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, 2023

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, 2023, was approximately $274.1 million.

The number of shares of the registrant's common stock outstanding on March 8, 2024, was 8,505,311.

Documents Incorporated by Reference

Portions of the registrant's 2024 definitive Proxy Statement are incorporated by reference into Part III of this report.

ACNB CORPORATION

Table of Contents

Glossary

ACL	Allowance for Credit Losses
ACNB Insurance Services	ACNB Insurance Services, Inc.
ACNB, Corporation or Company	ACNB Corporation
AFS	Available for Sale
AI	Artificial Intelligence
ASC	Accounting Standard Codification
ASU	Accounting Standard Update
ATM	Automatic Teller Machine
Bank	ACNB Bank
Basel III	Risk-based requirements and rules issued by federal banking agencies
BSA	Bank Secrecy Act
CECL	Current Expected Credit Loss
CFPB	Consumer Financial Protection Bureau
CRA	Community Reinvestment Act of 1977
DCF	Discounted Cash Flow
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act
ERISA	Employee Retirement Income Security Act
ETR	Effective Tax Rate
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FCB	Frederick County Bank
FCBI	Frederick County Bancorp, Inc.
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991
FHLB	Federal Home Loan Bank
FINRA	Financial Industry Regulatory Authority
GAAP	U.S. Generally Accepted Accounting Principles
GLBA	Gramm-Leach-Bliley Act of 1999
Hockley & O’Donnell	Hockley & O’Donnell Insurance Agency, LLC
HTM	Held to Maturity
JOBS Act	Jumpstart Our Business Startups Act
LGD	Loss Given Default
Market Area	Southcentral Pennsylvania and Northern Maryland
MSA	Metropolitan statistical area
N/A	Not Applicable
N/M	Not Meaningful (percentage changes greater than +/- 150% not considered meaningful)
NWSB	New Windsor State Bank
OBS	Off-Balance Sheet
PCD	Purchased credit-deteriorated
PD	Probability of Default
Purchasers	Institutional accredited investors and qualified institutional buyers
ROU	Right of Use
SBIC	Small Business Investment Company

SEC	Securities and Exchange Commission
SOA	Sarbanes-Oxley Act of 2002
SOFR	Secured Overnight Financing Rate
Subordinated Notes	4.00% fixed-to-floating rate subordinated notes due March 31, 2031
TDR	Trouble Debt Restructuring
USA Patriot Act	USA PATRIOT ACT OF 2001

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; banking system instability caused by failures and continuing financial uncertainty of various banks which may adversely impact the Corporation and its securities and loan values, deposit stability, capital adequacy, financial condition, operations, liquidity, and results of operations; 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 or any similar 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 any 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, headquartered in Gettysburg, Pennsylvania, is the financial holding company for the wholly-owned subsidiaries of ACNB Bank, Gettysburg, Pennsylvania, and ACNB Insurance Services, 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, the Corporation's insurance subsidiary, is a full-service agency licensed to do business in 46 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 ACNB Bank (formerly Adams County National Bank) in 1983. The Corporation purchased ACNB Insurance Services (formerly Russell Insurance Group, 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. 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, completed the acquisition of the business and assets of Hockley & O'Donnell, located in 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 interest expense on long-term borrowings and general expenses related to corporate governance. 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, 2023, ACNB Bank had total assets of $2.4 billion, total loans, net of unearned of $1.6 billion, total deposits of $1.9 billion, and total equity capital of $258.7 million. 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. As of December 31, 2023 the Bank has a total of 26 community banking offices. The Bank serves its local marketplace in Pennsylvania thru 17 community banking offices, including 10 offices in Adams County, five offices in York County, one office in Cumberland County, and one office in Franklin County. In Maryland the Bank serves its local marketplace via a network of nine community banking offices including five located in Carroll County and four located in Frederick County. There are also loan production offices located in Lancaster and York, Pennsylvania, and Hunt Valley, 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. 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, the 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 $384.1 million at December 31, 2023.

The Bank through its ACNB Wealth Management function also offers retail brokerage services through a third-party provider. This third-party provider is a broker/dealer, unaffiliated with ACNB Bank. At December 31, 2023, total assets under management with the broker/dealer were $255.3 million.

NONBANKING SUBSIDIARY

ACNB Insurance Services

ACNB Corporation's wholly-owned subsidiary, ACNB Insurance Services, is a full-service insurance agency, licensed to do business in 46 states that offers a broad range of property, casualty, health, life and disability insurance to both commercial and individual clients. Based in Westminster, Maryland, ACNB Insurance Services, 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. On February 28, 2022, ACNB Insurance Services completed its acquisition of the business and assets of Hockley & O'Donnell, located in Gettysburg, Pennsylvania. ACNB Insurance Services operates additional locations in Jarrettsville, Maryland, and Gettysburg, Pennsylvania. Total assets of ACNB Insurance Services as of December 31, 2023, were $19.7 million.

ACNB Insurance Services is managed separately from the banking and related financial services that the Corporation offers and is reported as a separate operating segment. Financial information on this segment is included in Note 19 — "Segment and Related Information" in the Notes to Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data,"

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 2023 averaged 2.58% in the subsidiary bank's six-county marketplace, while it was 2.88% overall in Pennsylvania and Maryland, and 3.63% 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 — 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 GLBA 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 are considered to be affiliates of ACNB Bank.

USA PATRIOT ACT OF 2001 — 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 — 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 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 — 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 thousand or multiple transactions of which a bank is aware in any one day that aggregate in excess of $10 thousand 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 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 GLBA 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. Since 2018, the Bank has complied 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 — In 2010, Dodd-Frank 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 Requirements* 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 thousand 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, 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 — 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 — The FDICIA 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 %	≥8.0 %	≥5.0 %	NO
Adequately capitalized	≥8.0 %	≥6.0 %	≥4.0 %	
Undercapitalized	<8.0 %	<6.0 %	≥4.0 %	
Significantly undercapitalized	<6.0 %	<4.0 %	<3.0 %	
Critically undercapitalized			<2.0 %	

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. The phase-in period for community banking organizations began January 1, 2015, while larger institutions (generally those with assets of $50 billion or more) began compliance on January 1, 2014. The final rules call for the following capital requirements which remain in effect:

- A minimum ratio of common equity Tier 1 capital to total 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 ratio of total capital to total risk-weighted assets of 8.0%.
- A minimum leverage ratio of Tier 1 capital to average total consolidated assets of 4.0%.

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 — 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 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 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 paid by ACNB's insurance subsidiary. ACNB's dividends to stockholders is governed by the Pennsylvania Business Corporation Law. For further information, please refer to *Regulation of Bank* below and Note 14 — "Regulatory Matters", to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data".

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 and supervision by the FDIC for safety and soundness, as well as consumer compliance. These examinations and supervision 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.

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 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, 2023, ACNB had 413 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, the wholly owned insurance subsidiary of ACNB Corporation, acquired the business and assets of Hockley & O'Donnell, located in Gettysburg, Pennsylvania. The purchase price was $7.8 million 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 and volatility 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, 2023, 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 credit 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 IS ALSO SUBJECT TO COMMERCIAL REAL ESTATE VOLATILITY.

The commercial real estate market nationally, regionally, and locally has recently been subject to increased levels of volatility. Many believe that commercial real estate in the commercial office sector is undergoing a fundamental transformation and change that started during the recent pandemic but also continues due to evolving workplace environments. These changes in the marketplace affect the demand for commercial office space which in turn may affect the credit status, profitability, and collectability, of existing and future commercial real estate office sector loans. As explained above in greater detail in the risk factor for Credit Risk, volatility and increases in non-performing loans could have an adverse impact on ACNB's financial condition and results of operations.

ACNB'S ALLOWANCE FOR CREDIT LOSSES MAY BE INSUFFICIENT.

ACNB maintains an ACL, which is a reserve established through a provision for credit losses charged to expense, that represents management's best estimate of expected credit losses associated with the Corporation's financial instruments over the life of those instruments as of the balance sheet date. Management utilizes a variety of inputs in the calculation of its estimate, based on the evaluation of the size and current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience. Management's use of a third-party service provider which provided historical loss data in the calculation of its CECL provision may not approximate its own historical loss data. Management's ability to accurately forecast future losses under this methodology may be impaired by significant uncertainties such as:

- Surrounding rapid increases in inflation and interest rates, which have disrupted financial markets and adversely affected commercial real estate and other sectors in the economy.

- Related to the identification of the appropriate economic indicators.
- Related to the data utilized to build models and draw assumptions.
- Limitations related to the different sources of data: internal data, peer data, market data, macroeconomic data, geopolitical data, etc.
- Related to the need to make difficult and complex judgments that are often interrelated.

The allowance, in the judgment of management, is necessary to reserve for expected credit losses and risks inherent in the loan portfolio. The determination of the appropriate level of the ACL 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 ACL. In addition, bank regulatory agencies periodically review ACNB's ACL 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 ACL, ACNB will need additional provisions to increase the ACL. Any increases in the ACL 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 OR OTHER REGULATORY CAPITAL STANDARDS OR CHANGES 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 standards or changes 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.

ACNB'S OPERATIONS OF ITS BUSINESS, INCLUDING ITS TRANSACTIONS WITH CUSTOMERS, ARE INCREASINGLY DONE ELECTRONICALLY, AND THIS HAS INCREASED ITS RISKS RELATED TO CYBERSECURITY.

Increasingly, financial transactions are processed electronically, both by ACNB and its customers, via online, mobile, and cloud technologies. Operational systems are progressively becoming cloud-based. Conducting business in this environment depends on secure transmission and storage of data in digital form as well as procedures and systems to prevent or ensure the resiliency against system failures, interruptions or breaches in security. As a result, ACNB is exposed to the risk of cyber-attacks in the normal course of business, which may be perpetrated against ACNB, or its third-party service providers and its customers.

In general, cyber incidents can result from deliberate attacks or unintentional events. ACNB 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. While ACNB maintains insurance coverage that may, subject to policy terms and conditions including significant self-insured deductibles, cover or ameliorate certain financial aspects of cyber risks, such insurance coverage may be insufficient to cover all losses.

ACNB maintains policies and procedures designed to prevent or limit the effects of possible security breaches of its information systems. However, the techniques used for cyber-attacks are becoming increasingly sophisticated, including the use of artificial intelligence, and there can be no assurance that preventive and detective measures are fail-safe.

While ACNB has not incurred any material losses related to cyber-attacks, nor is it aware of any specific or threatened material 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 cyber-attacks. 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 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 AFS OR HTM INVESTMENT SECURITIES HAVE CREDIT QUALITY ISSUES, ACNB IS REQUIRED TO WRITE DOWN THE VALUE OF AFS SECURITIES THROUGH A CHARGE TO EARNINGS AND BOOK A RESERVE TO THE ACL FOR HTM SECURITIES.

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 impairment due to credit deterioration. If ACNB determines that the decline in value is impaired due to credit deterioration, it is required to write down the value of AFS securities through a charge to earnings and book a reserve for any HTM securities to the allowance for credit losses. 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 a security is to be deemed impaired, which would require a charge to earnings to write down the security to fair value for AFS securities or book a reserve to the allowance for credit losses for HTM securities. Due to the complexity of the calculations and assumptions used in determining whether an asset is impaired, 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 COMMUNICATIONS, INFORMATION, AND TECHNOLOGY SYSTEMS MAY EXPERIENCE A FAILURE, INTERRUPTION OR BREACH IN SECURITY.

ACNB relies heavily on communications, information, and technology systems to conduct its business. Any failure, interruption or breach in security of these systems at ACNB, or at its third-party service provider of these systems, could result in the reduced ability to operate effectively; disruption in service to its customers; or corruption, loss or compromise of confidential corporate or customer data. The risks are greater if the issue is extensive, long-lasting, or results in financial losses to its customers. Such failures, interruptions or breaches in security may arise from events such as severe weather, acts of vandalism, telecommunications outages, human error, or cyber-attacks.

These risks also arise to the extent ACNB's third-party service providers experience failures, interruptions and breaches in security. ACNB is also exposed to the risk of a disruption at a common service provider used by ACNB's third-party service providers. Even with attempts to diversify the reliance upon any one third-party, ACNB may not be able to mitigate the risk of its vendors' use of common service providers.

While ACNB has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its communication, information, and technology 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 or ameliorate certain financial aspects of these risks, such insurance coverage may be insufficient to cover all losses. The occurrence of any failures, interruptions or security breaches of ACNB's communications, information, and technology 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.

ACNB MAY USE AI IN ITS BUSINESS, AND CHALLENGES WITH PROPERLY MANAGING ITS USE COULD RESULT IN DISRUPTION OF ITS INTERNAL OPERATIONS, REPUTATIONAL HARM, COMPETITIVE HARM, LEGAL LIABILITY AND ADVERSELY AFFECT ACNB'S RESULTS OF OPERATIONS AND STOCK PRICE.

ACNB may incorporate AI solutions into platforms that deliver products and services to its customers, including solutions developed by third parties whose AI is integrated into its products and services. ACNB's business could be harmed and it may be exposed to legal liability and reputational risk if the AI it uses is or is alleged to be deficient, inaccurate, or biased because the AI algorithms are flawed, insufficient, of poor quality, or reflect unwanted forms of bias, particularly if third party AI integrated with its platforms produces false or "hallucinatory" inferences.

