Commission on October 7, 2022.)
Exhibit 10.24	Form of ACNB Bank Variable Compensation Plan Restricted Stock Agreement for Employees dated as of March 15, 2022. (Incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K, filed with the Commission on March 21, 2022.)
Exhibit 10.25	Form of ACNB Bank Variable Compensation Plan Restricted Stock Agreement for Non-Employee Directors dated as of March 15, 2022. (Incorporated by reference to Exhibit 99.4 of the Registrant's Current Report on Form 8-K, filed with the Commission on March 21, 2022.)
Exhibit 10.26	Salary Continuation Agreement by and between ACNB Bank and James P. Helt dated as of October 5, 2022. (Incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K, filed with the Commission on October 7, 2022.)
Exhibit 10.27	Salary Continuation Agreement by and between ACNB Bank and Jason H. Weber dated as of October 5, 2022. (Incorporated by reference to Exhibit 99.4 of the Registrant's Current Report on Form 8-K, filed with the Commission on October 7, 2022.)
Exhibit 10.28	First Amendment to ACNB Bank Salary Continuation Agreement by and between ACNB Bank and James P. Helt dated as of October 5, 2022. (Incorporated by reference to Exhibit 99.5 of the Registrant's Current Report on Form 8-K, filed with the Commission on October 7, 2022.)
Exhibit 10.29	First Amendment to ACNB Bank Salary Continuation Agreement by and between ACNB Bank and Jason H. Weber dated as of October 5, 2022. (Incorporated by reference to Exhibit 99.7 of the Registrant's Current Report on Form 8-K, filed with the Commission on October 7, 2022.)
Exhibit 10.30	Salary Continuation Agreement by and between ACNB Bank and Jason H. Weber dated as of January 31, 2022. (Incorporated by reference to Exhibit 99.8 of the Registrant's Current Report on Form 8-K, filed with the Commission on October 7, 2022.)
Exhibit 10.31	Amended and Restated Employment Agreement between ACNB Bank and Douglas A. Seibel dated as of October 20, 2022.
Exhibit 10.32	Supplemental Executive Retirement Plan by and between ACNB Bank and Douglas A. Seibel dated as of November 27, 2018. (Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K, filed with the Commission on November 28, 2018.)
Exhibit 10.33	Supplemental Executive Retirement Plan by and between ACNB Bank and Douglas A. Seibel dated as of October 20, 2022.
Exhibit 18	Preferability Letter from ParenteBeard LLC dated as of August 3, 2012. (Incorporated by reference to Exhibit 18 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed with the Commission on August 3, 2012.)
Exhibit 21	Subsidiaries of the Registrant.
Exhibit 23.1	Consent of Crowe LLP
Exhibit 23.2	Consent of RSM US LLP.
Exhibit 31.1	Chief Executive Officer Certification of Annual Report on Form 10-K.

Exhibit 31.2	Chief Financial Officer Certification of Annual Report on Form 10-K.
Exhibit 32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase.
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
Exhibit 101.INS	XBRL Instance Document – The Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH	XBRL Taxonomy Extension Schema.
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase.
Exhibit 104	Cover Page Interactive Date File (formatted as Inline XBRL and contained in Exhibit 101).

ITEM 16—FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACNB CORPORATION (Registrant)	March 3, 2023 Date

By: /s/ JAMES P. HELT
James P. Helt
President & Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 3, 2023, by the following persons in the capacities indicated.

/s/ JASON H. WEBER	/s/ JAMES P. HELT
Jason H. Weber Executive Vice President/ Treasurer & Chief Financial Officer (Principal Financial Officer)	James P. Helt Director and President & Chief Executive Officer
/s/ KIMBERLY S. CHANEY	/s/ DONNA M. NEWELL
Kimberly S. Chaney Director	Donna M. Newell Director
/s/ FRANK ELSNER, III	/s/ DANIEL W. POTTS
Frank Elsner, III Director	Daniel W. Potts Director
/s/ TODD L. HERRING	/s/ D. ARTHUR SEIBEL, JR.
Todd L. Herring Director and Vice Chairman of the Board	D. Arthur Seibel, Jr. Director
/s/ SCOTT L. KELLEY	/s/ ALAN J. STOCK
Scott L. Kelley Director	Alan J. Stock Director and Chairman of the Board
/s/ JAMES J. LOTT	
James J. Lott Director	

Exhibit 10.31

AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective as of the 20th day of October, 2022, between **ACNB BANK** ("Bank"), a Pennsylvania state-chartered bank having a place of business at 16 Lincoln Square, Gettysburg, Pennsylvania, 17325, and Douglas A. Seibel ("Executive"), an individual residing in Pennsylvania.

WITNESSETH:

WHEREAS, the Bank is a subsidiary of ACNB Corporation ("Corporation");

WHEREAS, on November 15, 2016, Executive entered into an employment agreement with the Bank ("2016 Employment Agreement");

WHEREAS, the Bank desires to retain Executive to continue to serve in the capacity of the Executive Vice President/Chief Lending & Revenue Officer of the Bank under the terms and conditions set forth herein; and,

WHEREAS, Executive desires to continue to serve the Bank in an executive capacity under the terms and conditions set forth herein; and

WHEREAS, the parties would like to enter into an amended and restated employment agreement, at which time the 2016 Employment Agreement and any amendments thereto will be null and void and without further effect.

AGREEMENT:

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. **Employment.** The Bank hereby employs Executive and Executive hereby accepts employment with the Bank, under the terms and conditions set forth in this Agreement.

2. **Duties of Executive.** Executive shall serve as the Executive Vice President/Chief Lending & Revenue Officer of the Bank reporting only to the Board of Directors and the President of the Bank or his designee. Executive shall have such other duties and hold such other titles as may be given to him from time to time by the Board of Directors of the Bank.

3. **Engagement in Other Employment.** Executive shall devote all of his working time, ability and attention to the business of the Bank and/or its subsidiaries or affiliates during the term of this Agreement. The Executive shall notify the President of the Bank and the

Board of Directors of the Bank in writing before the Executive engages in any other business or commercial duties or pursuits, including, but not limited to, directorships of other companies. Under no circumstances may the Executive engage in any business or commercial activities, duties or pursuits which compete with the business or commercial activities of the Corporation, the Bank and/or any of their subsidiaries or affiliates, nor may the Executive serve as a director or officer or in any other capacity in a company which competes with the Corporation, the Bank and/or any of their subsidiaries or affiliates. Executive shall not be precluded, however, from engaging in voluntary or philanthropic endeavors, from engaging in activities designed to maintain and improve his professional skills, or from engaging in activities incident or necessary to personal investments, so long as they are, in the Board's reasonable opinion, not in conflict with or detrimental to the Executive's rendition of services on behalf of the Corporation, the Bank and/or any of their subsidiaries or affiliates.

4. **Term of Agreement.**

(a) This Agreement shall be for a three (3) year period (the "Employment Period") beginning on the date first written above, and if not previously terminated pursuant to the terms of this Agreement, the Employment Period shall end three (3) years later (the "Initial Term"). The Employment Period shall be extended automatically for one (1) additional year on the first annual anniversary date of the commencement of the Initial Term (October 20, 2022), and then on each anniversary date of this Agreement thereafter, unless the Bank or Executive gives contrary written notice to the other not less than one hundred eighty (180) days before any such anniversary date so that upon the anniversary date if notice had not been previously given as provided in this Section 4(a), the Employment Period shall be and continue for a three (3) year period thereafter. References in the Agreement to "Employment Period" shall refer to the Initial Term of this Agreement and any extensions to the Initial Term of this Agreement. It is the intention of the parties that this Agreement be "Evergreen" unless (i) either party gives written notice to the other party of his or its intention not to renew this Agreement as provided above or (ii) this Agreement is terminated pursuant to Section 4(b) hereof.

(b) Notwithstanding the provisions of Section 4(a) of this Agreement, this Agreement shall terminate automatically for Cause (as defined herein) upon written notice from the Board of Directors of the Bank to Executive. As used in this Agreement, "Cause" shall mean any of the following:

(i) Executive's conviction of or plea of guilty or nolo contendere to a felony, a crime of falsehood or a crime involving moral turpitude, or the actual incarceration of Executive for a period of twenty (20) consecutive days or more;

(ii) Executive's failure to follow the good faith lawful instructions of the Board of Directors of the Bank with respect to its operations, after written notice from the Bank and a failure to cure such violation within thirty (30) days of said written notice;

(iii) Executive's willful failure to substantially perform Executive's duties to the Bank, other than a failure resulting from Executive's incapacity because of physical or mental illness, as provided in subsection (d) of this Section 4, after written notice from the Bank and a failure to cure such violation within thirty (30) days of said written notice;

(iv) Executive's intentional violation of the provisions of this Agreement, after written notice from the Bank and a failure to cure such violation within thirty (30) days of said written notice;

(v) dishonesty or gross negligence of Executive in the performance of his duties;

(vi) Executive's (1) removal or prohibition from being an institutional-affiliated party by a final order of an appropriate banking agency or (2) communication from an appropriate banking agency having jurisdiction over the Bank (a) instructing the Bank to terminate Executive's employment, (b) objecting to or disapproving Executive's employment by the Bank, or (c) indicating that Executive is no longer an acceptable selection to serve in the capacity of the Executive Vice President/Chief Lending & Revenue Officer of the Bank;

(vii) intentional or willful misconduct by Executive as determined by an affirmative vote of seventy-five percent (75%) of the disinterested members of the Board of Directors of the Bank which brings public discredit to the Corporation or the Bank and which results or may be reasonably expected to result in material financial or other harm to the Corporation or the Bank;

(viii) Executive's breach of fiduciary duty involving personal profit;

(ix) unlawful harassment by Executive against employees, customers, business associates, contractors or vendors of the Corporation or the Bank which results or may be reasonably expected to result in material liability to the Corporation or the Bank, as determined by an affirmative vote of seventy-five percent (75%) of the disinterested independent members of the Board of Directors of the Bank, following an investigation of the claims by a third party unrelated to the Corporation or the Bank chosen by the Executive, the Corporation and the Bank. If the Executive, the Corporation and the Bank do not agree on said third party, then as chosen by an affirmative vote of seventy-five percent (75%) of the disinterested independent members of the Board of Directors of the Corporation;

(x) the willful violation by Executive of the provisions of Sections 9, 10, 11 or 27 hereof, after written notice from the Bank and a failure to cure such violation within thirty (30) days of said written notice;

(xi) the willful violation of any law, rule or regulation governing banks or bank officers or any final cease and desist order issued by a bank regulatory authority;

(xii) theft or abuse by Executive of the Corporation's or the Bank's property or the property of the Corporation's or the Bank's customers, employees, contractors, vendors or business associates;

(xiii) any act of fraud, misappropriation or personal dishonesty;

(xiv) insubordination as determined by an affirmative vote of seventy-five percent (75%) of the Board of Directors of the Bank, after written notice from the Bank and a failure to cure such violation within thirty (30) days of said written notice; or,

(xv) the existence of any material conflict between the interests of the Corporation or the Bank and Executive that is not disclosed in writing by Executive to the Corporation and the Bank and approved in writing by the Boards of Directors of the Corporation and the Bank.

Before taking any vote under subparagraphs (vii), (ix) or (xiv) above, all which require notice, Executive shall be entitled to appear before the Board and present Executive's position as to any issues about which Executive has been notified by the Board in writing. Such appearance shall be within a reasonable period of time following written notice to Executive of the issues, but in no event longer than thirty (30) days after the date of said written notice.

If this Agreement is terminated for Cause, all of Executive's rights under this Agreement shall cease as of the effective date of such termination, except for the rights under Paragraph 22 hereof with respect to arbitration.

(c) Notwithstanding the provisions of Section 4(a) of this Agreement, this Agreement shall terminate automatically upon Executive's voluntary termination of employment (other than in accordance with Section 6 of this Agreement) for Good Reason. The term "Good Reason" shall mean, unless agreed to in writing by Executive, (i) the assignment of duties and responsibilities inconsistent with Executive's status as the Executive Vice President/Chief Lending & Revenue Officer of the Bank, (ii) a reassignment which requires Executive to move his principal residence or his office more than fifty (50) miles from the Bank's principal executive office immediately prior to this Agreement, (iii) any removal

of Executive from office or any adverse change in the terms, conditions, responsibilities, duties, reporting, compensation or benefits of Executive's employment, except for any termination of Executive's employment for Cause, (iv) any reduction in Executive's Annual Base Salary as in effect on the date hereof or as the same may be increased from time to time, or (v) any failure of the Bank to provide Executive with benefits at least as favorable as those enjoyed by Executive during the Employment Period under any of the pension, life insurance, medical, health and accident, disability or other employee plans of the Bank, or the taking of any action that would materially reduce any of such benefits unless such reduction is part of a reduction applicable to all employees, and then only to the same extent.

Executive shall, within ninety (90) days of the occurrence of any of the foregoing events, provide notice to the Bank of the existence of the condition and provide the Bank thirty (30) days in which to cure such condition. In the event that the Bank does not cure the condition within thirty (30) days of such notice, Executive may resign from employment for Good Reason by delivering written notice ("Notice of Termination") to the Bank.

If such termination occurs for Good Reason, then the Bank shall pay Executive an amount equal to and no greater than 2.99 times Executive's Agreed Compensation as defined in subsection (g) of Section 4, and shall be payable in thirty-six (36) equal monthly installments and shall be subject to federal, state and local tax withholdings. In addition, for a period of two (2) years from the date of termination of employment, or until Executive secures substantially similar benefits through other employment, whichever shall first occur, Executive shall receive a continuation of all life, disability, medical insurance and other normal health and welfare benefits in effect with respect to Executive during the two (2) years prior to his termination of employment, or, if the Bank cannot provide such benefits because Executive is no longer an employee, the Bank shall reimburse Executive in an amount equal to the monthly premiums or costs paid by him to obtain substantially similar employee benefits which he enjoyed prior to termination, subject to Code Section 409A if applicable.

(d) Notwithstanding the provisions of Section 4(a) of this Agreement, this Agreement shall terminate automatically upon Executive's Disability and Executive's rights under this Agreement shall cease as of the date of such termination; provided, however, that Executive shall nevertheless be entitled to receive an amount equal to and no greater than seventy-five percent (75%) of Executive's Agreed Compensation as defined in subsection (g) of this Section 4, less amounts payable under any disability plan of the Bank, until the earliest of (i) Executive's return to employment, (ii) his attainment of age sixty-five (65), (iii) his death, or (iv) the end of the then existing Employment Period. In addition, Executive shall receive for such period a continuation of all life, disability, medical insurance and other

normal health and welfare benefits in effect with respect to Executive during the two (2) years prior to his disability, or, if Bank cannot legally provide such benefits because Executive is no longer an employee, Bank shall reimburse Executive in an amount equal to the monthly premiums or costs paid by him to obtain substantially similar employee benefits which he enjoyed prior to termination, subject to Code Section 409A if applicable. For purposes of this Agreement, the Executive shall have a Disability if Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months or Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Bank. The Executive shall have no duty to mitigate any payment provided for in this Section 4(d) by seeking other employment. In addition, Disability shall also have the meaning provided in Code Section 409A and the regulations promulgated thereunder.

(e) In the event that Executive terminates his employment without Good Reason or as a result of a Disability as defined in Section 4(d), or as a result of the Executive's retirement, all of Executive's rights under this Agreement shall cease as of the effective date of such termination, except for the rights under Paragraph 22 hereof with respect to arbitration.

(f) Executive agrees that in the event his employment under this Agreement is terminated, Executive shall resign as a director of the Corporation or the Bank, or any affiliate or subsidiary thereof, if he is then serving as a director of any of such entities.

(g) The term "Agreed Compensation" shall mean the sum of (i) Executive's highest Annual Base Salary under the Agreement and (ii) the average of Executive's annual bonuses with respect to the three (3) calendar years immediately preceding Executive's termination.

5. **Employment Period Compensation.**

(a) Annual Base Salary. For services performed by Executive under this Agreement, the Bank shall pay Executive an Annual Base Salary during the Employment Period at the rate of $290,000 per year, minus applicable withholdings and deductions, payable at the same times as salaries are payable to other executive employees of the Bank. The Bank may increase Executive's Annual Base Salary, and any and all such increases shall be deemed to constitute amendments to this Section 5(a) to reflect the increased amounts, effective as of the date established

for such increases by the Board of Directors of the Bank or any committee of such Board in the resolutions authorizing such increases.

(b) Bonus. For services performed by Executive under this Agreement, Bank may, from time to time, pay a bonus or bonuses to Executive as the Bank or an affiliate thereof, in its sole discretion, deems it appropriate. The payment or non-payment of any such bonuses shall not reduce or otherwise affect any other obligation of the Bank to Executive provided for in this Agreement. Executive shall be eligible to participate in the Bank's Variable Compensation Plan, subject to its terms and conditions as may exist from time to time. Payment of a bonus, pursuant to a Plan or otherwise, shall not constitute a change to Annual Base Salary or provide a contractual right to future payments of bonus under this Agreement. All Plans shall be subject to terms of such Plan except as provided by Code Section 409A.

(c) Paid Time-Off. During the term of this Agreement, Executive shall be entitled to paid time-off in accordance with the manner and amount provided under the paid time-off plan currently in effect. Executive shall be able to accumulate unused paid time-off from one (1) year to the next not to exceed forty-five (45) days in total. However, Executive shall not be entitled to receive any additional compensation from the Bank for failure to take a vacation, except to the extent authorized by the Boards of Directors of the Corporation and the Bank.

(d) Employee Benefit Plans. During the term of this Agreement, Executive shall be entitled to participate in or receive the benefits of any employee benefit plan currently in effect at the Bank, subject to the terms of said plan, until such time that the Board of Directors of the Bank authorize a change in such benefits. The Bank shall not make any changes in such plans or benefits which would adversely affect Executive's rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all executive officers of the Bank and does not result in a proportionately greater adverse change in the rights of or benefits to Executive as compared with any other executive officer of the Bank. Nothing paid to Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to Executive pursuant to Section 5(a) hereof.

(e) Business Expenses. During the term of this Agreement, Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by him, which are properly accounted for, in accordance with the policies and procedures established by the Board of Directors of the Bank for its executive officers.