Data practices by ACNB or others that result in controversy could impair the acceptance of AI, which could undermine the decisions, predictions, or analysis that AI applications produce. ACNB's customers and potential customers may express adverse opinions concerning its use of AI and machine learning that could result in brand or reputational harm, competitive harm, or legal liability. If ACNB develops Generative AI, its content creation may require additional investment as testing for bias, accuracy and unintended, harmful impact is often complex and may be costly. As a result, ACNB may need to increase the cost of its products and services which may make it less competitive, particularly if its competitors incorporate AI more quickly or successfully.

Governmental bodies have implemented laws and are considering further regulation of AI (including machine learning), which could negatively impact ACNB's ability to use and develop AI. ACNB is unable to predict how application of existing laws, including federal and state privacy and data protection laws, and adoption of new laws and regulations applicable to AI will affect it but it is likely that compliance with such laws and regulations will increase its compliance costs and such increase may be substantial and adversely affect its results of operations. Furthermore, its use of Generative AI and other forms of AI may expose us to risks relating to intellectual property ownership and licensing rights, including copyright of Generative AI and other AI output as these issues have not been fully interpreted by federal courts or been fully addressed by federal or state legislation or regulations.

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.

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 may experience extreme volatility and disruption. In the past, 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 CREDIT 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 credit 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 credit 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 ACL 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 ACL 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 ACNB's Market Area. 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.

NEGATIVE DEVELOPMENTS AFFECTING THE BANKING INDUSTRY, INCLUDING BANK FAILURES OR CONCERNS REGARDING LIQUIDITY, HAVE ERODED CUSTOMER CONFIDENCE IN THE BANKING SYSTEM AND MAY HAVE A MATERIAL ADVERSE EFFECT ON ACNB.

During 2023, events impacting the banking industry, including the high-profile failures or instability of certain banking institutions, resulted in general uncertainty and eroded confidence in the safety, soundness, and financial strength of the financial services sector. In particular, the bank failures highlighted the potential serious impact of a financial institution unable to meet withdrawal requests by depositors. This resulted in a growing concern about liquidity in the banking industry, access to and volatile capital markets and reduced stock valuations for certain financial institutions. Similar future events, including additional bank failures or bank instability, could directly or indirectly adversely impact ACNB's own liquidity, access to capital markets, stock price, financial condition and results of operations. Further, such events may also result in: greater regulatory scrutiny and enforcement; additional and more stringent laws and regulations for the financial services industry; increased FDIC deposit insurance premiums or special FDIC assessments; and higher capital ratio requirements, which as a result could have a material negative impact and adverse effect on ACNB's business, 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.

In the past, poor economic conditions and the resulting bank failures have increased and in the future may increase 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 CREDIT LOSSES AND MAY HAVE A MATERIAL ADVERSE EFFECT ON ACNB'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In June 2016, the 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 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 is required to present certain financial assets carried at amortized cost, such as loans held for investment and HTM 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 previously required under GAAP, which delayed recognition until it is probable a loss has been incurred. The adoption of the CECL model materially affected how ACNB determines the ACL. ACNB recognized a one-time cumulative-effect adjustment to the allowance for credit losses of $3.3 million as of January 1, 2023, the beginning of the first reporting period in which the new standard was effective.

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 AND COMPETITION, 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. The fee-based insurance business is extremely competitive. ACNB competes in the fee-based insurance business with regional and national companies many of which have greater resources than ACNB. This competition may adversely impact ACNB's fee-based insurance business.

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 1C - CYBERSECURITY

ACNB recognizes the critical importance of identifying, assessing and managing material risks from cybersecurity threats and is committed to implementing and maintaining a comprehensive information security program to manage such risks and safeguard its systems and data. Governance of cybersecurity risk is based on the Corporation's Information Security Program and related policies and procedures, which are designed in conformance with industry standards and compliance with Section 39 of the Federal Deposit Insurance act and sections 501 and 505(b) of GLBA, and to protect the confidentiality, integrity and availability of its information assets. The Corporation's Board of Directors is responsible for overseeing the development, implementation and maintenance of the Corporation's overall information security standards. The Audit Committee of the Board of Directors has enterprise risk management oversight responsibilities, which includes information security. Information Security-related functions are performed by both ACNB Bank Risk Management and Technology Services personnel. The Information Security Committee is an ACNB Bank management committee which is responsible for providing oversight and direction for information security matters and standards and meets periodically throughout the year with minutes of their meetings provided to the Corporation's Board of Directors. ACNB Bank's Information Security Officer is responsible for managing and monitoring the Information Security Program, and is a part of the Risk Management department, which ultimately reports to the Chief Risk Officer. Additionally, the Information Security Program is supported by ACNB Bank's Technology Services Department which is led by the Technology Services Manager who reports to the Chief Credit and Operations Officer.

The Information Security Program includes Information Security strategy, an incident response plan for incident management; access rights management; threat and vulnerability management; security training; risk and maturity assessments; security systems controls and standards; data use, reproduction, storage and destruction standards, intrusion prevention management, patch management, physical and environmental protections, encryption standards, malicious code prevention, intelligence sharing, and Information Security Monitoring, including architecture considerations, activity monitoring and condition monitoring. On an annual basis, Information Security-related risk assessments and a maturity analysis are performed and reported to the Board of Directors or the Board Audit Committee. Risks from cybersecurity threats associated with use of third-party service providers are addressed as part of the vendor management program, in initial and ongoing assessment of service providers. Information Security training is conducted for both employees and the Board of Directors annually. Training includes sharing educational communications to increase employee awareness of cybersecurity risks.

ACNB engages independent third-party assessors and auditors in connection with its information security program, including to conduct external and internal penetration testing and internal vulnerability scanning, independent audits and risk assessments. Technology Services personnel perform internal security practices, including periodic internal vulnerability scanning using commercial software tools and follow-up with corrective measures as required, monitoring for unauthorized access attempts, uses dynamically updated Endpoint Security for anti-malware, and deploying dynamically updated firewalls to protect against unknown actors. The Information Security Officer performs monthly phishing exercises with the reporting of results to the Information Security Committee and an annual summary of results to the Audit Committee. ACNB Bank also utilizes third-party service providers in the ordinary course of business. As part of ACNB Bank's management program, initial and ongoing information security due diligence is reviewed and assessed on ACNB Bank's service providers as appropriate, based on level of access to, storage of and processing of corporate and customer confidential information. Such due diligence may include review of service organization control reports and other independent testing, information security and incident response programs.

As a regulated financial institution, ACNB Bank is also subject to financial privacy laws and its cybersecurity practices are subject to oversight by the federal banking agencies. For additional information, see "Supervision and Regulation" included in Part I. Item 1 – Business of this report.

Although ACNB has not, as of the date of this Annual Report on Form 10-K, experienced a cybersecurity threat or incident that materially affected its business strategy, results of operations or financial condition, there can be no guarantee that ACNB will not experience such an incident in the future or the potential impact thereof. For additional information regarding the risk ACNB faces from cybersecurity threats, please see the risk factors titled "ACNB's operations of its business, including its transactions with customers, are increasingly done via electronically, and this has increased its risks related to cybersecurity." and "ACNB's communications, information, and technology systems may experience a failure, interruption or breach in security." included in Part I. Item 1A. – Risk Factors of this report.

ITEM 2—PROPERTIES

The Corporation's main operations center is located in Gettysburg, Pennsylvania. There are 22 owned buildings, including Community Banking and Insurance offices, and 11 leased locations, including Community Banking and Loan Production offices.

ITEM 3—LEGAL PROCEEDINGS

As of December 31, 2023, 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, 2023 and 2022, there were 20,000,000 shares of common stock authorized, 8,896,119 and 8,838,720 shares issued, respectively, and 8,511,453 and 8,515,120 shares outstanding, respectively. As of December 31, 2023, ACNB had approximately 2,388 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 14 — "Regulatory Matters" and Note 17 — "Stockholders' Equity" in the Notes to Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

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, 2023, 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, 2023, 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, 2023, there were 255,764 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, 2023, there were 99,381 shares issued under this plan. The maximum number of shares that may yet be granted under this plan is 474,674. 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 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, 2023, 61,066 common stock had been repurchased under this new plan.

The following table is a summary of the Corporation's purchases of common stock during the fourth quarter of 2023:

	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
October 1 - October 31, 2023	**13,838**	**$ 32.66**	**61,066**	**194,509**
November 1 - November 30, 2023	**0**	**$ —**	**61,066**	**194,509**
December 1 - December 31, 2023	**0**	**$ —**	**61,066**	**194,509**

On August 10, 2023, 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 Exchange Act, and commenced on September 16, 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 2023 or 2022.

ITEM 6— [Reserved]

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

The following is management's discussion and analysis of the significant changes in the financial condition, results of operations, capital resources, and liquidity presented in its accompanying consolidated financial statements for ACNB Corporation, 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.

EXECUTIVE OVERVIEW

ACNB Corporation is the financial holding company for the wholly-owned subsidiaries of ACNB Bank and ACNB Insurance Services. ACNB Bank provides a full range of retail and commercial financial services in Pennsylvania and Maryland. ACNB Insurance Services 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 and is licensed to do business in 46 states.

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 also generates revenue through commissions and fees earned on various services and financial products offered to its customers and through gains on sales of assets, such as loans, investments and properties. The Corporation incurs expenses to generate the revenue through provision for credit losses, noninterest expense and income taxes.

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 earnings of $31.7 million in 2023 impacted by the repositioning of the investment securities portfolio as announced on Form 8-K on December 15, 2023. ACNB completed a repositioning of the investment securities portfolio by selling $51.1 million in book value of available for sale investment securities for an after-tax loss of $3.5 million.

The following table presents a summary of the Corporation's earnings and selected performance ratios for the years ended December 31:

(Dollars in thousands, except per share data)	**2023**	2022
Net income	**$ 31,688**	$ 35,752
Diluted earnings per share	**$ 3.71**	$ 4.15
Cash dividends declared	**$ 1.14**	$ 1.06
Return on average assets	**1.32 %**	1.31 %
Return on average equity	**12.23 %**	14.35 %
Net interest margin [(1)]	**4.07 %**	3.36 %
Non-performing assets to total assets	**0.19 %**	0.17 %
Net charge-offs to average loans outstanding	**0.02 %**	0.08 %
Allowance for credit losses to total loans	**1.23 %**	1.16 %

[(1)] Income on interest-earning assets has been computed on a fully taxable equivalent basis using the 21% federal income tax statutory rate.

<u>CECL Adoption</u>

On January 1, 2023, the Corporation adopted ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which replaced the incurred loss methodology and is referred to as CECL. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loans, HTM securities and purchased financial assets, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. It also applies to OBS credit exposures, such as loan commitments, standby letters of credit, financial guarantees and other similar instruments. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied previously are still permitted, although the inputs to those techniques changed to reflect the full amount of expected credit losses. In addition, Topic 326 amends the accounting for credit losses on certain other debt securities. The Corporation did not record any allowance for credit losses on its debt securities as a result of adopting Topic 326. See Note 1 — "Summary of

Significant Accounting Policies" in the Notes to Consolidated Financial Statements for detailed information.

Summary Financial Results for the year ended December 31, 2023

- *Net Income* - Net income was $31.7 million, a $4.1 million, or 11.4%, decrease compared to $35.8 million for the same period in 2022. The decrease was driven primarily by the loss on the repositioning of the investment securities portfolio in 2023.
- *Net Interest Income* - Net interest income was $88.3 million in 2023 compared to $83.4 million in 2022, an increase of $4.9 million, or 5.9%, driven primarily by higher interest rates.
    - *Net Interest Margin* - The Corporation's FTE net interest margin increased to 4.07% in 2023 compared to 3.36% in 2022, an increase of 71 basis points.
    - *Yield on Average Interest-earning Assets* - 4.45% for 2023, an increase of 95 basis points compared to the same period of 2022.
    - *Loan Growth* - Average loans grew $67.3 million, or 4.5%, compared to the same period of 2022. The growth was largely driven by increases in commercial real estate and residential mortgages.
    - *Deposit Decline* - Average interest-bearing deposits decreased $266.3 million, or 15.4%, compared to the same period of 2022. During the same period, average noninterest-bearing deposits decreased $65.8 million, or 10.8%. ACNB Bank restrained deposit rates for the majority of 2023 despite an increase in market interest rates and an increase in rates by competitors. As a result, total deposits declined during 2023 as customers sought higher yielding alternative deposit and investment products.
- *Asset Quality* - Asset quality metrics continue to be stable. The provision for credit losses was $860 thousand and the provision for unfunded commitments was a reversal of $16 thousand for the year ended December 31, 2023 compared to no provision for credit losses or unfunded commitments for the year ended December 31, 2022. Non-performing loans were $4.2 million, or 0.26%, of total loans at December 31, 2023 compared to $3.9 million, or 0.25%, of total loans at December 31, 2022. The increase in the provision for credit losses for the year ended December 31, 2023 and non-performing loans at December 31, 2023 compared to the prior was primarily driven by one commercial and industrial relationship and was not indicative of a general weakness in the overall loan portfolio. Annualized net charge-offs for the year ended December 31, 2023 were 0.02% of total average loans compared to 0.08% for the year ended December 31, 2022.
- *Noninterest income* - Noninterest income was $18.4 million and $21.8 million in 2023 and 2022, respectively. The decrease was driven primarily by the net loss on sales of securities as a result of the repositioning of the investment securities portfolio in 2023. The decrease was partially offset by higher insurance commissions and wealth management income in 2023 compared to 2022.
- *Noninterest expenses* - Noninterest expenses increased to $66.1 million, or by 9.6%, in 2023, as compared to $60.3 million in 2022. The increase was driven primarily by higher salary and employee benefits expense, other expense, marketing and corporate relations, FDIC and regulatory and professional services, partially offset by decreases in several expense categories.

A more thorough discussion of the Corporation's results of operations and financial condition is included in the following pages.

CRITICAL ACCOUNTING POLICIES

The accounting policies that the Corporation's management deems to be most important to the presentation of its financial condition and results of operations, because they 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 accounting estimate is deemed to be critical by management:

Allowance for Credit Losses - The ACL represents an amount which, in management's judgment, is adequate to absorb expected credit losses on outstanding loans at the balance sheet date based on the evaluation of the size and current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience. The ACL is measured and recorded upon the initial recognition of a financial asset. The ACL is reduced by charge-offs, net of recoveries of previous losses, and is increased or decreased by a provision for credit losses, which is recorded as a current period operating expense.

Determination of an appropriate ACL is inherently complex and requires the use of significant and highly subjective estimates. The reasonableness of the ACL is reviewed quarterly by management.

Management believes it uses relevant information available to make determinations about the ACL and that it has established the existing allowance in accordance with GAAP. However, the determination of the ACL requires significant judgment, and estimates of expected credit losses in the loan portfolio can vary from the amounts actually observed. While management uses available information to recognize expected credit losses, future additions to the ACL may be necessary based on changes in the loans comprising the portfolio, changes in the current and forecasted economic conditions, changes in the interest rate environment which may directly impact prepayment and curtailment rate assumption, and changes in the financial condition of borrowers.

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. Interest income and yields are presented on a FTE basis. The discussion following this table is based on these tax-equivalent amounts.

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The following table provides a comparative average balance sheet and net interest income analysis for the years ended December 31:

(Dollars in thousands)	2023 Average Balance	2023 Interest [(1)]	2023 Yield/ Rate	2022 Average Balance	2022 Interest [(1)]	2022 Yield/ Rate
ASSETS						
Loans:						
Taxable	**$ 1,499,635**	**$ 79,433**	**5.30 %**	$ 1,428,150	$ 68,898	4.82 %
Tax-exempt	**73,993**	**1,778**	**2.40**	78,204	1,706	2.18
Total Loans [(2)]	**1,573,628**	**81,211**	**5.16**	1,506,354	70,604	4.69
Investment Securities:						
Taxable	**491,208**	**11,316**	**2.30**	516,126	9,799	1.90
Tax-exempt	**57,670**	**1,478**	**2.56**	53,242	1,448	2.72
Total Investment Securities [(3)]	**548,878**	**12,794**	**2.33**	569,368	11,247	1.98
Interest-bearing deposits with banks	**66,246**	**3,318**	**5.01**	427,706	5,860	1.37
Total Earning Assets	**2,188,752**	**97,323**	**4.45**	2,503,428	87,711	3.50
Cash and due from banks	**30,684**			31,511		
Premises and equipment	**26,582**			29,205		
Other assets	**165,175**			175,492		
Allowance for credit losses	**(18,915)**			(18,679)		
Total Assets	**$ 2,392,278**			$ 2,720,957		
LIABILITIES						
Interest-bearing demand deposits	**$ 569,357**	**$ 757**	**0.13 %**	$ 600,366	$ 749	0.12 %
Money markets	**283,918**	**1,192**	**0.42**	346,498	342	0.10
Savings deposits	**377,498**	**122**	**0.03**	409,839	167	0.04
Time deposits	**230,431**	**1,624**	**0.70**	370,766	1,303	0.35
Total Interest-Bearing Deposits	**1,461,204**	**3,695**	**0.25**	1,727,469	2,561	0.15
Short-term borrowings	**49,433**	**898**	**1.82**	35,882	77	0.21
Long-term borrowings	**78,262**	**3,727**	**4.76**	24,814	986	3.97
Total Borrowings	**127,695**	**4,625**	**3.62**	60,696	1,063	1.75
Total Interest-Bearing Liabilities	**1,588,899**	**8,320**	**0.52**	1,788,165	3,624	0.20
Noninterest-bearing demand deposits	**543,843**			609,622		
Other liabilities	**442**			74,096		
Stockholders' Equity	**259,094**			249,074		
Total Liabilities and Stockholders' Equity	**$ 2,392,278**			$ 2,720,957		
Taxable Equivalent Net Interest Income		**$ 89,003**			$ 84,087	
Taxable Equivalent Adjustment		**(683)**			(662)	
Net Interest Income		**$ 88,320**			$ 83,425	
Cost of Funds			**0.39 %**			0.15 %
FTE Net Interest Margin			**4.07 %**			3.36 %

(1) Income on interest-earning assets has been computed on a fully taxable equivalent basis using the 21% federal income tax statutory rate.
(2) Average balances include non-accrual loans and are net of unearned income.
(3) Average balance of investment securities is computed at fair value.

FTE net interest income totaled $89.0 million for the year ended December 31, 2023, compared to $84.1 million for the same period in 2022, an increase of $4.9 million, or 5.8%. Net interest income increased driven primarily by higher interest rates. The FTE net interest margin for 2023 was 4.07%, a 71 basis points increase from 3.36% for the comparable period of last year. Paycheck Protection Program fees and purchase accounting accretion for the year ended December 31, 2023 totaled $1.2 million compared to $3.8 million for the year ended December 31, 2022.

The following table analyzes the relative impact on net interest income attributed to changes in the volume of interest-earning assets and interest-bearing liabilities and changes in yields and rates:

	2023 versus 2022		
	Increase (decrease) due to changes in		
(In thousands)	Volume	Yield/Rate [(1)]	Net
INTEREST INCOME:			
Loans:			
Taxable	$ 2,505	$ 8,030	$ 10,535
Tax-exempt	(148)	220	72
Total Loans [(2)]	2,357	8,250	10,607
Investment Securities:			
Taxable	(873)	2,390	1,517
Tax-exempt	155	(125)	30
Total Investment Securities	(718)	2,265	1,547
Interest-bearing deposits with banks	(12,664)	10,122	(2,542)
Total Interest Income	$ (11,025)	$ 20,637	$ 9,612
INTEREST EXPENSE:			
Interest-bearing demand deposits	$ (47)	$ 55	$ 8
Money markets	(95)	945	850
Savings deposits	(49)	4	(45)
Time deposits	(212)	533	321
Total Interest-Bearing Deposits	(403)	1,537	1,134
Short-term borrowings	20	801	821
Long-term borrowings	81	2,660	2,741
Total Borrowings	101	3,461	3,562
Total Interest Expense	(302)	4,998	4,696
Change in Net Interest Income	$ (10,723)	$ 15,639	$ 4,916

(1) The effect of changing volume and rate, which cannot be segregated, has been allocated entirely to the rate column.
(2) Based on average balances and includes non-accrual loans and are net of unearned income.

FTE total interest income increased $9.6 million, or 11.0%, compared to 2022. ACNB experienced a $20.6 million increase in interest income due to an increase in the yield on interest earning assets partially offset by an $11.0 million decrease attributable to lower volume. FTE interest income on loans increased $10.6 million, or 15.0%, compared to 2022 primarily due to an increase of $8.3 million attributable to changes in the yield. The yield increased 47 basis points. Average loans increased $67.3 million, or 4.5%, contributing $2.4 million to the increase in FTE interest income. FTE interest income on investment securities increased $1.5 million, or 13.8%, due to an increase in the yield, partially offset by a lower volume of investment securities. The higher FTE interest income was partially offset by a decrease in interest income from interest-bearing deposits with banks of $2.5 million, or 43.4%. During 2022, additional cash retained was invested primarily at the Federal Reserve to maintain liquidity and due to the fact that investment securities yields were low during that period. During 2023, this additional cash retained was used to fund loan growth and to replace higher cost deposits that were strategically not retained by the Bank.

Total interest expense increased $4.7 million, or 129.6%, during 2023 compared to 2022. The increase was primarily due to a higher cost of funds. The rate on interest-bearing deposits increased 10 basis points during 2023. Interest expense increased $1.5 million as a result of the higher rates. The largest increases in rates were in time deposits and money markets which increased 35 and 32 basis points, respectively. The rates on total borrowings increased 187 basis points. The average balance of total borrowings increased $67.0 million, or 110.4%, to fund loan growth and deposit outflows during 2023.

Provision for Credit Losses and Unfunded Commitments

Based on the forward-looking metrics utilized within the CECL model, combined with the current market environment applied to the Bank’s loan portfolio, the provision for credit losses for the year ended December 31, 2023 was $860 thousand, and the provision for unfunded commitments was a reversal of $16 thousand compared to no provision for credit losses and unfunded commitments for the year ended December 31, 2022. The determination of the provisions was a result of the analysis of the adequacy of the allowances for credit losses and unfunded commitments calculations. Each quarter, the Corporation assesses risks and reserves required compared with the balances in the allowance for credit losses and unfunded commitments. The provision during 2023 was primarily driven by one commercial and industrial relationship and was not indicative of a general weakness in the overall loan portfolio. For additional discussion of the provision and the associated loans, please refer to the *Asset Quality* section of this Management's Discussion and Analysis.

Noninterest Income

			Increase (Decrease)	
(In thousands)	**2023**	**2022**	**$**	**%**
NONINTEREST INCOME				
Insurance commissions	**$ 9,319**	$ 8,307	$ 1,012	12.2 %
Service charges on deposits	**3,958**	4,066	(108)	(2.7)
Wealth management	**3,644**	3,160	484	15.3
ATM debit card charges	**3,348**	3,322	26	0.8
Gain from mortgage loans held for sale	**56**	487	(431)	(88.5)
Earnings on investment in bank-owned life insurance	**1,878**	1,532	346	22.6
Net losses on sales or calls of securities	**(5,240)**	(234)	(5,006)	N/M
Net gains (losses) on equity securities	**18**	(298)	316	106.0
Net gains on sales of low-income housing partnership	—	421	(421)	(100.0)
Gain on assets held for sale	**337**	—	337	100.0
Other	**1,127**	1,044	83	8.0
Total Noninterest Income	**$ 18,445**	$ 21,807	$ (3,362)	(15.4)%

Total noninterest income, excluding net losses on sales or call of securities, totaled $23.7 million in 2023 compared to $22.0 million in 2022, a $1.6 million, or 7.5% increase. On December 15, 2023, ACNB completed a repositioning of the investment securities portfolio by selling $51.1 million in book value of AFS debt securities, consisting of lower-yielding agency debt securities, for an estimated after-tax loss of $3.5 million.

Insurance commissions in 2023 increased $1.0 million, or 12.2%, compared to 2022 driven primarily by higher contingent income, organic growth and the full year contribution from the acquisition of the business and assets of Hockley & O'Donnell in early 2022.

Wealth management income for 2023 increased $484 thousand, or 15.3%, in comparison to 2022 driven primarily by strong market returns, greater sales activity and new business generation.

Gain from mortgage loans held for sale decreased $431 thousand, or 88.5%, as rising rates negatively impacted mortgage income, as well as management's decision to portfolio certain residential mortgages.

Earnings on investment in bank-owned life insurance totaled $1.9 million, a $346 thousand, or 22.6%, increase compared to 2022. The increase was driven primarily by additional purchases of bank-owned life insurance in the third quarter of 2022, and to a lesser extent, a higher net annualized yield.

Net gains (losses) on equity securities were $18 thousand in 2023 compared to $298 thousand loss in 2022, a $316 thousand increase.