6. **Termination of Employment Following Change in Control.**

(a) If a Change in Control (as defined in Section 6(b) of this Agreement) shall occur and (1) Executive is involuntarily terminated without Cause within two (2) years

of a Change in Control or (2) if Executive terminates employment for Good Reason as defined in Section 4(c) within one year of the Change in Control or (3) Executive experiences an involuntary Separation of Service, within two (2) years of a Change of Control, then the provisions of Section 7 of this Agreement shall apply.

(b) As used in this Agreement, "Change in Control" shall mean the occurrence of any of the following, provided the event constitutes a change in control within the meaning of Code Section 409A and the rules, regulations and guidance promulgated thereunder:

(i) any "person" (as such term is defined in Code Section 409A and any Revenue Guidance or Treasury Regulations issued thereunder), other than the Corporation or the Bank or any "person" who on the date hereof is a director or officer of the Corporation or the Bank, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation or the Bank representing thirty (30%) percent or more of the total voting power of the Corporation's or the Bank's then outstanding securities;

(ii) any "person" or more than one "person" acting as a group acquires ownership of stock of the Corporation or the Bank that together with stock held by such person or group constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Corporation or the Bank; or,

(iii) during any period of one (1) year during the term of Executive's employment under this Agreement, individuals who at the beginning of such one (1) year period constitute the Board of Directors of the Corporation or the Bank cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds (2/3) of the directors then in office who were directors at the beginning of the period.

A Change in Control shall also mean the change in ownership or effective control of the Corporation, or a change in the ownership of a substantial portion of the assets of the Corporation, as defined by Code Section 409A and the regulations and guidance thereunder, including, but not limited to, Treasury Regulation §1.409A-3(i)(5).

7. **Rights in Event of Termination Following a Change in Control.** In the event that Executive terminates employment for Good Reason as defined in Section 4(c) within one year of a Change in Control or Executive is involuntarily terminated without Cause within two (2) years after a Change in Control (as defined in Section 6(b) of this Agreement), and such termination of employment constitutes a Separation of Service, Executive shall be entitled to receive the compensation and benefits set forth below:

The Bank, or successor thereto, shall pay Executive a lump sum amount equal to and no greater than 2.99 times Executive's Agreed Compensation as defined in subsection (g) of Section 4, minus applicable taxes and withholdings within thirty (30) days of Executive's Separation of Service, subject to Compliance with Code Section 409A. In addition, for a period of two (2) years from the date of Separation of Service, or until Executive secures substantially comparable benefits through other employment, whichever shall first occur, Executive shall receive a continuation of all life, disability, medical insurance and other normal health and welfare benefits in effect with respect to Executive immediately prior to his Separation of Service, or, if the Bank cannot legally provide such benefits because Executive is no longer an employee, or future law or plans do not so permit, the Bank shall reimburse Executive in an amount equal to the monthly premium paid by him to obtain substantially comparable employee benefits which he enjoyed immediately prior to termination, subject to compliance with Code Section 409A if applicable. In addition for a period of two (2) years from the date of Separation of Service, or until Executive secures benefits of substantially comparable coverage through other employment, whichever shall first occur, Executive shall notify Bank upon receipt of benefits from a third party and provide details of such benefits to the Bank.

The Corporation, Bank and Executive hereby recognize that: (i) the non-solicitation restrictions and non-competition restrictions under Section 9 of this Agreement have value, (ii) the value shall be recognized in any calculations the Corporation, Bank and Executive perform with respect to determining the affect, if any, of the parachute payment provisions of Section 280G of the Code ("Section 280G"), by allocating a portion of the payments under Section 7 of this Agreement to the fair value of the non-solicitation and non-competition restrictions under Section 9 of this Agreement (the "Appraised Value"), (iii) the Bank shall obtain an independent appraisal to determine the Appraised Value, (iv) the Appraised Value will be considered reasonable compensation for post change in control services within the meaning of Q&A-40 of the regulations under Section 280G, and (v) any aggregate parachute payments, as defined in Section 280G, will be reduced by the Appraised Value.

In addition, in the event that the payments described herein, even after giving effect and application to the immediately above paragraph, when added to all other amounts or benefits provided to or on behalf of the Executive in connection with his termination of employment would result in the imposition of an excise tax under Section 4999 of the Code or under Section 280G of the Code, the Bank, or successor thereto, will pay to Executive an additional cash payment ("Limited Gross Up Payment") in an amount such that the after tax proceeds of such Limited Gross Up Payment (including any income tax or excise tax on such Limited Gross Up Payment) will be equal to the amount of the excise tax that is a product, result, or an effect of inclusion of any amounts included or from any and all Salary Continuation Agreements by and between Executive and the Bank.

Executive shall not be required to mitigate the amount of any payment provided for in this Section 7 by seeking other employment or otherwise. Unless otherwise agreed to in writing, the amount of payment or the benefit provided for in this Section 7 shall not be reduced by any compensation earned by Executive as the result of employment by another employer or by reason of Executive's receipt of or right to receive any retirement or other benefits after the date of Separation of Service, termination of employment or otherwise.

8. **Rights in Event of Termination of Employment Absent Change in Control.** In the event that Executive's employment is involuntarily terminated by the Bank without Cause and no Change in Control shall have occurred at the date of such termination, the Bank shall pay Executive an amount equal to and no greater than 2.99 times Executive's Agreed Compensation as defined in subsection (g) of Section 4, and shall be payable in thirty-six (36) equal monthly installments and shall be subject to federal, state and local tax withholdings. In addition, for a period of two (2) years from the date of termination of employment, or until Executive secures substantially similar benefits through other employment, whichever shall first occur, Executive shall receive a continuation of all life, disability, medical insurance and other normal health and welfare benefits in effect with respect to Executive during the two (2) years prior to his termination of employment, or, if the Bank cannot provide such benefits because Executive is no longer an employee, the Bank shall reimburse Executive in an amount equal to the monthly premium paid by him to obtain substantially similar employee benefits which he enjoyed prior to termination, subject to Code Section 409A if applicable.

9. **Covenant Not to Compete.**

(a) Executive hereby acknowledges and recognizes the highly competitive nature of the business of the Corporation and the Bank and accordingly agrees that, during and for the applicable period set forth in Section 9(c) hereof, Executive shall not, except as otherwise permitted in writing by the Bank:

(i) be engaged, directly or indirectly, either for his own account or as agent, consultant, employee, partner, officer, director, proprietor, investor (except as an investor owning less than 5% of the stock of a publicly owned company) or otherwise of any person, firm, corporation or enterprise engaged in (1) the banking (including bank or financial holding company) or financial services industry, or (2) any other activity in which the Corporation or the Bank or any of their subsidiaries are engaged during the Employment Period, and remain so engaged at the end of the Employment Period, in any county in which, a branch, office or other facility of the Corporation or the Bank is located or in any county contiguous to such county at the end of the Employment Period (the "Non-Competition Area");

(ii) provide financial or other assistance to any person, firm, corporation or enterprise engaged in (1) the banking (including bank or financial holding company) or financial services industry, or (2) any other activity in which the Corporation or the Bank or any of their subsidiaries are engaged during the Employment Period, and remain so engaged at the end of the Employment Period, in the Non-Competition Area;

(iii) directly or indirectly solicit persons or entities who were customers or referral sources of the Corporation, the Bank or their subsidiaries within six (6) months of Executive's termination of employment, to become a customer or referral source of a person or entity other than the Corporation, the Bank or their subsidiaries; or,

(iv) directly or indirectly solicit employees of the Corporation, the Bank or their subsidiaries who were employed within two (2) years of Executive's termination of employment to work for anyone other than the Corporation, the Bank or their subsidiaries.

(b) It is expressly understood and agreed that, although Executive and the Corporation and the Bank consider the restrictions contained in Section 9(a) hereof reasonable for the purpose of preserving for the Corporation and the Bank and their subsidiaries their goodwill and other proprietary rights, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in Section 9(a) hereof is an unreasonable or otherwise unenforceable restriction against Executive, the provisions of Section 9(a) hereof shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable.

(c) The provisions of this Section 9 shall be applicable, commencing on the date of this Agreement and ending on one of the following dates as applicable:

(i) if Executive voluntarily terminates his employment in accordance with the provisions of Section 4(e) of this Agreement (relating to termination without Good Reason), the second anniversary date of the effective date of termination of employment;

(ii) if Executive's employment terminates in accordance with the provisions of Section 4(b) of this Agreement (relating to termination for Cause), the first anniversary date of the effective date of termination of employment;

(iii) if Executive voluntarily terminates his employment in accordance with the provisions of Section 4(c) of this Agreement (relating to termination by

Executive for Good Reason), the second anniversary date of the effective date of termination of employment;

(iv) if Executive's employment is involuntarily terminated in accordance with the provisions of Section 6 of this Agreement (relating to involuntary termination without Cause following a Change in Control), the second anniversary date of the effective date of termination of employment; or,

(v) if Executive's employment is involuntarily terminated in accordance with the provisions of Section 8 of this Agreement (relating to involuntary termination without Cause absent a Change in Control), the second anniversary date of the effective date of termination of employment.

10. **Unauthorized Disclosure.** During the term of his employment hereunder, or at any later time, Executive shall not, without the written consent of the Board of Directors of the Bank or a person authorized thereby, knowingly disclose to any person, other than an employee of the Corporation or the Bank or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by Executive of his duties as an executive of the Bank, any material confidential information obtained by him while in the employ of the Bank with respect to any of the Corporation's and the Bank's services, products, improvements, formulas, strategic, business, capital, operational, or human resource plans, designs or styles, processes, customers, methods of business, or any business practices the disclosure of which could be or will be damaging to the Corporation or the Bank; provided, however, that confidential information shall not include any information known generally to the public (other than as a result of unauthorized disclosure by Executive or any person with the assistance, consent or direction of Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Corporation and the Bank or any information that must be disclosed as required by law.

11. **Work Made for Hire.** Any work performed by Executive under this Agreement should be considered a "Work Made for Hire" as the phrase is defined by the U.S. Copyright Act of 1976 and shall be owned by and for the express benefit of the Bank and its affiliates and subsidiaries. In the event it should be established that such work does not qualify as a Work Made for Hire, Executive agrees to and does hereby assign to the Bank, and its affiliates and subsidiaries, all of his rights, title, and/or interest in such work product, including, but not limited to, all copyrights, patents, trademarks, and propriety rights.

12. **Return of Company Property and Documents.** Executive agrees that, at the time of termination of his employment, regardless of the reason for termination, he will deliver to the Bank and its affiliates and subsidiaries, any and all company property, including, but not limited to, keys, security codes or passes, mobile telephones, laptops, electronic tablets, smart devices, all other electronic devices, records, strategic, business, or operational plans, records, data, notes, reports, proposals, lists, correspondence,

specifications, drawings, blueprints, sketches, software programs, equipment, other documents or property, or reproductions of any of the aforementioned items developed or obtained by Executive during the course of his employment.

13. **Liability Insurance.** The Bank shall obtain liability insurance coverage for Executive under an insurance policy with similar terms as that which is currently covering officers and directors of the Bank against lawsuits, arbitrations or other legal or regulatory proceedings. Except for gross recklessness, willful misconduct, or commission of a criminal act, the Bank shall indemnify Executive to the fullest extent permitted by Pennsylvania law and the Bank's bylaws, with respect to any threatened, pending or completed legal or regulatory action, suit or proceeding, brought against him by reason of the fact that he is or was an officer, executive or agent of the Bank or is or was serving at the request of the Bank or the Corporation as a director, officer, executive or agent of another person or entity. The indemnification contemplated herein shall only be provided to Executive if there is no insurance coverage for the payment of expenses incurred by Executive, in connection with any threatened, pending or completed legal or regulatory action, suit or proceeding, provided under any insurance policy in the name of or for the benefit of the Bank or Executive as the insured.

14. **Mitigation.** Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

15. **Survival.** The provisions, rights and obligations of Paragraphs 9, 10, 11, 12, 13, 27, 28, 29, and 30 shall survive the expiration or termination of this Agreement.

16. **Section 409A.**

(a) If when Executive's employment terminates, the Executive is a "specified employee," as defined in Code Section 409A(a)(2)(B)(i), then despite any provision of this Agreement or other plan or agreement to the contrary, Executive will not be entitled to the payments until the earliest of: (a) the date that is at least six (6) months after Executive's separation from service, as defined in Code Section 409A, for reasons other than Executive's death, (b) the date of Executive's death, or (c) any earlier date that does not result in additional tax or interest to Executive under Code Section 409A. As promptly as possible after the end of the period during which payments are delayed under this provision, the entire amount of the delayed payments shall be paid to Executive in a single lump sum with any remaining payments to commence in accordance with the terms of this Agreement or other applicable plan or agreement.

(b) Any payments made pursuant to this Agreement, to the extent of payments made from the date of termination through March 15th of the calendar year following such date, are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) and thus payable pursuant to the "short-term deferral" rule

set forth in Treas. Reg. §1.409A-1(b)(4); to the extent such payments are made following said March 15th, they are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) made upon an involuntary termination from service and payable pursuant to Treas. Reg. §1.409A-1(b)(9)(iii), to the maximum extent permitted by said provision.

(c) The parties hereto intend that any and all post-employment compensation under this Agreement satisfy the requirements of Section 409A or an exception or exclusion therefrom to avoid the imposition of any accelerated or additional taxes pursuant to Section 409A. Any terms not specifically defined shall have the meaning as set forth in Section 409A.

(d) Notwithstanding the foregoing, no payment shall be made pursuant to this Agreement unless such termination of employment is a “separation of service” as defined in Code Section 409A.

(e) 409A Safe Harbor. Notwithstanding anything in this Agreement to the contrary, in no event shall the Corporation or Bank be obligated to commence payment or distribution to the Executive of any amount that constitutes nonqualified deferred compensation within the meaning of Code Section 409A (“Section 409A”) earlier than the earliest permissible date under Section 409A that such amount could be paid without additional taxes or interest being imposed under Section 409A. The Bank and Executive agree that they will execute any and all amendments to this Agreement as they mutually agree in good faith may be necessary to ensure compliance with the distribution provisions of Section 409A, to be paid or distributed in a single sum payment at the earliest permissible date under Section 409A. Without limiting the generality of the foregoing, in the event Executive is to receive a payment of compensation hereunder that is or account of a Separation from Service, such payment is subject to the provisions of Section 409A, and Executive is a key employee of the Corporation or Bank, then payment shall not be made before the date that is six months after the date of Separation from Service (or, if earlier than the end of the six month period, the date of the Executive’s death). Amounts otherwise payable during such six month payment shall be accumulated and paid in a lump sum on the first day of the seventh month. For purposes hereof, Executive is a key employee of the Corporation or Bank if, on his date of separation from service, the Corporation is publicly traded and he met the definition key employee found in Code Section 416(i)(1)(A)(i), (ii) or (iii) (disregarding Section 416(i)(5)) as of the last day of the calendar year preceding the date of separation.

17. **Notices.** Except as otherwise provided in this Agreement, any notice required or permitted to be given under this Agreement shall be deemed properly given if in writing and if mailed by registered or certified mail, postage prepaid with return receipt

requested, to Executive's residence, in the case of notices to Executive, and to the principal executive office of the Bank, in the case of notices to the Bank.

18. **Waiver.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and an executive officer specifically designated by the Board of Directors of the Bank. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

19. **Assignment.** This Agreement shall not be assignable by any party, except by the Corporation or Bank to any successor in interest to its respective business.

20. **Entire Agreement.** This Agreement supersedes any and all agreements, either oral or in writing, between the parties with respect to the employment of Executive by the Bank and/or the Corporation and this Agreement contains all the covenants and agreements between the parties with respect to employment. This Agreement specifically releases all parties of any rights and obligations under the 2016 Employment Agreement and said 2016 Employment Agreement and all amendments thereto, are hereafter null and void.

21. **Successors; Binding Agreement.**

(a) The Corporation or the Bank will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the businesses and/or assets of the Corporation and the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Bank would be required to perform it if no such succession had taken place. Failure by the Corporation and the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall constitute a breach of this Agreement and the provisions of Section 7 of this Agreement shall apply. As used in this Agreement, "Corporation" and "Bank" shall mean the Corporation and the Bank, as defined previously and any successor to their respective businesses and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees and legatees. If Executive should die after a Notice of Termination is delivered by Executive, after a Change in Control, or following termination of Executive's employment without Cause, and any amounts would be payable to Executive under this Agreement if Executive had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to

Executive’s devisee, legatee, or other designee, or, if there is no such designee, to Executive’s estate.

22. **Arbitration.** The Bank and Executive recognize that in the event a dispute should arise between them concerning the interpretation or implementation of this Agreement, lengthy and expensive litigation will not afford a practical resolution of the issues within a reasonable period of time. Consequently, each party agrees that all disputes, disagreements and questions of interpretation concerning this Agreement (except for any enforcement sought with respect to Sections 6, 7, 9, 10, 11, 12, 13, 16, 27, 28, 29, or 30 which may be litigated in court, including an action for injunction or other relief) are to be submitted for resolution, in Gettysburg, Pennsylvania, to the American Arbitration Association (the “Association”) in accordance with the Association’s National Rules for the Resolution of Employment Disputes or other applicable rules then in effect (“Rules”). The Bank or Executive may initiate an arbitration proceeding at any time by giving notice to the other in accordance with the Rules. The Bank and Executive may, as a matter of right, mutually agree on the appointment of a particular arbitrator from the Association’s pool. The arbitrator shall not be bound by the rules of evidence and procedure of the courts of the Commonwealth of Pennsylvania, but shall be bound by the substantive law applicable to this Agreement. The decision of the arbitrator, absent fraud, duress, incompetence or gross and obvious error of fact, shall be final and binding upon the parties and shall be enforceable in courts of proper jurisdiction. Following written notice of a request for arbitration, the Bank and Executive shall be entitled to an injunction restraining all further proceedings in any pending or subsequently filed litigation concerning this Agreement, except as otherwise provided herein or any enforcement sought with respect to Sections 6, 7, 9, 10, 11, 12, 13, 16, 27, 28, 29, or 30 of this Agreement, including an action for injunction or other relief.

23. **Validity.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

24. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the domestic, internal laws of the Commonwealth of Pennsylvania, without regard to its conflicts of laws principles. In addition, in the event that the Corporation’s or the Bank’s regulators determine that this Agreement is not a safe and sound practice or in the event that 12 C.F.R. Part 359 applies, then the Bank shall only be required to make such payments as are permitted by the applicable regulatory agency.

25. **Headings.** The section headings of this Agreement are for convenience only and shall not control or affect the meaning or construction or limit the scope or intent of any of the provisions of this Agreement.