Noninterest Expenses

(In thousands)	2023	2022	Increase (Decrease) $	%
NONINTEREST EXPENSES				
Salaries and employee benefits	**$ 40,931**	$ 35,979	$ 4,952	13.8 %
Net occupancy	**3,908**	4,076	(168)	(4.1)
Equipment	**6,514**	6,612	(98)	(1.5)
Other tax	**1,269**	1,632	(363)	(22.2)
Professional services	**2,320**	2,086	234	11.2
Supplies and postage	**808**	823	(15)	(1.8)
Marketing and corporate relations	**612**	299	313	104.7
FDIC and regulatory	**1,388**	1,128	260	23.0
Intangible assets amortization	**1,424**	1,492	(68)	(4.6)
Other	**6,898**	6,154	744	12.1
Total Noninterest Expenses	**$ 66,072**	$ 60,281	$ 5,791	9.6 %

Noninterest expenses increased 9.6% to $66.1 million in 2023 compared to 2022. The more significant fluctuations in expenses by category are explained below:

- Salaries and employee benefits, the largest component of noninterest expenses, increased 13.8% in 2023 to $40.9 million compared to $36.0 million in 2022. The increase was driven primarily by an increase to incentive compensation, partly due to a partial reversal of incentive compensation in 2022, an increase in stock-based compensation, a general increase in base wages and commissions partially due to the full year impact of the acquisition of the business and assets of Hockley & O'Donnell, an increase in pension expense, a partial reversal of expenses in 2022 related to loan originations, and an increase in ACNB Bank's supplemental executive retirement plan and split dollar life insurance expenses.
- Other tax decreased $363 thousand, or 22.2%, driven primarily by a decrease in state tax related expenses.
- Professional services increased $234 thousand, or 11.2%, driven primarily by an increase in recruiting, external audit and consulting expenses.
- Marketing and corporate relations increased $313 thousand driven primarily by an increase of $283 thousand related to the rebranding of the Bank's Maryland banking locations.
- FDIC and regulatory increased $260 thousand, or 23.0%, as a result of a higher FDIC assessment due to changes in the composition of the Bank's balance sheet.
- Other noninterest expense increased $744 thousand, or 12.1%, driven primarily by the write-off of an investment in a title company partnership, an increase in director expenses, a mark-to-market loss on a SBIC fund and internet banking expenses.

Provision for Income Taxes

ACNB recognized income taxes of $8.2 million during 2023 compared to $9.2 million during 2022. The provision for income taxes reflects an ETR of 20.5% for both 2023 and 2022. The variances from the federal statutory rate of 21% are generally due to tax-free income, which includes interest income on tax-free loans, investment securities and income from life insurance policies, federal income tax credits, and the impact of non-tax deductible expense. Note 13 — "Income Taxes", to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," includes a reconciliation of the federal statutory tax rate to the Corporation's ETR, which measures income tax expense as a percentage of pretax income.

FINANCIAL CONDITION

Total assets were $2.4 billion at December 31, 2023 compared to $2.5 billion at December 31, 2022, a decrease of 4.2%. The decrease was driven primarily by a reduction in cash and cash equivalents of $102.2 million and investment securities of $103.0 million partially offset by loan growth.

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 investment portfolio is comprised of U.S. Government and agencies, mortgaged-backed, state and 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.

CECL Adoption

On January 1, 2023, the Corporation adopted ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, universally referred to as CECL. ASU 2016-13 applies to all financial instruments carried at amortized cost, including HTM securities, and makes targeted improvements to the accounting for credit losses on AFS securities. In addition, Topic 326 amends the accounting for credit losses on certain other debt securities. The Corporation did not record any allowance for credit losses on its debt securities as a result of adopting Topic 326.

ACNB conducted a review of its investment portfolio and determined that for certain classes of securities it would be appropriate to assume the expected credit loss to be zero. This zero-credit loss assumption applies to direct debt issuances of the U.S. Treasury and U.S. agencies. The reasons behind the adoption of the zero-credit loss assumption are as follows:

- High credit rating;
- Long history with no credit losses;
- Guaranteed by a sovereign entity;
- Widely recognized as “risk-free rate”;
- Can print its own currency;
- Currency is routinely held by central banks, used in international commerce, and commonly viewed as reserve currency; and,
- Currently under the U.S. Government conservatorship or receivership.

ACNB will continuously monitor any changes in economic conditions, credit downgrades, changes to explicit or implicit guarantees granted to certain debt issuers, and any other relevant information that would indicate potential credit deterioration and prompt ACNB to reconsider its zero-credit loss assumption. As of December 31, 2023, no HTM debt securities required an ACL.

The Bank monitors non-U.S. Treasury and non-U.S. agency debt for potential credit deterioration on a quarterly basis. An analysis of the materiality of the impact to the ACL is performed. If it is determined there is a material impact, ACNB will book a reserve to the ACL. As of December 31, 2023 no allowances were booked related to these securities.

Total investment securities were $517.2 million at December 31, 2023 compared to $620.3 million at December 31, 2022, a decrease of 16.6%. The corporation sold securities and did not reinvest the portfolio cash flows throughout 2023 as a result of general balance sheet management.

On December 15, 2023, ACNB completed a repositioning of the investment securities portfolio by selling $51.1 million in book value of AFS debt securities, consisting of lower-yielding agency debt securities, for an estimated after-tax loss of $3.5 million. The debt securities sold had an average book yield of approximately 0.99% with a weighted-average remaining life of approximately 2.6 years. Net proceeds of $46.1 million from the sale were used to purchase higher-yielding debt securities that were all classified as AFS. The investment securities purchased consisted of $31.9 million of agency multi-family debt securities and $14.2 million of other investment-grade bank holding company corporate debt. The repositioning is estimated to improve interest income on the securities portfolio by approximately $1.9 million over the next 12 months. ACNB currently expects to recover the $3.5 million after-tax loss on the sale of investment securities in approximately 2.5 years.

At December 31, 2023, the investment securities balance included a net unrealized loss on AFS investment securities of $41.0 million, net of taxes, on amortized cost of $501.9 million versus a net unrealized loss of $52.7 million, net of taxes, on amortized cost of $617.6 million at December 31, 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, 2023, the securities balance included HTM investment securities with an amortized cost of $64.6 million and a fair value of $59.1 million, as compared to an amortized cost of $65.0 million and a fair value of $58.1 million at December 31, 2022.

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

The following table discloses investment securities at the scheduled maturity date and weighted average rate at December 31, 2023. Many securities have call features that make their redemption possible before the stated maturity date.

	Maturing									
	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	**$ 15,155**	**2.25 %**	**$ 108,272**	**2.00 %**	**$ 53,031**	**2.31 %**	**$ —**	**— %**	**$ 176,458**	**2.12 %**
Mortgage-backed securities	**—**	**—**	**29,042**	**3.93**	**21,164**	**3.43**	**245,389**	**2.32**	**295,595**	**2.55**
State and municipal	**—**	**—**	**1,394**	**1.16**	**25,391**	**2.87**	**35,348**	**3.13**	**62,133**	**2.98**
Corporate bonds	**509**	**4.33**	**1,500**	**2.81**	**28,317**	**4.31**	**2,000**	**5.25**	**32,326**	**4.30**
Total	**$ 15,664**	**2.32 %**	**$ 140,208**	**2.40 %**	**$ 127,903**	**3.05 %**	**$ 282,737**	**2.43 %**	**$ 566,512**	**2.56 %**

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

The fair value of CRA Mutual Fund equity security has a readily determinable fair value of $928 thousand at December 31, 2023 with no stated maturity.

Loans

Loans at December 31 were as follows:

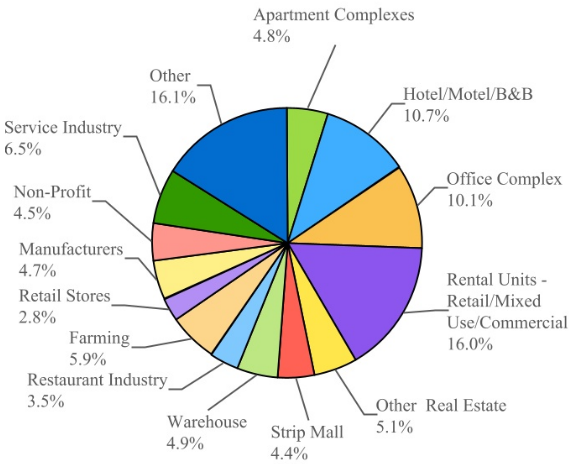
			Increase (Decrease)	
(In thousands)	**2023**	2022	$	%
Commercial real estate	**$ 898,709**	$ 824,111	$ 74,598	9.1 %
Residential mortgage	**394,189**	361,905	32,284	8.9
Commercial and industrial	**152,344**	180,958	(28,614)	(15.8)
Home equity lines of credit	**90,163**	83,463	6,700	8.0
Real estate construction	**84,341**	80,491	3,850	4.8
Consumer	**9,954**	11,336	(1,382)	(12.2)
Gross loans	**1,629,700**	1,542,264	87,436	5.7
Unearned income	**(1,712)**	(3,654)	1,942	(53.1)
Total Loans, Net of Unearned Income	**$ 1,627,988**	$ 1,538,610	$ 89,378	5.8 %

Total loans outstanding increased by $89.4 million, or 5.8%, in 2023 as compared to 2022. The increase was driven mainly by growth in the commercial real estate and residential mortgage portfolios. 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. ACNB does not have a significant concentration of credit risk with any single borrower, industry or geographic location. Most of the Corporation's lending activities are with customers located within the Bank's Market 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.

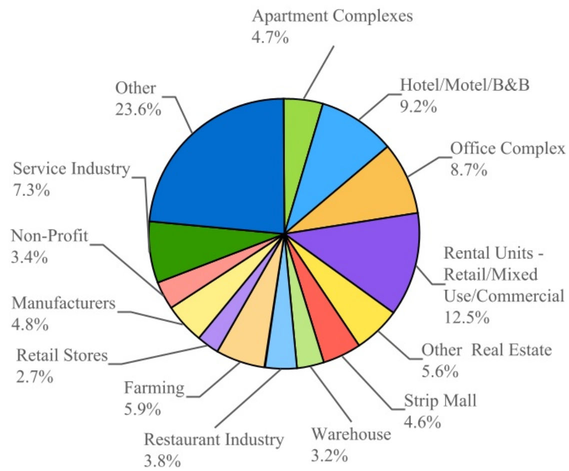
The commercial real estate portfolio grew $74.6 million, or 9.1%, in 2023. The collateral for these loans is primarily spread across Pennsylvania and Maryland, 54.0% and 44.0%, respectively at December 31, 2023. Approximately 3% of the portfolio is for real estate in Urban areas such as Baltimore, Maryland and Philadelphia, Pennsylvania. The largest sectors of the commercial real estate portfolio are retail and mixed-use commercial rental units, hotels, motels and bed and breakfast entities and office complexes. Non-owner occupied commercial real estate represented 60.9% of the commercial real estate portfolio. 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.

The following chart details the percentage of the various segments included in the portfolio:

Commercial Real Estate Portfolio Breakout - December 31, 2023



Commercial Real Estate Portfolio Breakout - December 31, 2022



The concentration of non-owner occupied commercial real estate, construction, and multi-family was 206.1% of total capital of the Bank.

Residential real estate mortgages grew $32.3 million, or 8.9%, in 2023. Growth was driven primarily by an increase in 10 year fixed adjustable rate mortgages. Included in residential real estate mortgages were $45.4 million in 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.

Commercial and industrial loans decreased $28.6 million, or 15.8%. This segment includes loans to school districts, municipalities (including townships) and essential purpose authorities. In many cases, these loans are obtained through a bid process that includes other local and regional banks and are especially subject to refinancing in certain rate environments. During 2023 the Company did not actively pursue these types of loans contributing approximately $14 million to the decrease in commercial and industrial loans driven primarily by the current interest rate environment.

The repricing range of the loan portfolio at December 31, 2023, and the amounts of loans with predetermined and fixed rates are presented in the tables below:

LOANS MATURING

(In thousands)	One Year or Less	Greater Than One to Five Years	Over Five Years	Total
Commercial real estate	$ 43,721	$ 79,252	$ 775,736	$ 898,709
Residential mortgage	5,320	17,371	371,498	394,189
Commercial and industrial	42,508	49,092	60,744	152,344
Home equity lines of credit	6,997	427	82,739	90,163
Real estate construction	35,269	12,783	36,289	84,341
Consumer	234	4,340	5,380	9,954
Total	$ 134,049	$ 163,265	$ 1,332,386	$ 1,629,700

LOANS BY REPRICING OPPORTUNITY

(In thousands)	One Year or Less	Greater Than One to Five Years	Over Five Years	Total
Commercial real estate	$ 91,309	$ 593,673	$ 213,727	$ 898,709
Residential mortgage	13,158	146,842	234,189	394,189
Commercial and industrial	45,137	52,898	54,309	152,344
Home equity lines of credit	32,277	29,452	28,434	90,163
Real estate construction	37,252	34,871	12,218	84,341
Consumer	263	4,374	5,317	9,954
Total	$ 219,396	$ 862,110	$ 548,194	$ 1,629,700
Loans with a fixed interest rate	$ 123,666	$ 845,602	$ 415,751	$ 1,385,019
Loans with a variable interest rate	95,730	16,508	132,443	244,681
Total	$ 219,396	$ 862,110	$ 548,194	$ 1,629,700

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. 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.

Non-performing loans were $4.2 million, or 0.26% of total loans, at December 31, 2023, compared to $3.9 million, or 0.25% of total loans, at December 31, 2022. Non-performing assets were $4.6 million, or 0.19% of total assets, at December 31, 2023, compared to $4.3 million, or 0.17% of total assets, at December 31, 2022. Non-performing assets include nonaccrual loans and accruing loans past due 90 days or more, and foreclosed assets. The increase in non-performing loans was the result of one commercial relationship and not indicative of a general weakness in the overall loan portfolio.

Net charge-offs for the year ended December 31, 2023 were 0.02% of total average loans, compared to 0.08% for the year ended December 31, 2022.