26. **Consent to Jurisdiction.** To the extent that any court action is permitted consistent with or to enforce this Agreement, the parties hereby consent to the jurisdiction of the Court of

Common Pleas of Adams County located in Gettysburg, Pennsylvania. Accordingly, with respect to any such court action, Executive (a) submits to the personal jurisdiction of such court; (b) consents to service of process; and (c) waives any other requirement (whether imposed by statute, rule of court or otherwise) with respect to personal jurisdiction or service of process.

27. **Clawback.** Executive acknowledges that Executive is subject to any clawback policy that may be adopted by the Board of Directors of the Corporation and any clawback requirements, regulations or rules of the U.S. Securities and Exchange Commission, or any national securities exchange on which the Corporation has a class of securities listed, or any federal bank, or bank or financial holding company, regulatory authority having jurisdiction thereof. Absent any formal clawback policy, the Executive also agrees that Executive shall be required to forfeit and pay back to the Bank any bonus or other incentive compensation paid to or received by Executive if (a) a court makes a final determination that the Executive directly or indirectly engaged in fraud or willful or intentional misconduct that caused or partially caused the need for a material financial restatement by the Corporation; (b) the independent members of the Board of Directors of the Corporation determine that the Executive has committed a willful or intentional material violation of the Employer Code of Conduct of the Bank; or (c) the Corporation or Bank are required to do so under the regulations, rules, orders, or enforcement actions of the U.S. Securities and Exchange Commission, the Federal Reserve Board or regional bank thereof, the Federal Deposit Insurance Corporation, the Pennsylvania Department of Banking and Securities or the national securities exchange on which the Corporation has a class of securities listed.

28. **Non-Disparagement.** Upon termination of employment hereunder, Executive agrees that Executive shall not malign, criticize or otherwise disparage the Corporation, Bank, subsidiaries thereof, affiliates or any of their respective officers, employees or directors.

29. **Attorney's Fees and Related Expenses.** After a Change in Control, or after the execution of an agreement to effect a Change in Control, if Executive prevails in connection with enforcing Executive's right under this Agreement, then the enforcement by Executive of Executive's rights under this Agreement including all reasonable attorney's fees and related expenses incurred by Executive shall be paid by the Bank or any successor Corporation, Bank or entity thereto.

30. **Disclosure.** Executive agrees to disclose the restrictive covenants contained in Section 9 of this Agreement to any prospective employer prior to employment with the prospective employer both during his employment by the Bank and for a period of two (2) years following termination of employment with the Corporation and Bank.

IN WITNESS WHEREOF, the parties intending to be legally bound hereby have executed this Amended and Restated Employment Agreement as of the date first above written.

ATTEST: ACNB BANK

/s/ Emily E. Berwager By /s/ James P. Helt

James P. Helt
President

WITNESS: EXECUTIVE

/s/ Emily E. Berwager /s/ Douglas A. Seibel

Douglas A. Seibel

ACNB BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

This Supplemental Executive Retirement Plan (the "Plan") is adopted October 20, 2022, by and between **ACNB Bank** (the "Bank"), a Pennsylvania banking corporation, and Douglas A. Seibel (the "Executive").

RECITALS:

A. The Bank is a wholly-owned subsidiary of ACNB Corporation.

B. The Executive is employed by the Bank.

C. The Bank recognizes the valuable services the Executive has performed for the Bank and wishes to encourage the Executive's continued employment and to provide the Executive with additional incentive to achieve corporate objectives.

D. The Bank wishes to provide the terms and conditions upon which the Bank shall pay additional retirement benefits to the Executive.

E. The Bank intends this Plan shall at all times be administered and interpreted in such a manner as to constitute an unfunded nonqualified deferred compensation arrangement, maintained primarily to provide supplemental retirement benefits for the Executive, a member of a select group of management or highly compensated employees of the Bank; and as such, is intended to be exempt from the provisions of Parts 2, 3, and 4 of Title I of the Employee Retirement Income Security Act of 1974 by operation of Sections 201(2), 301(a)(3) and 401(a)(1) thereof.

F. The Bank and the Executive intend this Plan shall at all times comply in form and operation with all applicable law, including, to the extent applicable, the requirements of Internal Revenue Code Section 409A and will be administered, operated and construed in accordance with this intention.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the Bank and the Executive agree as follows:

ARTICLE I
DEFINITIONS

The following Article provides definitions of terms used throughout this Plan, and whenever used herein in a capitalized form, except as otherwise expressly provided, the terms shall be deemed to have the following meanings:

1.1 **"Account"** shall mean a bookkeeping account established and maintained by the Bank on behalf of the Executive and shall be used solely as a device to measure and determine the amounts to be paid to the Executive or his Beneficiary under the terms of the Plan. The Account balance shall include amounts credited by the Bank in accordance with Article II and

interest thereon as determined in Article III. The Plan Administrator or plan recordkeeper shall establish additional subaccounts that the Plan Administrator considers necessary to reflect the entire interest of the Executive under the Plan.

1.2 **"Affiliate"** shall mean any business entity with whom the Bank would be considered a single employer under Sections 414(b) and 414(c) of the Internal Revenue Code Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Internal Revenue Code.

1.3 **"Bank"** shall mean ACNB Bank, and its successors and assigns unless otherwise provided in this Plan, or any other corporation or business organization which, with the consent of ACNB Bank, or its successors or assigns, assumes the Bank's obligations under this Plan, or any Affiliate which agrees, with the consent of ACNB Bank, or its successors or assigns, to become a party to the Plan.

1.4 **"Beneficiary" or "Beneficiaries"** shall mean the person(s), trust(s) or other entity or entities designated by the Executive, in accordance with the procedures established by the Plan Administrator, to receive applicable payments in the event of the death of the Executive prior to the Executive's receipt of the entire amount credited to his Account.

1.5 **"Beneficiary Designation Form"** shall mean the form established from time to time by the Plan Administrator that the Executive completes, signs, and returns to the Plan Administrator to designate one or more Beneficiaries.

1.6 **"Board"** shall mean the Board of Directors of the Bank.

1.7 **"Cause"** shall mean conduct by the Executive determined by the Bank to be: (a) gross negligence or willful malfeasance in the performance of his duties; (b) actions or omissions that harm the Bank and are undertaken or omitted knowingly or are criminal or fraudulent or involve material dishonesty or moral turpitude; (c) being indicted in a court of law for any felony or for a crime involving misuse or misappropriation of the Bank funds; or (d) breach of fiduciary duty to the Bank.

1.8 **"Change in Control"** shall mean and shall include a change in ownership or effective control of the Bank or ACNB Corporation or a change in the ownership of a substantial portion of the assets of the Bank or ACNB Corporation, within the meaning of Internal Revenue Code Section 409A and as described in Treasury Regulation §§1.409A-3(i)(5)(v), (vi) and (vii); however, a Change in Control shall not be deemed to have occurred if the aforementioned changes involve the purchase or acquisition of shares or assets by immediate family members of the shareholders of record as of the Effective Date of this Plan.

1.9 **"Claimant"** shall mean the Executive or a Beneficiary who believes that he or she is entitled to a benefit under this Plan or is being denied a benefit to which he or she is entitled hereunder.

1.10 **"Code"** shall mean the U.S. Internal Revenue Code of 1986 and the Treasury Regulations or other authoritative guidance issued thereunder, as amended from time to time.

1.11 **"Contribution Credit"** shall mean the amounts credited on behalf of the Executive by the Bank to the Executive's Account under the terms of the Plan.

1.12 **"Effective Date"** shall mean **_____________**, 2022.

1.13 **"ERISA"** shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time, and the regulations and guidance promulgated thereunder.

1.14 **"Plan"** shall mean the ACNB Bank Supplemental Executive Retirement Plan, which shall be evidenced by this instrument, as amended from time to time. For purposes of applying Code Section 409A requirements, the benefit of the Executive under this Plan is a nonelective account balance plan under Treasury Regulation §1.409A-1(c)(2)(i)(B).

1.15 **"Plan Administrator"** shall mean the Board or its designee.

1.16 **"Plan Year"** shall mean, for the first Plan Year, the period beginning on the Effective Date of the Plan and ending December 31 of such calendar year; and thereafter shall mean a twelve (12) month period beginning January 1 of each calendar year and continuing through December 31 of such calendar year.

1.17 **"Section 409A"** shall mean Code Section 409A and the Treasury Regulations or other authoritative guidance issued thereunder.

1.18 **"Separation from Service" or "Separates from Service"** shall mean the Executive has experienced a termination of employment or service with the Bank. Whether a termination of employment or service has occurred is determined based on whether the facts and circumstances indicate that the Bank and the Executive reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Executive would perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding thirty-six (36) month period (or the full period during which the Executive performed services for the Bank, if that is less than thirty-six (36) months).

1.19 **"Specified Employee"** shall mean the Executive meets the definition of a "key employee" as such term is defined in Code Section 416(i)(1)(A)(i), (ii) or (iii) (without regard to the Treasury Regulations thereunder and Section 416(i)(5)). However, the Executive is not a Specified Employee unless any stock of the Bank or ACNB Corporation is publicly traded on an established securities market or otherwise, as defined in Treasury Regulation §1.897-1(m). If the Executive is a key employee at any time during the twelve (12) months ending on December 31, the identification date, the Executive is a Specified Employee for the twelve (12) month period ending on the first day of the fourth month following the identification date. The determination

of the Executive as a Specified Employee shall be made by the Plan Administrator in accordance with Code Section 416(i) and the "specified employee" requirements of Section 409A.