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 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.

The following table sets forth the Corporation's non-performing assets as of December 31:

(Dollars in thousands)	2023	2022
Nonaccrual loans	**$ 3,011**	$ 2,654
Accruing loans 90 days past due	**1,162**	1,203
Total Non-Performing Loans	**4,173**	3,857
Foreclosed assets	**467**	474
Total Non-Performing Assets	**$ 4,640**	$ 4,331
Ratios:		
Non-performing loans to total loans	**0.26 %**	0.25 %
Non-performing assets to total assets	**0.19 %**	0.17 %
Allowance for credit losses to non-performing loans	**478.53 %**	463.08 %

For loans to borrowers with commercial purposes, an internal risk rating process is used to monitor credit quality. For a complete description of the Corporation's risk ratings, refer to the "Allowance for Credit Losses" section within "Note 1 - Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

Total internally risk rated loans were $1.3 billion as of December 31, 2023 with a related allowance for credit losses of $17.4 million.

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 $467 thousand, consisting of one property, at December 31, 2023. This same property was recorded in foreclosed assets held for resale at December 31, 2022.

Allowance for Credit Losses

As mentioned above in the "Executive Overview," the Corporation adopted CECL in 2023 which replaced the incurred loss methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loans, HTM securities and purchased financial assets, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. It also applies to OBS credit exposures, such as loan commitments, standby letters of credit, financial guarantees and other similar instruments. Financial institutions and other organizations will now use forecasted information to better inform their credit loss estimates. Many of the loss estimation techniques applied previously are still permitted, although the inputs to those techniques changed to reflect the full amount of expected credit losses.

CECL requires estimated credit losses on loans to be determined based on an expected life of loan model, as compared to an incurred loss model, which was in effect for periods prior to 2023. Accordingly, ACL disclosures subsequent to January 1, 2023 are not always comparable to prior periods. As a result, the tables that follow present the appropriate method for each period.

ACNB maintains the allowance for credit losses at a level believed to be adequate by management to absorb current expected losses in the loan portfolio, and it is funded through a provision for credit losses charged to earnings.

The allowance for credit losses at December 31, 2023 was $20.0 million, or 1.23% of loans, as compared to $17.9 million, or 1.16% of loans, at December 31, 2022. The ratio of non-performing loans plus foreclosed assets to total assets was 0.19% at December 31, 2023 compared to 0.17% at December 31, 2022.

A summary of ACNB's activity in the ACL as of December 31:

(Dollars in thousands)	2023	2022
Beginning balance	**$ 17,861**	$ 19,033
Impact of CECL adoption	**1,618**	—
Provision for loan losses	**860**	—
Loans charged-off:		
Commercial and industrial	**110**	238
Commercial real estate and construction	**—**	831
Residential mortgage and home equity lines of credit	**—**	36
Consumer	**396**	181
Total Loans Charged-Off	**506**	1,286
Recoveries:		
Commercial and industrial	**64**	58
Residential mortgage and home equity lines of credit	**—**	27
Consumer	**72**	29
Total Recoveries	**136**	114
Net charge-offs	**370**	1,172
Ending balance	**$ 19,969**	$ 17,861
Ratios:		
Net charge-offs to average loans	**0.02 %**	0.08 %
Allowance for credit losses to total loans	**1.23 %**	1.16 %

The provision for 2023 was $860 thousand compared to no provision for 2022. The ACL as a percentage of total loans was 1.16% at December 31, 2022 compared to 1.23% at December 31, 2023.

Loans past due 90 days and still accruing were $1.2 million at both December 31, 2023 and 2022. Nonaccrual loans were $3.0 million and $2.7 million as of December 31, 2023 and 2022, respectively. Under CECL, loans individually evaluated consist of nonaccrual loans.

The allocation of the allowance for credit losses as of December 31:

	2023		2022	
(Dollars in thousands)	Amount	Percent of Loan Type to Total Loans	Amount	Percent of Loan Type to Total Loans
Commercial real estate	**$ 12,010**	**55.2 %**	$ 10,016	53.5 %
Residential mortgage	**3,303**	**24.2**	3,029	23.5
Commercial and industrial	**2,048**	**9.3**	2,848	11.7
Home equity lines of credit	**397**	**5.5**	347	5.4
Real estate construction	**2,070**	**5.2**	1,000	5.2
Consumer	**141**	**0.6**	376	0.7
Unallocated	**—**	**N/A**	245	N/A
Total	**$ 19,969**	**100.0 %**	$ 17,861	100.0 %

Additional information on nonaccrual loans at December 31, 2023 and 2022, is as follows:

(Dollars in thousands)	Number of Credit Relationships	Balance	Current Specific Loss Allocations	Current Year Charge-Offs	Location	Originated
December 31, 2023						
Owner occupied commercial real estate	**7**	**$ 1,822**	**$ 175**	**$ —**	**In market**	**2006-2019**
Commercial and industrial	**4**	**1,004**	**901**	**—**	**In market**	**2014-2021**
Home equity line of credit	**1**	**185**	**—**	**—**	**In market**	**2009**
Total	**12**	**$ 3,011**	**$ 1,076**	**$ —**		
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	$ —		

All nonaccrual loans are to borrowers located within the Market Area served by the Corporation in southcentral Pennsylvania and northern Maryland. All nonaccrual individually evaluated loans were originated by ACNB's banking subsidiary.

Premises and Equipment

ACNB Bank opened a full-service community banking office to serve the Upper Adams area of Adams County, PA in 2022, consolidating three community banking offices into the new community banking office. Also, as part of the Bank's branch optimization program, in 2022, the Bank closed three additional community banking offices. As a result, four branch office buildings transferred to assets held for sale and had a carrying value of $3.4 million at December 31, 2022. During 2023, the Bank sold all four community banking offices for a net gain on sale of $337 thousand which was recorded as a gain on assets held for sale.

Restricted investment in bank stocks

Restricted investment in bank stocks increased $8.0 million in 2023 compared to 2022, primarily due to increases in the Corporation's holdings of Federal Home Loan Bank stock. The Corporation is required to purchase and hold stock as a condition of membership in the FHLB and this ownership is directly correlated with the amount of borrowings that the Corporation holds at any given time.

Other Assets

Other assets increased $7.3 million, or 15.6%, in 2023 compared to 2022, due primarily to an increase in deferred tax assets, prepaid expenses, interest receivable and pension related assets, as well as normal variations in a number of non-earning asset accounts.

Deposits

The following table presents ending deposits, by type as of December 31:

			Increase (Decrease)	
(In thousands)	2023	2022	$	%
Noninterest-bearing demand deposits	**$ 500,332**	$ 595,049	$ (94,717)	(15.9)%
Interest-bearing demand deposits	**524,289**	592,586	(68,297)	(11.5)
Money market	**264,907**	310,911	(46,004)	(14.8)
Savings	**340,134**	407,299	(67,165)	(16.5)
Total demand and savings	**1,629,662**	1,905,845	(276,183)	(14.5)
Time	**232,151**	293,130	(60,979)	(20.8)
Total Deposits	**$ 1,861,813**	$ 2,198,975	$ (337,162)	(15.3)%

ACNB relies on deposits as a primary source of funds for lending activities with total deposits of $1.9 billion at December 31, 2023. The Bank's deposit pricing function employs a disciplined 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 during 2023, the Corporation continued to restrain deposit rates despite an increase in market interest rates and increases in rates by competitors.

Total deposits were $1.9 billion at December 31, 2023, a decrease of $337.2 million, or 15.3%, since December 31, 2022. The decrease in deposits were in both interest-bearing and noninterest-bearing deposits. Based on total Bank deposits outstanding, consumer and commercial constituted approximately 59% and 41% of total deposits as of December 31, 2023 and 2022. During 2023, the Bank restrained deposit rates for the majority of the year despite an increase in market interest rates and an increase in rates by competitors. As a result, total deposits decreased during 2023 as customers sought higher yielding alternative deposit and investment products. Interest-bearing deposit costs for 2023 were 0.25% compared to 0.15% for 2022. Despite the decline in deposits in 2023, the loan-to-deposit ratio was 87.44% at December 31, 2023.

Included in total deposits at December 31, 2023 were municipal deposits totaling $176.6 million, or 9.5%, of total deposits compared to $231.3 million, or 10.5%, of total deposits at December 31, 2022. The decrease in public funds was the result of public entities reinvesting excess stimulus funds in alternative investment products outside the Corporation. The ratio of uninsured and non-collateralized deposits to total Bank deposits was approximately 17.3% at December 31, 2023. As of December 31, 2023, cash on hand, the fair value of unencumbered investment securities and collateralized borrowing capacities at the FHLB and the Federal Reserve discount window at the Bank were 328% of uninsured and non-collateralized Bank deposits. At December 31, 2023 deposits from the 20 largest depositors, excluding internal accounts, of the Bank totaled $192.7 million, or 10.3%, of total Bank deposits compared to $227.0 million, or 10.3%, of total Bank deposits at December 31, 2022.

See Note 9 — "Deposits", to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for more information.

Borrowings

The Corporation's borrowings as of December 31:

(In thousands)	**2023**	2022
Securities sold under repurchase agreements	**$ 26,882**	$ 41,954
Short-term FHLB advances	**30,000**	—
Total short-term borrowings	**56,882**	41,954
Long-term FHLB advances	**175,000**	—
Trust preferred subordinated debt	**5,292**	6,000
Subordinated debt	**15,000**	15,000
Total long-term borrowings	**195,292**	21,000
Total Borrowings	**$ 252,174**	$ 62,954

Short-term borrowings are comprised primarily of securities sold under agreements to repurchase and short-term borrowings from the FHLB. As of December 31, 2023, short-term borrowings were $56.9 million, an increase of $14.9 million, or 35.6%, from December 31, 2022. 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 December 31, 2022, repurchase agreement balances were down due to normal changes in the cash flow position of ACNB's commercial and local government customer base. There were $30.0 million in short-term FHLB borrowings at December 31, 2023 compared to none at December 31, 2022. Short-term FHLB borrowings are used to supplement Bank funding from seasonal and daily fluctuations in the deposit base.

Long-term borrowings consist of longer-term advances from the FHLB, trust preferred subordinated debt and subordinated debt. Long-term borrowings totaled $195.3 million at December 31, 2023, compared to $21.0 million at December 31, 2022. During 2023 the Bank borrowed $175.0 million from the FHLB at a weighted average fixed rate of 4.59% for a weighted average term of 3.6 years to fund loan growth and deposit outflows. 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.

Capital

ACNB's capital management strategies have been developed to provide an appropriate rate of return, in the opinion of management, to stockholders, while maintaining levels above its internal minimums and "well capitalized" regulatory position in relationship to its risk exposure. Total stockholders' equity was $277.5 million at December 31, 2023, compared to $245.0

million at December 31, 2022. The primary source of additional capital to ACNB is earnings retention, which represents net income less dividends declared. During 2023, ACNB retained $22.0 million, or 69.4%, of its net income compared to $26.6 million, or 74.5%, in 2022. Quarterly cash dividends paid to ACNB Corporation stockholders in 2023 totaled $9.7 million, or $1.14 per common share compared to $9.1 million, or $1.06 per common share in 2022, an increase of 7.5%. Stockholders' equity also increased primarily due to a $13.1 million change in unrealized gains in AFS investment securities and pension plan assets.

ACNB has a Dividend Reinvestment and Stock Purchase Plan that provides registered holders of ACNB 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, 2023, 255,764 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, 2023, there were 61,066 treasury shares purchased under this new plan.

Regulatory Capital Requirements

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.

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

- Meet a minimum Tier 1 leverage capital ratio of 4.0% of average assets;
- Meet a minimum Common Equity Tier 1 capital ratio of 4.5% of risk-weighted assets;
- Meet a minimum Tier 1 capital ratio of 6.0% of risk-weighted assets;
- Meet a minimum Total capital ratio of 8.0% of risk-weighted assets;
- Maintain a "capital conservation buffer" of 2.5% above the minimum risk-based capital requirements, which must be maintained to avoid restrictions on capital distributions and certain discretionary bonus; and,
- Comply with the definition of capital to improve the ability of regulatory capital instruments to absorb losses.

ACNB considers the capital ratios of the banking subsidiary to be the relevant measurement of capital adequacy. The banking subsidiary's capital ratios are as follows:

	2023	**2022**	**To be Well Capitalized under Prompt Corrective Action Regulations**
Tier 1 leverage ratio (to average assets)	**11.12 %**	9.50 %	5.00 %
Common Tier 1 capital (to risk-weighted assets)	**14.86 %**	14.68 %	6.50 %
Tier 1 risk-based capital ratio (to risk-weighted assets)	**14.86 %**	14.68 %	8.00 %
Total risk-based capital ratio (to risk-weighted assets)	**15.99 %**	15.76 %	10.00 %

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, 2023 and 2022, 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.