1.20 **"Treasury Regulation" or "Treasury Regulations"** shall mean regulations promulgated by the Internal Revenue Service for the U.S. Department of the Treasury, as they may be amended from time to time.

ARTICLE II
CONTRIBUTION CREDITS

2.1 **Contribution Credits.** The Bank shall credit $55,000.00 per calendar year to Executive's Account as long as Executive is employed by the Bank at the time such amount is credited. Contribution Credits for any given Plan Year under this Section shall be credited to the Executive's Account at such time or times established by the Bank in its sole discretion. This amount shall be in addition to amounts credited under the Supplemental Executive Retirement Plan of November 27, 2018, the "2018 Plan".

ARTICLE III
INTEREST CREDITING

3.1 **Crediting of Interest.** For the purpose of determining the interest to be credited to the Executive's Account under the Plan, the Bank shall assume that the Executive's Account is invested in such a manner that it earns a rate of interest equal to the "Interest Crediting Rate," as described below in Section 3.2. This amount accrued by the Bank as additional deferred compensation shall be a part of the Bank's obligation to the Executive. The determination of interest credited to the Executive's Account shall in no way affect the ability of the general creditors of the Bank to reach the assets of the Bank in the event of the insolvency or bankruptcy of the Bank or place the Executive in a secured position ahead of the general creditors of the Bank. There is no requirement that any assets of the Bank shall be invested in any particular manner. Interest hereunder shall be credited to the Executive's Account effective as of the date the Account first has a positive balance and continuing through the date the Account balance is fully paid to the Executive.

3.2 **Interest Crediting Rate.** The Interest Crediting Rate shall be based on the prime rate as published in *The Wall Street Journal* on the last business day of the preceding Plan Year. The Interest Crediting Rate determined as of the first business day of the Plan Year shall be the same rate used for the entirety of the Plan Year. The Bank may adjust the Interest Crediting Rate on a prospective basis in its sole discretion. Notwithstanding anything in this Plan to the contrary, the Interest Crediting Rate with respect to any Plan Year shall not be less than three percent (3%) or greater than ten percent (10%).

ARTICLE IV
VESTING / FORFEITURES / TAXES

4.1 **Vesting.** The Executive is one hundred percent (100%) vested in his Account balance upon the Effective Date.

4.2 **Forfeiture.** Notwithstanding any other provision to the contrary herein, in the event the Executive's employment is terminated for Cause, no benefits of any kind will be due or payable by the Bank under the terms of this Plan and all rights of the Executive, his Beneficiary, executors, or administrators, or any other person, to receive payments thereof shall be forfeited.

4.3 **Removal.** Notwithstanding any provision of this Plan to the contrary, the Bank shall not distribute any benefit under this Plan if the Executive is subject to a final removal or prohibition order issued by an appropriate banking agency pursuant to Section 8(e) of the Federal Deposit Insurance Act.

4.4 **Taxes and Withholding.** Contribution Credits (and interest credited thereon) are subject to the Federal Insurance Contribution Act (FICA) and the Federal Unemployment Tax Act (FUTA) to the extent provided under applicable Code provisions, and benefits payable under the Plan are subject to all applicable federal, state, city, income, employment or other taxes as may be required to be withheld or paid. The Executive is responsible for the payment of all tax liabilities relating to any such benefits.

ARTICLE V
PAYMENT OF BENEFITS

5.1 **Payments in General.**

(a) **Amount of Benefit.** The Executive (or, in the event of the death of the Executive, the Executive's designated Beneficiary) shall be entitled to a benefit equal to the Executive's vested Account in accordance with the terms of the Plan.

(b) **Source of Payments.** All payments made under the Plan shall be made in cash from the Bank's general assets.

(c) **Calculation of Installment Payments.** In the event a benefit under this Article is paid in installments, the Bank shall credit interest pursuant to Article III on the remaining Account balance during any applicable installment payment period.

(d) **Subsequent Deferral Elections.** If approved by the Bank, the Executive may delay the time of a payment or change the form of a payment as expressly provided under this Section and Section 409A (a "Subsequent Deferral Election"). Notwithstanding the foregoing, a Subsequent Deferral Election cannot accelerate any payment. A Subsequent Deferral Election which delays the time of a payment or changes the form of a payment is permitted only if all of the following requirements are met:

(i) The Subsequent Deferral Election does not take effect until at least twelve (12) months after the date on which the Subsequent Deferral Election is made and approved by the Plan Administrator;

(ii) If the Subsequent Deferral Election relates to a payment based on Separation from Service or a payment made at a specified time, the election must

result in payment being deferred for a period of not less than five (5) years from the date the first amount was scheduled to be paid;

(iii) If the Subsequent Deferral Election relates to a payment at a specified time, the Subsequent Deferral Election must be made not less than twelve (12) months before the date the first amount was scheduled to be paid.

For purpose of applying the Subsequent Deferral Election requirements, installment payments shall be treated as a "single payment." Any Subsequent Deferral Election made pursuant to this Section shall be made on such election forms or electronic media as is required by the Plan Administrator, in accordance with the rules established by the Plan Administrator and shall comply with all requirements of Section 409A.

5.2 **Separation from Service Benefit.** In the event the Executive Separates from Service, including death but excluding for Cause, the Bank shall pay to the Executive (or his Beneficiary) his vested Account balance, calculated as of the date of Separation from Service, in a lump sum or up to one hundred eighty (180) monthly installments, as elected by the Executive within thirty (30) days following the Effective Date. If the Executive fails to make this election or such election is ambiguous or does not comply with the terms of the Plan, the Executive will be deemed to have elected to be paid in a lump sum. Payment shall be made or commence within ninety (90) days following the date of his Separation from Service, with subsequent installments, if any, being paid on the first day of each month thereafter. In the event of the Executive's death after installments have commenced but prior to receiving all installments owed hereunder, as applicable, the Bank shall continue to pay any remaining installments to the Executive's Beneficiary in accordance with the schedule the installments would have been paid to the Executive had the Executive survived.

5.3 **Change in Control.** Within thirty (30) days following the Effective Date, the Executive must make a one-time election whether to be paid upon the Bank's Change in Control. If he so elects, the Executive must also determine whether to be paid in a lump sum or up to one hundred eighty (180) monthly installments. If the Executive fails to make these elections or such elections are ambiguous or do not comply with the terms of the Plan, the Executive will be deemed to have elected not to be paid upon a Change in Control or to be paid in a lump sum as applicable. If the Executive has chosen to be paid upon a Change in Control, then in the event of the Bank's Change in Control while the Executive is employed with the Bank, the Bank shall pay to the Executive his vested Account balance, calculated as of the date of the Change in Control, in the form elected by the Executive. Payment shall be made or commence within ninety (90) days following the date of the Change in Control, with subsequent installments, if any, being paid on the first day of each month thereafter. In the event of the Executive's death after installments have commenced but prior to receiving all installments owed hereunder, as applicable, the Bank shall continue to pay any remaining installments to the Executive's Beneficiary in accordance with the schedule the installments would have been paid to the Executive had the Executive survived.

(a) **Parachute Payments.** Notwithstanding any provision of this Plan to the contrary, and to the extent allowed by Section 409A, if any benefit payment under this Section 5.3 would be treated as an "excess parachute payment" under Code Section 280G, the Bank shall reduce such benefit payment to the extent necessary to avoid treating such benefit payment as an excess parachute payment.

5.4 **Accelerations.** Except as specifically permitted herein or in other sections of this Plan, no acceleration of the time or schedule of any payment may be made hereunder. Notwithstanding the foregoing, payments may be accelerated hereunder by the Bank (without any direct or indirect election on the part of the Executive), in accordance with the provisions of Treasury Regulation §1.409A-3(j)(4) and any subsequent guidance issued by the United States Treasury Department. Accordingly, payments may be accelerated, in accordance with the provisions of Treasury Regulation §1.409A-3(j)(4) in the following circumstances: (a) in limited cashouts (but not in excess of the limit under Code Section 402(g)(1)(B)); (b) to pay employment-related taxes; or (c) to pay any taxes that may become due at any time that the Plan fails to meet the requirements of Section 409A (but in no case shall such payments exceed the amount to be included in income as a result of the failure to comply with the requirements of Section 409A).

5.5 **Restrictions on Time of Payment.** Solely to the extent necessary to avoid penalties under Section 409A, payments to be made as a result of a Separation from Service under this Article may not commence earlier than six (6) months after the Executive's Separation from Service if, pursuant to Section 409A, the Executive is considered a Specified Employee. In the event a distribution is delayed pursuant to this paragraph, any distribution which would otherwise be paid to the Executive during such period shall be accumulated and paid to the Executive in a lump sum on the first day of the seventh month following the Separation from Service. All subsequent distributions shall be paid in the manner specified in the appropriate subsection.

5.6 **Delays.** If the Bank reasonably anticipates that any payment scheduled to be made under this Plan would violate securities laws (or other applicable laws) or jeopardize the ability of the Bank to continue as a going concern if paid as scheduled, then the Bank may defer that payment, provided the Bank treats payments to all similarly situated individuals participating in all aggregated plans on a reasonably consistent basis. In addition, the Bank may, in its discretion, delay a payment upon such other events and conditions as the IRS may prescribe, provided the Bank treats payments to all similarly situated individuals participating in all aggregated plans on a reasonably consistent basis. The amounts so accrued in accordance with the terms of the Plan shall be distributed to the Executive or his Beneficiary (in the event of the Executive's death) at the earliest possible date on which the Bank reasonably anticipates that such violation or material harm would be avoided or as otherwise prescribed by the IRS.

5.7 **Rights of Executive and Beneficiary.**

(a) **Creditor Status of Executive and Beneficiary.** The Plan constitutes the unfunded, unsecured promise of the Bank to make payments to the Executive or his

Beneficiary in the future and shall be a liability solely against the general assets of the Bank. The Bank shall not be required to segregate, set aside or escrow any amounts for the benefit of the Executive or his Beneficiary. The Executive and his Beneficiary shall have the status of a general unsecured creditor of the Bank and may look only to the Bank and its general assets for payment of benefits under the Plan.

(b) **Investments.** In its sole discretion, the Bank may acquire insurance policies, annuities or other financial vehicles for the purpose of providing future assets of the Bank to meet its anticipated liabilities under the Plan. Such policies, annuities or other investments shall at all times be and remain unrestricted general property and assets of the Bank. The Executive and his designated Beneficiary shall have no rights, other than as general creditors, with respect to such policies, annuities or other acquired assets. In the event that the Bank purchases an insurance policy or policies insuring the life of the Executive or another employee, to allow the Bank to recover or meet the cost of providing benefits, in whole or in part, hereunder, neither the Executive nor his Beneficiary shall have any rights whatsoever in said policy or the proceeds therefrom.

5.8 **Discharge of Obligations.** The payment to the Executive or his Beneficiary of the Account in full, pursuant to this Article V, shall discharge all obligations of the Bank to the Executive or his Beneficiary under the Plan with respect to the Executive's Account.

ARTICLE VI
BENEFICIARY DESIGNATION

6.1 **Designation of Beneficiaries.**

(a) The Executive may designate any person or persons (who may be named contingently or successively) to receive any benefits payable under the Plan upon the Executive's death, and the designation may be changed from time to time by the Executive by filing a new designation. Each designation will revoke all prior designations by the Executive, shall be in the form prescribed by the Plan Administrator, and shall be effective only when filed with the Plan Administrator during the Executive's lifetime.

(b) In the absence of a valid Beneficiary designation, or if, at the time any benefit payment is due to a Beneficiary, there is no living Beneficiary validly named by the Executive, the Bank shall pay the benefit payment to the Executive's spouse, if then living, and if the spouse is not then living to the Executive's then living descendants, if any, *per stirpes*, and if there are no living descendants, to the Executive's estate. In determining the existence or identity of anyone entitled to a benefit payment, the Bank may rely conclusively upon information supplied by the Executive's personal representative, executor, or administrator.

(c) The Executive's designation of a Beneficiary will be automatically revoked if the Beneficiary predeceases the Executive or if the Executive names a spouse as Beneficiary and the marriage is subsequently dissolved.

(d) If a question arises as to the existence or identity of anyone entitled to receive a death benefit payment under the Plan, or if a dispute arises with respect to any death benefit payment under the Plan, the Bank may distribute the payment to the Executive's estate without liability for any tax or other consequences, or may take any other action which the Bank deems to be appropriate.

6.2 **Information to be Furnished by Executive and Beneficiary; Inability to Locate Executive or Beneficiary.** Any communication, statement or notice addressed to the Executive or to a Beneficiary at his or her last post office address as shown on the Bank's records shall be binding on the Executive or Beneficiary for all purposes of the Plan. The Bank shall not be obliged to search for the Executive or Beneficiary beyond the sending of a registered letter to such last known address.

6.3 **Facility of Payment.** If the Plan Administrator determines in its discretion that a benefit is to be paid to a minor, to a person legally declared incompetent, or to a person legally deemed incapable of handling the disposition of that person's property, the Plan Administrator may direct payment of such benefit to the guardian, legal representative or person having care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship as it may deem appropriate prior to payment of the benefit. Any distribution of a benefit shall be a distribution for the account of the Executive and the Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such distribution amount.

ARTICLE VII
PLAN ADMINISTRATION

7.1 **Plan Administrator Duties.** The Plan Administrator shall be responsible for the management, operation, and administration of the Plan. When making a determination or calculation, the Plan Administrator shall be entitled to rely on information furnished by the Bank, Executive, or Beneficiary. No provision of this Plan shall be construed as imposing on the Plan Administrator any fiduciary duty under ERISA or other law, or any duty similar to any fiduciary duty under ERISA or other law.

7.2 **Plan Administrator Authority.** The Plan Administrator shall enforce this Plan in accordance with its terms, shall be charged with the general administration of this Plan, and shall have all powers necessary to accomplish its purposes.

7.3 **Binding Effect of Decisions.** The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation, or application of this Plan and the rules and regulations promulgated hereunder shall be final, conclusive, and binding upon all persons having any interest in this Plan.

7.4 **Compensation, Expenses, and Indemnity.** The Plan Administrator shall serve without compensation for services rendered hereunder. The Plan Administrator is authorized at the expense of the Bank to employ such legal counsel and/or Plan recordkeeper as it may deem

advisable to assist in the performance of its duties hereunder. Expenses and fees in connection with the administration of this Plan shall be paid by the Bank.

7.5 **Bank Information.** To enable the Plan Administrator to perform its functions, the Bank shall supply full and timely information to the Plan Administrator, on all matters relating to the Executive's death or Separation from Service, or the Bank's Change in Control, and such other pertinent information as the Plan Administrator may reasonably require.

7.6 **Compliance with Section 409A.**

(a) Notwithstanding anything contained herein to the contrary, the interpretation and distribution of the Executive's benefits under the Plan shall be made in a manner and at such times as to comply with all applicable provisions of Section 409A and the regulations and guidance promulgated thereunder, or an exception or exclusion therefrom to avoid the imposition of any accelerated or additional taxes. Any defined terms shall be construed consistent with Section 409A and any terms not specifically defined shall have the meaning set forth in Section 409A.

(b) The intent of this Section is to ensure that the Executive is not subject to any tax liability or interest penalty, by reason of the application of Code Section 409A(a)(1) as a result of any failure to comply with all the requirements of Section 409A, and this Section shall be interpreted in light of, and consistent with, such requirements. This Section shall apply to distributions under the Plan, but only to the extent required in order to avoid taxation of, or interest penalties on, the Executive under Section 409A. These rules shall also be deemed modified or supplemented by such other rules as may be necessary, from time to time, to comply with Section 409A.

ARTICLE VIII
AMENDMENT AND TERMINATION

8.1 **Amendment.** This Plan may be amended only by a written agreement signed by the Bank and the Executive. However, the Bank may unilaterally amend this Plan to ensure that the Plan is characterized as a "top-hat" plan of deferred compensation maintained for a select group of management or highly compensated employees as described under ERISA Sections 201(2), 301(a)(3), and 401(a)(1), or to conform the Plan to the provisions of Section 409A or to conform the Plan to the requirements of any other applicable law (including but not limited to ERISA, banking regulations, and the Code).

8.2 **Plan Termination Generally**. The Bank reserves the right to terminate the Plan at any time without the consent of the Executive. The benefit payable in the event of a Plan termination shall be the vested balance of the Executive's Account calculated as of the date the Plan is terminated. Except as provided in Section 8.3, the termination of this Plan shall not cause a distribution of benefits under this Plan. Rather, after such termination, benefit distributions will be made at the earliest distribution event permitted under Article V.

8.3 **Plan Termination and Liquidation under Section 409A.** Notwithstanding anything to the contrary in Section 8.2, the Bank may terminate and liquidate the Plan as

described under Treasury Regulation §1.409A-3(j)(4)(ix). Any acceleration of the payment of benefits due to Plan termination and liquidation shall comply with the following subparagraphs, but only as permitted in accordance with Section 409A and Treasury Regulation §1.409A-3(j)(4)(ix). In the event of such termination and liquidation, the Bank shall pay to the Executive his vested Account balance. After deduction of estimated expenses in liquidating and paying Plan benefits, the Bank may accelerate payment to the Executive subject to the terms below:

(a) Upon the Bank's termination of this and all other arrangements that would be aggregated with this Plan, pursuant to Treasury Regulation §1.409A-1(c) ("Similar Arrangements"), provided that: (i) the termination does not occur proximate to a downturn in the financial health of the Bank; (ii) all termination distributions are made no earlier than twelve (12) months and no later than twenty-four (24) months following such termination; and (iii) the Bank does not adopt any new arrangement that would be a Similar Arrangement for a minimum of three (3) years following the date the Bank takes all necessary action to irrevocably terminate and liquidate the Plan.

(b) Upon the Bank's dissolution taxed under Code Section 331, or with approval of a bankruptcy court, provided that the amounts deferred under the Plan are included in the Executive's gross income in the latest of: (i) the calendar year on which the Plan terminates; (ii) the calendar year in which the amount is no longer subject to a substantial risk of forfeiture; or (iii) the first calendar year in which the payment is administratively practicable; or

(c) Within thirty (30) days before or twelve (12) months after a Change in Control, provided that all distributions are made no later than twelve (12) months following such termination of the Plan and further provided that all the Bank's arrangements which are substantially similar to this Plan are terminated so the Executive and all participants in the similar arrangements are required to receive all amounts of compensation deferred under the terminated arrangements within twelve (12) months of the termination of the Plan.