For further information on the actual and required capital amounts and ratios, please refer to Note 14 — "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 the Corporation, 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 and unsecured Federal Funds line providers. At December 31, 2023, ACNB's banking subsidiary could borrow $867.2 million from the FHLB of which $661.7 million was available. At December 31, 2023, ACNB's banking subsidiary could borrow approximately $3.5 million 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, 2023, Fed Funds line capacity at the banking subsidiary was $192.0 million, of which the full amount was available. In 2018, ACNB Corporation executed a guaranty for a note related to a $1.5 million commercial line of credit from a local bank, with customary 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 ACNB Insurance Services. The Corporation maintains a $5.0 million unsecured line of credit with a correspondent bank, all of which was available for borrowing at December 31, 2023.

Another source of liquidity is securities sold under repurchase agreements to customers of ACNB's banking subsidiary totaling $26.9 million and $42.0 million at December 31, 2023 and 2022, 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 stockholders 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 14 — "Regulatory Matters" 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.

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, 2023 the Corporation had unfunded outstanding commitments to extend credit of $403.3 million and outstanding standby letters of credit of $21.0 million. 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 15 — "Commitments and Contingencies" 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 1 — "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:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of condition of ACNB Corporation (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended 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, 2023, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company changed its method for accounting for credit losses effective January 1, 2023, due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 326, Financial Instruments - Credit Losses (ASC 326). The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. The adoption of the new credit loss standard and its subsequent application is also communicated as a critical audit matter below.

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 audits 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 audits 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 Credit Losses on Loans

In accordance with Accounting Standards Update (the "ASU") 2016-13, *Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, the Company adopted Accounting Standards Codification ("ASC") 326 as of January 1, 2023 as described in Notes 1 and 4 of the consolidated financial statements using the modified retrospective method. See also explanatory paragraph above. The ASU requires the Company's loan portfolio, measured at amortized cost, to be presented at the net amount expected to be collected. Estimates of expected credit losses for loans are based on evaluation of the size of the portfolio, current risk characteristics, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience. The Company disclosed the impact of adoption of this standard on January 1, 2023 with a $1.6 million increase to the allowance for credit losses and a $2.4 million decrease to retained earnings for the cumulative effect adjustment recorded upon adoption. Provision expense for the year ending December 31, 2023 was $860,000 and the allowance for credit losses as of December 31, 2023 was $19.97 million.

The Company's methodology for estimating the allowance for credit losses on loans includes quantitative and qualitative components of the calculation. The Company's loan portfolio is segmented by loan types that behave similarly during economic cycles. The quantitative analysis includes using a discounted cash flow (DCF) model for determining the allowance for credit losses. Economic forecasts are used in the model to estimate the probability of default and loss given default through regression which are key inputs into the DCF model calculation. Quantitative model assumptions include, but are not limited to the discount rate, prepayment speeds, and curtailments. The quantitative model output is adjusted with qualitative adjustments. Management develops a qualitative framework that serves as the basis for determining the reasonableness of the model's output and makes qualitative adjustments as necessary. The allowance methodology is inherently complex and requires the use of significant management judgment.

We determined that auditing the allowance for credit losses on loans was 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 throughout the initial adoption and subsequent application processes, including segmentation, the economic forecasts used to calculate the regressions within the DCF model, the quantitative model assumptions as mentioned above, and the qualitative adjustments made using the qualitative framework. In addition, we used individuals with specialized skill or knowledge to assist us in auditing the judgments made by management.

The primary procedures performed to address this critical audit matter included the following:

- Tested the operating effectiveness of the Company's controls that addressed the following:
    - Management's selection and application of the DCF model, including the evaluation of the reasonableness of the segmentation, the reasonable and supportable economic forecasts, the significant model assumptions, and the relevance and reliability of data used in the model, and the validation of the DCF model outputs.
    - Management's review of the appropriateness of the qualitative framework, the reasonableness of significant assumptions applied, the relevance and reliability of data used in the qualitative adjustments, and the mathematical accuracy of the qualitative adjustments calculation.
- Evaluated the reasonableness of management's judgments related to the selection of the segmentation, DCF model, the reasonable and supportable economic forecasts, the significant model assumptions, and the relevance and reliability of the data used in the DCF model
- Tested the mathematical accuracy and application of the DCF model including engaging individuals with specialized skills in to validate the DCF model outputs.
- Evaluated the reasonableness of qualitative adjustments, including evaluating the appropriateness of the qualitative framework, the assumptions and judgments applied in the determination of the qualitative adjustments, the relevance and reliability of data used in the qualitative adjustments, and the mathematical accuracy of the qualitative adjustments calculation.

/s/ Crowe LLP

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

Washington, D.C.
March 14, 2024

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands, except per share data)	December 31, 2023	December 31, 2022
ASSETS		
Cash and due from banks	**$ 21,442**	$ 40,067
Interest-bearing deposits with banks	**44,516**	128,094
Total Cash and Cash Equivalents	**65,958**	168,161
Equity securities with readily determinable fair values	**928**	1,719
Investment securities available for sale, at estimated fair value	**451,693**	553,554
Investment securities held to maturity, at amortized cost (fair value $59,057, $58,078)	**64,600**	64,977
Loans held for sale	**280**	123
Total loans, net of unearned income	**1,627,988**	1,538,610
Less: Allowance for credit losses	**(19,969)**	(17,861)
Loans, net	**1,608,019**	1,520,749
Assets held for sale	**—**	3,393
Premises and equipment, net	**26,283**	27,053
Right of use asset	**2,615**	3,162
Restricted investment in bank stocks	**9,677**	1,629
Investment in bank-owned life insurance	**79,871**	77,993
Investments in low-income housing partnerships	**1,003**	1,129
Goodwill	**44,185**	44,185
Intangible assets, net	**9,082**	10,332
Foreclosed assets held for resale	**467**	474
Other assets	**54,186**	46,874
Total Assets	**$ 2,418,847**	$ 2,525,507
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	**$ 500,332**	$ 595,049
Interest-bearing	**1,361,481**	1,603,926
Total Deposits	**1,861,813**	2,198,975
Short-term borrowings	**56,882**	41,954
Long-term borrowings	**195,292**	21,000
Lease liability	**2,615**	3,162
Allowance for unfunded commitments	**1,719**	92
Other liabilities	**23,065**	15,282
Total Liabilities	**2,141,386**	2,280,465
Stockholders' Equity:		
Preferred stock, $2.50 par value; 20,000,000 shares authorized; no shares outstanding at December 31, 2023 and 2022, respectively	**—**	—
Common stock, $2.50 par value; 20,000,000 shares authorized; 8,896,119 and 8,838,720 shares issued; 8,511,453 and 8,515,120 shares outstanding at December 31, 2023 and 2022, respectively	**22,231**	22,086
Treasury stock, at cost 384,666 and 323,600 shares at December 31, 2023 and 2022, respectively	**(10,954)**	(8,927)
Additional paid-in capital	**97,602**	96,022
Retained earnings	**213,491**	193,873
Accumulated other comprehensive loss	**(44,909)**	(58,012)
Total Stockholders' Equity	**277,461**	245,042
Total Liabilities and Stockholders' Equity	**$ 2,418,847**	$ 2,525,507

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, 2023	2022
INTEREST AND DIVIDEND INCOME		
Loans, including fees		
Taxable	**$ 79,433**	$ 68,898
Tax-exempt	**1,405**	1,348
Securities:		
Taxable	**10,985**	9,799
Tax-exempt	**1,168**	1,144
Dividends	**331**	104
Other	**3,318**	5,756
Total Interest and Dividend Income	**96,640**	87,049
INTEREST EXPENSE		
Deposits	**3,695**	2,561
Short-term borrowings	**898**	77
Long-term borrowings	**3,727**	986
Total Interest Expense	**8,320**	3,624
Net Interest Income	**88,320**	83,425
Provision for credit losses	**860**	—
Reversal of provision for unfunded commitments	**(16)**	—
Net Interest Income after Provisions for Credit Losses and Unfunded Commitments	**87,476**	83,425
NONINTEREST INCOME		
Insurance commissions	**9,319**	8,307
Service charges on deposits	**3,958**	4,066
Wealth management	**3,644**	3,160
ATM debit card charges	**3,348**	3,322
Gain from mortgage loans held for sale	**56**	487
Earnings on investment in bank-owned life insurance	**1,878**	1,532
Net losses on sales or calls of investment securities	**(5,240)**	(234)
Net gains (losses) on equity securities	**18**	(298)
Net gains on sales of low income housing partnership	**—**	421
Gain on assets held for sale	**337**	—
Other	**1,127**	1,044
Total Noninterest Income	**18,445**	21,807
NONINTEREST EXPENSES		
Salaries and employee benefits	**40,931**	35,979
Net occupancy	**3,908**	4,076
Equipment	**6,514**	6,612
Other tax	**1,269**	1,632
Professional services	**2,320**	2,086
Supplies and postage	**808**	823
Marketing and corporate relations	**612**	299
FDIC and regulatory	**1,388**	1,128
Intangible assets amortization	**1,424**	1,492
Other	**6,898**	6,154
Total Noninterest Expenses	**66,072**	60,281
Income Before Income Taxes	**39,849**	44,951
Provision for income taxes	**8,161**	9,199
Net Income	**$ 31,688**	$ 35,752
PER SHARE DATA		
Basic earnings	**$ 3.72**	$ 4.15
Diluted earnings	**$ 3.71**	$ 4.15

The accompanying notes are an integral part of the Consolidated Financial Statements.

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,	
(In thousands)	**2023**	**2022**
NET INCOME	**$ 31,688**	$ 35,752
OTHER COMPREHENSIVE INCOME (LOSS)		
INVESTMENT SECURITIES		
Unrealized gains (losses) arising during the period, net of income tax expense (benefit) of $1,814 and $(14,499), respectively	**6,814**	(46,441)
Reclassification adjustment for net AFS investment securities losses included in net income, net of income tax benefit of $1,188 and $55, respectively	**4,052**	193
Total unrealized gain (loss) on AFS investment securities	**10,866**	(46,248)
Unrealized losses on securities previously transferred to HTM, net of income tax benefit of $— and $(1,072), respectively	**—**	(3,751)
Amortization of unrealized losses on AFS investment securities transferred to HTM, net of income taxes of $203 and $211, respectively	**916**	739
PENSION		
Amortization of pension net loss, transition liability, and prior service cost, net of income taxes of $76 and $90, respectively	**258**	317
Unrecognized net gain, net of income taxes of $312 and $15, respectively	**1,063**	476
Total unrealized gain on pension	**1,321**	793
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**13,103**	(48,467)
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ 44,791**	$ (12,715)

The accompanying notes are an integral part of the Consolidated Financial Statements.

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
BALANCE – January 1, 2022	$ 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
Net income	**—**	**—**	**—**	**31,688**	**—**	**31,688**
Cumulative effect for adoption of Topic 326, net of tax	**—**	**—**	**—**	**(2,368)**	**—**	**(2,368)**
Other comprehensive income, net of taxes	**—**	**—**	**—**	**—**	**13,103**	**13,103**
Common stock shares issued (20,361 shares)	**51**	**—**	**670**	**—**	**—**	**721**
Repurchased shares (61,066 shares)	**—**	**(2,027)**	**—**	**—**	**—**	**(2,027)**
Restricted stock grants (43,074 shares)	**94**	**—**	**(94)**	**—**	**—**	**—**
Compensation expense for restricted shares	**—**	**—**	**1,004**	**—**	**—**	**1,004**
Cash dividends declared ($1.14 per share)	**—**	**—**	**—**	**(9,702)**	**—**	**(9,702)**
BALANCE – December 31, 2023	**$ 22,231**	**$ (10,954)**	**$ 97,602**	**$ 213,491**	**$ (44,909)**	**$ 277,461**

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, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 31,688**	$ 35,752
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of loans originated for sale	**(56)**	(487)
Gain on sales of assets held for sale	**(337)**	—
Loss on sale of premises and equipment	**—**	41
Earnings on investment in bank-owned life insurance	**(1,878)**	(1,532)
Loss on sales or calls of securities	**5,240**	234
(Gain) loss on equity securities	**(18)**	298
Gain on sale of low-income housing partnership	**—**	(421)
Restricted stock compensation expense	**1,004**	729
Depreciation and amortization	**3,362**	3,796
Provision for credit losses and provision for unfunded commitments	**844**	—
Net amortization of investment securities premiums	**690**	2,156
Increase in interest receivable	**(1,165)**	(1,395)
Increase (decrease) in interest payable	**743**	(58)
Mortgage loans originated for sale	**(2,646)**	(36,664)
Proceeds from sales of loans originated for sale	**2,545**	39,221
Increase in other assets	**(7,449)**	(4,303)
Decrease in deferred tax expense	**2,376**	924
Increase in other liabilities	**5,659**	910
Net Cash Provided by Operating Activities	**40,602**	39,201
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from calls/maturities of investment securities held to maturity	**1,097**	2,903
Proceeds from calls/maturities of investment securities available for sale	**32,594**	58,578
Proceeds from sales of investment securities held to maturity	**—**	1,054
Proceeds from sales of investment securities available for sale	**125,241**	3,129
Proceeds from sales of equity securities	**592**	811
Purchase of investment securities available for sale	**(48,838)**	(284,336)
Purchase of investment securities held to maturity	**—**	(22,204)
Purchase of equity securities	**—**	(206)
(Purchase)/redemption of restricted investment in bank stocks	**(8,048)**	674
Net increase in loans	**(89,589)**	(71,829)
Proceeds from sale of low-income housing partnerships	**—**	421
Purchase of bank-owned life insurance	**—**	(12,200)
Acquisition of insurance books of business/agency	**(174)**	(7,800)
Capital expenditures	**(1,168)**	(1,811)
Proceeds from sales of premises and equipment	**—**	1,093
Proceeds from sales of assets held for sale	**3,730**	—
Net Cash (Used in) Provided by Investing Activities	**15,437**	(331,723)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in noninterest-bearing deposits	**(94,717)**	(28,311)
Net decrease in interest-bearing deposits	**(242,445)**	(199,103)
Net increase in short-term borrowings	**14,928**	6,752
Proceeds from long-term borrowings	**175,000**	1,500
Repayments on long-term borrowings	**—**	(15,200)
Dividends paid	**(9,702)**	(9,117)
Common stock repurchased	**(2,027)**	(6,682)
Common stock issued	**721**	713
Net Cash Used In Financing Activities	**(158,242)**	(249,448)
Net Decrease in Cash and Cash Equivalents	**(102,203)**	(541,970)
CASH AND CASH EQUIVALENTS — BEGINNING	**168,161**	710,131
CASH AND CASH EQUIVALENTS — ENDING	**$ 65,958**	$ 168,161

CONSOLIDATED STATEMENTS OF CASH FLOWS- Continued

(In thousands)	Years Ended December 31, 2023	2022
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 7,155**	$ 3,682
Cash paid for income taxes	**10,030**	7,225
Supplemental disclosures of certain noncash activities:		
Recognition of operating lease right of use assets	**$ 126**	$ 472
Recognition of operating lease liabilities	**126**	472
Investments transferred from available for sale to held to maturity	—	39,683
Premises and equipment transferred to fixed assets held for sale	—	3,393
Loans transferred to foreclosed assets held for resale and other foreclosed transactions	—	474

The accompanying notes are an integral part of the Consolidated Financial Statements.

ACNB CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

ACNB Corporation, headquartered in Gettysburg, Pennsylvania, provides banking, insurance, and financial services to businesses and consumers through its wholly-owned subsidiaries, ACNB 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 26 community banking offices, including 17 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 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 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.

ACNB Bank announced plans to rebrand its Maryland banking divisions on December 19, 2022. 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 was 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 which was rebranded effective January 1, 2022, to create enhanced synergies and market recognition throughout the Corporation's Market Area.

Basis of Financial Statements

The consolidated financial statements have been prepared in accordance with 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 $639.4 million and $518.8 million at December 31, 2023 and 2022, respectively. Income from fiduciary, investment management and brokerage activities are included in other income.

Certain amounts in the 2022 consolidated financial statements and notes have been reclassified to conform to the 2023 presentation. The Corporation evaluates subsequent events through the filing of this report with the SEC.

Use of Estimates

To prepare financial statements in conformity with 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 credit losses.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances due from banks, and federal funds sold, all of which mature within 90 days and interest-bearing deposits with banks. 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 are carried at cost.

Investment Securities

On January 1, 2023 the Corporation adopted ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", universally referred to as CECL. ASU 2016-13 applies to all financial instruments carried at amortized cost, including HTM securities, and makes targeted improvements to the accounting for credit losses on AFS securities. In addition, Topic 326 amends the accounting for credit losses on certain other debt securities. The Corporation did not record any allowance for credit losses on its debt securities as a result of adopting Topic 326.

Equity securities with readily determinable fair values are recorded at fair value with changes in fair value recognized in net income. 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 HTM 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).

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 HTM and AFS securities below their cost that are deemed to be impaired are reflected in earnings as realized losses. In relation to HTM securities, any declines in the fair value that are assumed to impair the credit quality of such debt instruments are evaluated and the estimated loss is incorporated into the Banks’ expected credit losses for any given period. In estimating 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 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 HTM category from the AFS 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 (loss) and in the carrying value of the HTM 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 commercial real estate and residential 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 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 real estate construction.

The accrual of interest on commercial loans and residential mortgage 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, including home equity lines of credit, 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. Facts and circumstances can arise that cause a loan to be placed on nonaccrual if payment capacity is insufficient.

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 Credit Losses

As mentioned above, in 2023 the Corporation adopted CECL which replaced the incurred loss methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loans, HTM securities and purchased financial assets, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. It also applies to OBS credit exposures, such as loan commitments, standby letters of credit, financial guarantees and other similar instruments. Financial institutions and other organizations will now use forecasted information to better inform their credit loss estimates. Many of the loss estimation techniques applied previously are still permitted, although the inputs to those techniques changed to reflect the full amount of expected credit losses.

The Corporation maintains an ACL at a level determined to be adequate to absorb expected credit losses associated with the Corporation's financial instruments over the life of those instruments as of the balance sheet date. As part of its process of adopting CECL, management implemented a third-party software solution and determined appropriate loan segments, methodologies, model assumptions and qualitative components. The Corporation's systematic ACL methodology is based on the following portfolio segments: Commercial and Industrial, Commercial Real Estate, Real Estate Construction, Residential Mortgage, Home Equity Lines of Credit and Consumer. The loan portfolio is segmented by loan types that have similar risk characteristics and types of collateral and that behave similarly during economic cycles. The calculation includes both a quantitative and qualitative component which incorporates the forecasting of certain economic variables. The Bank engaged a third-party to assist in developing the CECL model and to assist with evaluation of data and methodologies related to this standard. The Bank's CECL Committee, which includes members from Credit Administration, Accounting/Finance, Risk Management and Internal Audit, has oversight by the Chief Executive Officer, Chief Financial Officer, and Chief Credit Officer. The Bank's implementation plan also included the assessment and documentation of appropriate processes, policies and internal controls. Management had a third-party independent consultant review and validate the CECL model.

The ultimate impact of adopting Topic 326, and at each subsequent reporting period, is highly dependent on credit quality, macroeconomic forecasts and conditions, composition of the loans and securities portfolio, along with other management judgments. The Corporation adopted Topic 326 using the modified retrospective method. Results for reporting periods beginning after January 1, 2023 are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

The segmentation in the CECL model is different from the segmentation in the incurred loss model, however there was minimal impact on the presentation of the financial statement disclosures. The following is a discussion of the key risks by portfolio segment that management assesses in preparing the ACL.

Commercial Real Estate — The Corporation engages in commercial real estate lending in its primary market and surrounding areas. The 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.

Residential Mortgage — 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.

Commercial and Industrial — 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.

Home Equity Lines of Credit — 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.

Real Estate Construction — The Corporation engages in real estate construction lending in its primary market and surrounding areas. The Corporation's 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 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 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 real estate construction loans originated by the Corporation are performed by independent appraisers.

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.

Consumer — 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.

The adoption of Topic 326 resulted in a Day 1 adjustment of $3.3 million, including an increase to the ACL of $1.6 million and a $1.6 million reserve on unfunded loan commitments recorded in the liabilities section on the Consolidated Statements of Condition on January 1, 2023. As of January 1, 2023, the Corporation recorded a cumulative effect adjustment of $2.4 million to decrease retained earnings related to the adoption of Topic 326. Upon CECL adoption, the Corporation elected to implement the regulatory agencies' capital transition relief over the permissible three-year period. The following table illustrates the impact of Topic 326:

	January 1, 2023		
(In thousands)	**Pre Topic 326**	**As Reported Under Topic 326**	**Impact of Topic 326 Adoption**
Allowance for Credit Losses on Loans:			
Commercial and industrial	**$ (2,848)**	**$ (2,086)**	**$ 762**
Commercial real estate	**(10,016)**	**(11,122)**	**(1,106)**
Real estate construction	**(1,000)**	**(2,347)**	**(1,347)**
Residential mortgage	**(3,029)**	**(3,326)**	**(297)**
Home equity lines of credit	**(347)**	**(364)**	**(17)**
Consumer	**(376)**	**(234)**	**142**
Unallocated	**(245)**	**—**	**245**
Allowance for credit losses on loans	**$ (17,861)**	**$ (19,479)**	**$ (1,618)**
Assets:			
Total Loans, net of allowance for credit losses	**$ 1,520,749**	**$ 1,519,131**	**$ 1,618**
Net deferred tax asset	**17,718**	**18,452**	**734**
Liabilities:			
Allowance for unfunded commitments	**92**	**1,735**	**1,643**
Equity:			
Retained earnings	**245,042**	**242,674**	**2,368**

The ACL represents an amount which, in management's judgment, is adequate to absorb expected losses on outstanding loans at the balance sheet date based on the evaluation of the size and current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience. The ACL is measured and recorded upon the initial recognition of a financial asset. The ACL is reduced by charge-offs, net of recoveries of previous losses, and is increased or decreased by a provision for credit losses, which is recorded as a current period operating expense.

The Company believes it uses relevant information available to make determinations about the ACL and that it has established the existing allowance in accordance with GAAP. However, the determination of the ACL requires significant judgment and estimates of expected losses in the loan portfolio can vary significantly from the amounts actually observed. While the Company uses available information to recognize expected losses, future additions to the ACL may be necessary based on changes in the loans comprising the portfolio, changes in the current and forecasted economic conditions, changes to the interest rate environment which may directly impact prepayment and curtailment rate assumptions, and/or changes in the financial condition of borrowers.

The adoption of CECL did not result in a significant change to any other credit risk management and monitoring processes, including identification of past due or delinquent borrowers, nonaccrual practices or charge-off policies.

The Corporation's methodology for estimating the ACL includes:

Segmentation. The Corporation's loan portfolio is segmented by loan types that have similar risk characteristics and types of collateral and behave similarly during economic cycles.

Specific Analysis. A specific reserve analysis is applied to certain individually evaluated loans. These loans are evaluated quarterly generally based on collateral value, observable market value or the present value of expected future cash flows. A specific reserve is established if the fair value is less than the loan balance. A charge-off is recognized when the loss is quantifiable.

Quantitative Analysis. The Corporation elected to use Discounted Cash Flow and chose unemployment rate as the driving factor of their economic forecasts. In regards to unemployment rates, the Corporation elected to forecast economic factors over the period of the next four quarters. The Corporation chose not to extend beyond four quarters given the inherent risks associated with forecasting. The Corporation utilizes relevant third-party forecasts as a basis and support for its own forecast. These forecasts are assumed to revert to the long-term average and utilized in the model to estimate the PD and LGD through regression. The Corporation elected a reversion period of four quarters. The Corporation deemed four quarters to be a reasonable time period to ensure it did not include irrelevant information, but also not too short to introduce unnecessary volatility. Model assumptions include, but are not limited to the discount rate, prepayment speeds, funding rates, PD, LGD and curtailments. The product of the PD and the LGD is the estimated loss rate, which varies over time. The estimated loss rate is applied within the appropriate periods in the cash flow model to determine the net present value. Net present value is also impacted by assumptions related to the duration between default and recovery. The reserve is based on the difference between the summation of the principal balances taking amortized costs into consideration and the summation of the net present values.

Qualitative Analysis. Based on management's review and analysis of internal, external and model risks, management may adjust the model output. Management reviews the peaks and troughs of the model's calibration, considering economic forecasts to develop guardrails that serve as the basis for determining the reasonableness of the model's output and makes adjustments as necessary. This process challenges unexpected variability resulting from outputs beyond the model's calibration that appear to be unreasonable. Additionally, management may adjust the economic forecast if it is incompatible with known market conditions based on management's experience and perspective.

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 by creditors and vintage disclosure related to gross write-offs. Upon adoption, the Corporation is 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. The Corporation adopted ASU 2022-02 on January 1, 2023.

ACL Methodology Before CECL Adoption

For the year ended December 31, 2022 and prior, the ACL was established as losses were estimated to occur through a provision for credit losses charged to earnings. Credit losses were charged against the allowance when management believed the uncollectibility of a loan balance was confirmed. Subsequent recoveries, if any, were credited to the ACL.

The ACL was evaluated on a regular basis by management and was 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 have affected the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation was inherently subjective as it required estimates that are susceptible to significant revision as more information became available.

The ACL consisted of specific, general and unallocated components. The specific component related to loans that were classified as either doubtful, substandard, or special mention. For such loans that were also classified as impaired, an ACL was established when the discounted cash flows (or collateral value or observable market price) of the impaired loan was lower than the carrying value of that loan. The general component covered 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 were 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 included:

- 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 was 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 were supported through documentation of changes in conditions in a narrative accompanying the ACL calculation.

The unallocated component of the ACL was maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the ACL reflected the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. It covered risks that were 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 ACL 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 did not separately identify individual consumer and residential loans for impairment disclosures, unless such loans were the subject of a troubled debt restructure.

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 Indicators

The Corporation's portfolio risk rating analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Corporation's internal credit risk rating system is based on debt service coverage, collateral values and other subjective factors. Non-commercial-purpose loans are defaulted to a performing classification until a loan migrates to past due status.