ARTICLE IX
CLAIMS PROCEDURE

9.1 **Claims Procedure.** This Article is based on Department of Labor Regulation Section 2560.503-1. If any provision of this Article conflicts with the requirements of those regulations, the requirements of those regulations will prevail. A Claimant who has not received benefits under the Plan that he or she believes should be paid shall make a claim for such benefits as follows:

(a) **Initiation - Written Claim.** The Claimant initiates a claim by submitting a written request for the benefits to the Plan Administrator. The Plan Administrator will, upon written request of a Claimant, make available copies of all forms and instructions necessary to file a claim for benefits or advise the Claimant where such forms and instructions may be obtained.

(b) **Timing of Bank Response.** The Plan Administrator shall respond to such Claimant within ninety (90) days after receiving the claim. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional ninety (90) days by notifying the Claimant in writing prior to the end of the initial 90-day period that an additional period is required. Any notice of extension must set forth the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render its decision.

(c) **Notice of Decision**. If the Plan Administrator denies the claim, in whole or in part, the Plan Administrator shall notify the Claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the Claimant. The notification shall set forth:

(i) The specific reasons for the denial;
(ii) A reference to the specific provisions of the Plan on which the denial is based;
(iii) A description of any additional information or material necessary for the Claimant to perfect the claim and an explanation of why it is needed;
(iv) An explanation of the Plan's review procedures and the time limits applicable to such procedures; and
(v) A statement of the Claimant’s right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

9.2 **Review Procedure.** If the Plan Administrator denies the claim, in whole or in part, the Claimant shall have the opportunity for a full and fair review by the Plan Administrator of the denial, as follows:

(a) **Initiation - Written Request.** To initiate the review, the Claimant, within sixty (60) days after receiving the Plan Administrator’s notice of denial, must file with the Plan Administrator a written request for review.

(b) **Additional Submissions - Information Access**. The Claimant shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Plan Administrator shall also provide the Claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant’s claim for benefits.

(c) **Considerations on Review**. In considering the review, the Plan Administrator shall take into account all comments, documents, records and other

information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(d) **Timing of Bank Response.** The Plan Administrator shall respond in writing to such Claimant within sixty (60) days after receiving the request for review. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional sixty (60) days by notifying the Claimant in writing, prior to the end of the initial 60-day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

(e) **Notice of Decision.** The Plan Administrator shall notify the Claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the Claimant. The notification shall set forth:

(i) The specific reasons for the denial;
(ii) A reference to the specific provisions of the Plan on which the denial is based;
(iii) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits; and
(iv) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a).

9.3 **Calculation of Time Periods.** For purposes of the time periods specified in this Article, the period of time during which a benefit determination is required to be made begins at the time a claim is filed in accordance with the Plan procedures without regard to whether all the information necessary to make a decision accompanies the claim. If a period of time is extended due to a Claimant's failure to submit all information necessary, the period for making the determination shall be tolled from the date the notification is sent to the Claimant until the date the Claimant responds.

9.4 **Exhaustion of Remedies.** A Claimant must follow the claims review procedures under this Plan and exhaust his or her administrative remedies before taking any further action with respect to a claim for benefits.

9.5 **Failure of Plan to Follow Procedures.** If the Plan fails to establish or follow the claims procedures required by this Article, a Claimant shall be deemed to have exhausted the administrative remedies available under the Plan and shall be entitled to immediately pursue any available remedy under ERISA Section 502(a) on the basis that the Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim. The Claimant may request a written explanation of the violation from the Plan, and the Plan must provide such

explanation within ten (10) days, including a specific description of its bases, if any, for asserting that the violation should not cause the administrative remedies to be deemed exhausted. If a court rejects the Claimant's request for immediate review on the basis that the Plan met the standards for the exception, the claim shall be considered as re-filed on appeal upon the Plan's receipt of the decision of the court. Within a reasonable time after the receipt of the decision, the Plan shall provide the claimant with notice of the resubmission.

9.6 **Arbitration.** If a Claimant continues to dispute the benefit denial based upon completed performance of the Plan or the meaning and effect of the terms and conditions thereof, then the Claimant must submit the dispute to an arbitrator for final arbitration. The arbitrator shall be selected by mutual agreement of the Bank and the Claimant. The arbitrator shall operate under any generally recognized set of arbitration rules. The parties hereto agree that they and their heirs, personal representatives, successors and assigns shall be bound by the decision of such arbitrator with respect to any controversy properly submitted to it for determination. Where a dispute arises as to the Bank's discharge of the Executive for Cause, such dispute shall likewise be submitted to arbitration as above described and the parties hereto agree to be bound by the decision thereunder.

ARTICLE X
MISCELLANEOUS

10.1 **Validity.** In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

10.2 **Nonassignability.** Benefits under this Plan cannot be sold, transferred, assigned, pledged, attached, or encumbered in any manner.

10.3 **Not a Contract of Employment.** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Bank and the Executive. Nothing in this Plan shall be deemed to give the Executive the right to be retained in the service of the Bank as an employee or to interfere with the right of the Bank to discipline or discharge the Executive at any time.

10.4 **Governing Law.** The Plan shall be administered, construed and governed in all respects under and by the laws of the Commonwealth of Pennsylvania, without reference to the principles of conflicts of law (except and to the extent preempted by applicable federal law).

10.5 **Notice.** Any notice, consent, or demand required or permitted to be given to the Bank or Plan Administrator under this Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail to the Bank's principal business office. Any notice, consent, or demand required or permitted to be given to the Executive or Beneficiary under this Plan shall be sufficient if in writing and hand delivered, or sent by mail to the last known address of the Executive or Beneficiary, as appropriate. .Any notice or filing shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification.

10.6 **Coordination with Other Benefits.** The benefits provided for the Executive or his Beneficiary under this Plan are in addition to any other benefits available to the Executive under any other plan or program for employees of the Bank. This Plan shall supplement and shall not supersede, modify, or amend any other such plan or program except as may otherwise be expressly provided herein.

10.7 **Unclaimed Benefits.** In the case of a benefit payable on behalf of the Executive, if the Plan Administrator is unable to locate the Executive or Beneficiary to whom such benefit is payable, such Plan benefit may be forfeited to the Bank upon the Plan Administrator's determination. Notwithstanding the foregoing, if, subsequent to any such forfeiture, the Executive or Beneficiary to whom such Plan benefit is payable makes a valid claim for such Plan benefit, such forfeited Plan benefit shall be paid by the Plan Administrator to the Executive or Beneficiary, without interest, from the date it would have otherwise been paid.

IN WITNESS WHEREOF, the parties hereto execute this Plan as of the date first written above.

EXECUTIVE: **ACNB BANK**

/s/Douglas A. Seibel By: /s/ James P. Helt
Douglas A. Seibel James P. Helt
President & Chief Executive Officer

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

The Registrant has the following subsidiaries: ACNB Bank, a Pennsylvania state-chartered commercial bank and trust company and ACNB Insurance Services, Inc., incorporated in the State of Maryland.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-185881 & No. 333-230148 on Forms S-8 and No. 333-171840 & No. 333-249755 on Forms S-3 of ACNB Corporation of our report dated March 3, 2023 relating to the consolidated statement of condition of ACNB Corporation as of December 31, 2022 and the consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year ended and the December 31, 2022 effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K.

/s/Crowe LLP

Washington, D.C.
March 3, 2023

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Forms S-3 (No. 333-171840 & No. 333-249755) and Forms S-8 (No. 333-185881 & No. 333-230148) of ACNB Corporation and Subsidiaries of our report dated March 14, 2022, relating to the consolidated financial statements of ACNB Corporation and Subsidiaries, appearing in this Annual Report on Form 10-K of ACNB Corporation for the year ended December 31, 2022.

/s/ RSM US LLP

Philadelphia, PA
March 3, 2023

EXHIBIT 31.1

CERTIFICATION

I, James P. Helt, certify that:

1. I have reviewed this report on Form 10-K of ACNB Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2023

By: /s/ JAMES P. HELT

James P. Helt
President & Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Jason H. Weber, certify that:

1. I have reviewed this report on Form 10-K of ACNB Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2023

By: /s/ JASON H. WEBER

Jason H. Weber
Executive Vice President/
Treasurer & Chief Financial Officer

EXHIBIT 32.1

CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), I, James P. Helt, President & Chief Executive Officer of ACNB Corporation (the "Company"), hereby certify that, to the best of my knowledge, the Company's Annual Report on Form 10-K for the period ended December 31, 2022 (the "Report"):

1. Fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the year-ended December 31, 2022.

Date: March 3, 2023

By: /s/ JAMES P. HELT
James P. Helt
President & Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.2

CHIEF FINANCIAL OFFICER
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), I, Jason H. Weber, Executive Vice President/ Treasurer & Chief Financial Officer of ACNB Corporation (the "Company"), hereby certify that, to the best of my knowledge, the Company's Annual Report on Form 10-K for the period ended December 31, 2022 (the "Report"):

1. Fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the year-ended December 31, 2022.

Date: March 3, 2023

By: /s/ JASON H. WEBER
Jason H. Weber
Executive Vice President/
Treasurer & Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.