Special Mention – Considered “Other Assets Especially Mentioned” these loans are currently protected, but are potentially weak. Loans in this rating category constitute an undue and unwarranted credit risk, but not to the point of justifying a classification of substandard. The credit risk may be relatively minor, yet constitutes an unwarranted risk in light of the circumstances surrounding a specific loan.

Substandard – Loans in this category are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual loans classified as substandard.

Doubtful – Loans in this category have all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonable specific pending factors which may work to strengthen the credit, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans.

Loss - Loans classified as a loss are considered uncollectible and are charged to the ACL.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans.

In addition, federal and state regulatory agencies, as an integral part of their examination process, periodically review the Corporation’s ACL 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 credit losses is adequate.

Concentration of Credit Risk

Most of the Corporation’s activities are with customers located within southcentral Pennsylvania and northern Maryland. Note 3 discusses the types of securities in which the Corporation invests. The types of lending in which the Corporation engages are outlined above. Non-owner occupied commercial real estate represented 60.9% of the commercial real estate portfolio at December 31, 2023. 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.

Acquired Loans

Under CECL acquired loans or pools of loans that have experienced more-than-insignificant credit deterioration are deemed to be PCD loans, and are grossed-up on day 1 by the initial credit estimate through the ACL as opposed to a reduction in the loan’s amortized cost. The credit mark on acquired loans deemed not to be PCD loans are reflected as a reduction in the loan’s amortized cost, with an ACL and corresponding provision for credit losses recorded in the first reporting period after acquisition through current period earnings, while the loan mark will accrete through interest income over the life of such loans. At acquisition ACNB will consider several factors as indicators that an acquired loan or pool of loans has experienced more-than-insignificant credit deterioration. These factors may include, but are not limited to, loans 30 days or more past due, loans with an internal risk grade of below average or lower, loans classified as non-accrual by the acquired institution, materiality of the credit and loans that have been previously modified. Upon adoption of CECL acquired loans from prior acquisitions that met the guidelines under ASC 310-30 (formerly known as “purchased credit-impaired”) were reclassified as PCD loans. The accretable portion of the loan mark as of adoption date continues to accrete into interest income. However, the non-accretable portion of the loan mark was added to the ACL upon adoption, and any reversals of such mark will flow through the ACL in future periods.

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 three - 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.

Leases

All leases with an initial term greater than 12 months recognize: (1) a ROU asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term; and (2) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, each measured on a discounted basis.

As a lessee, the majority of the operating lease portfolio consists of real estate leases for the Bank's community banking offices. The operating leases have remaining lease terms of one year to eight years, some of which include options to renew at varying durations. See "Note 7 - Leases" for additional information.

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, 2023 and 2022, and consists of common stock in the Atlantic Community Bankers Bank, Community Bankers Bank and Federal Home Loan Bank.

Management evaluates the restricted investment in bank stocks for impairment in accordance with 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 2023 or 2022.

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 $214 thousand and $81 thousand of expense in 2023 and 2022, 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.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. 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 the Bank's or ACNB Insurance Services' outstanding goodwill from its most recent goodwill impairment analysis which was completed as of December 31, 2023. If certain events occur which indicate goodwill might be impaired between annual assessments, the goodwill would be evaluated for impairment when such events occur.

Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. These assets that have finite lives, such as core deposit intangibles, customer lists and non-compete covenants, 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 using the straight line method over their estimated useful lives which range from eight to fifteen years. Non-compete covenants are amortized using the straight line method over the term of the agreement.

The fair value of customer lists 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 non-compete covenants 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.

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. Foreclosed assets held for resale were $467 thousand and $474 thousand at December 31, 2023 and 2022, 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.

Defined Benefit Pension Plan

Net periodic pension costs are funded based on the requirements of federal laws and regulations. The determination of net periodic pension costs is based on assumptions about future events that will affect the amount and timing of required benefit payments under the plan. These assumptions include demographic assumptions such as retirement age and mortality, a discount rate used to determine the current benefit obligation, form of payment election and a long-term expected rate of return on plan assets. Net periodic pension expense includes interest cost, based on the assumed discount rate, an expected return on plan assets, amortization of prior service cost or credit and amortization of net actuarial gains or losses. Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. For additional details, see "Note 12 - Retirement Plans."

Stock-based Compensation

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. The ACNB Corporation 2009 Restricted Stock Plan expired by its own terms after 10 years on February 24, 2019. No further shares may be issued under this plan. The remaining 174,055 shares were transferred to the ACNB Corporation 2018 Omnibus Stock Incentive Plan.

Stock-based compensation awards granted, comprised of time-based restricted stock awards, are valued at fair value on the date of grant and compensation expense is recognized on a straight-line basis over the requisite service period of each award. The Company recognizes forfeitures as they occur.

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.

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

Pursuant to the Pennsylvania Banking Code of 1965, as amended, and the regulations of the FDIC, the Bank is required to maintain certain capital levels and is restricted in the dividends that may be paid by the bank to the holding company. In addition, pursuant to the Pennsylvania Business Corporation Law, as amended, and the rules and regulations of the Board of Governors of the Federal Reserve System, the holding company is subject to restrictions on dividends that the holding company may pay to stockholders.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgement regarding interest rates, 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. See "Note 11 - Fair Value Measurements" for additional information.

Revenue Recognition

ACNB 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 that significantly affects the determination of the amount and timing of revenue from contracts with customers. The sources of revenue for ACNB are interest income from loans and investments and noninterest income. Noninterest income is earned from various banking and financial services that ACNB offers through its subsidiaries.

Commissions from insurance sales: Commission income is earned based on customers transactions. The commission income is recognized when the transaction is complete.

Service charges on deposit accounts: Deposits are included as liabilities in the Consolidated Balance Sheets. Service charges on deposit accounts include: overdraft fees; 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.

Wealth Management: 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 Wealth Management offers retail brokerage-services through a third-party provider. Wealth Management clients are located primarily within the Corporation's Market Area.

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 upon with each customer, and fee levels vary based mainly on the size of assets under management.

ATM debit card charges: The Bank 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.

Other: Consists of safe deposit rental income, 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.

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. The Bank offers banking and wealth management services, including trust and retail brokerage. ACNB Insurance Services offers a broad range of property and casualty, life and health insurance to both commercial and individual clients. Segment determination also considers 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.

Accounting Standards Pending Adoption

ASU 2022-06

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 statements.

ASU 2023-07

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280)". The amendments in this ASU are expected to improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. The amendments of ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments in ASU 2023-07 should be applied retrospectively to all periods presented on the financial statements. The Corporation has adopted the amendments of ASU 2023-07 related to annual disclosure requirements effective January 1, 2024, and will present any newly required annual disclosures in its Annual Report on Form 10-K for the year ending December 31, 2024 and intends to adopt the amendments of ASU 2023-07 related to interim disclosure requirements effective January 1, 2025, and will present any newly required interim disclosures beginning with its Quarterly Report on Form 10-Q for the period ending March 31, 2025. Adoption of this standard is not expected to have a material impact on the Corporation's consolidated financial statements.

ASU 2023-09

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740)". This ASU is intended to improve the disclosures for income taxes to address requests from investors, lenders, creditors and other allocators of capital that use the financial statements to make capital allocation decisions. The amendments in ASU 2023-09 will require consistent categories and greater disaggregation of information in the rate reconciliation disclosure as well as disclosure of income taxes paid disaggregated by jurisdiction. The amendments of ASU 2023-09 are effective for annual periods beginning after December 15, 2024, and early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Corporation intends to adopt the amendments of ASU 2023-09 effective January 1, 2025, and will include the required disclosures in its Annual Report on Form 10-K for the year ending December 31, 2025. The Corporation is currently evaluating the impact of this standard, and believes that its adoption will not have a material impact on the Corporation's consolidated financial statements.

NOTE 2 — RESTRICTIONS ON CASH AND CASH EQUIVALENTS

The Corporation is required to maintain cash balances at certain correspondent banks in exchange for services obtained through those banks. At December 31, 2023 and 2022, these balances were included in interest-bearing deposits with banks.

NOTE 3 — INVESTMENT SECURITIES

Fair value of equity securities with readily determinable fair values are as follows:

(In thousands)	Fair Value at January 1	Purchases	Sales/reclassification	Gains/(Losses)	(Losses)/Gains on sales of securities	Fair Value at December 31
2023						
CRA Mutual Fund	**$ 915**	**$ —**	**$ —**	**$ 13**	**$ —**	**$ 928**
Canapi Ventures SBIC Fund	**206**	**—**	**206**	**—**	**—**	**—**
Stock in other banks	**598**	**—**	**592**	**5**	**(11)**	**—**
Total	**$ 1,719**	**$ —**	**$ 798**	**$ 18**	**$ (11)**	**$ 928**
2022						
CRA Mutual Fund	$ 1,036	$ —	$ —	$ (121)	$ —	$ 915
Canapi Ventures SBIC Fund	—	206	—	—	—	206
Stock in other banks	1,573	—	811	(177)	13	598
Total	$ 2,609	$ 206	$ 811	$ (298)	$ 13	$ 1,719

Amortized cost and fair value of debt securities were as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023				
Available for Sale				
U.S. Government and agencies	**$ 176,458**	**$ —**	**$ 19,663**	**$ 156,795**
Mortgage-backed securities	**293,128**	**363**	**28,287**	**265,204**
Corporate bonds	**32,326**	**202**	**2,834**	**29,694**
Total	**$ 501,912**	**$ 565**	**$ 50,784**	**$ 451,693**
Held to Maturity				
Mortgage-backed securities	**$ 2,467**	**$ —**	**$ 124**	**$ 2,343**
State and municipal	**62,133**	**—**	**5,419**	**56,714**
Total	**$ 64,600**	**$ —**	**$ 5,543**	**$ 59,057**
December 31, 2022				
Available for Sale				
U.S. Government and agencies	$ 241,467	$ —	$ 30,468	$ 210,999
Mortgage-backed securities	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
Total	$ 617,641	$ 553	$ 64,640	$ 553,554
Held to Maturity				
Mortgage-backed securities	$ 3,279	$ —	$ 194	$ 3,085
State and municipal	61,698	—	6,705	54,993
Total	$ 64,977	$ —	$ 6,899	$ 58,078

The following table shows the gross unrealized and estimated fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2023 and 2022:

	Less than 12 Months		12 Months or More		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2023						
Available for Sale						
U.S. Government and agencies	$ —	$ —	$ **156,795**	$ **19,663**	$ **156,795**	$ **19,663**
Mortgage-backed securities	—	—	**230,443**	**28,287**	**230,443**	**28,287**
Corporate bonds	—	—	**15,279**	**2,834**	**15,279**	**2,834**
Total	$ —	$ —	$ **402,517**	$ **50,784**	$ **402,517**	$ **50,784**
Held to Maturity						
Mortgage-backed securities	$ —	$ —	$ **2,343**	$ **124**	$ **2,343**	$ **124**
State and municipal	—	—	**56,714**	**5,419**	**56,714**	**5,419**
Total	$ —	$ —	$ **59,057**	$ **5,543**	$ **59,057**	$ **5,543**
December 31, 2022						
Available for Sale						
U.S. Government and agencies	$ 25,426	$ 1,461	$ 185,573	$ 29,007	$ 210,999	$ 30,468
Mortgage-backed securities	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
Total	$ 277,241	$ 22,236	$ 253,968	$ 42,404	$ 531,209	$ 64,640
Held to Maturity						
Mortgage-backed securities	$ 3,085	$ 194	$ —	$ —	$ 3,085	$ 194
State and municipal	38,086	3,875	16,907	2,830	54,993	6,705
Total	$ 41,171	$ 4,069	$ 16,907	$ 2,830	$ 58,078	$ 6,899

All mortgage-backed security investments are government sponsored enterprise pass-through instruments issued by the Federal National Mortgage Association, Government National Mortgage Association or Federal Home Loan Mortgage Corporation, which guarantee the timely payment of principal on these investments. The Company evaluates AFS debt securities for expected credit losses in unrealized loss positions at each measurement date to determine whether the decline in the fair value below the amortized cost basis is due to credit-related factors or noncredit-related factors.

In estimating credit events which may lead to an ACL on debt securities, management considers whether it intends to sell the security, or if it is more likely than not that it will be required to sell the security before recovery, or if it does not expect to recover the entire amortized cost basis.

Amortized cost and fair value at December 31, 2023, 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.

	Available for Sale		Held to Maturity	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
1 year or less	$ 15,664	$ 15,178	$ —	$ —
Over 1 year through 5 years	109,772	99,591	1,394	1,299
Over 5 years through 10 years	81,348	70,242	25,391	23,807
Over 10 years	2,000	1,478	35,348	31,608
Mortgage-backed securities	293,128	265,204	2,467	2,343
	$ 501,912	$ 451,693	$ 64,600	$ 59,057

The Corporation reassessed classification of certain investments and effective April 1, 2022, the Corporation transferred $39.7 million of state and municipal securities from AFS to HTM 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.

During 2022, the Corporation enacted a sale of certain amortizing securities designated as HTM under the standards set forth in ASC Topic 320, *Investments - Debt Securities*. 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 proceeds from sales of securities and the associated gains and losses are listed below:

	Years Ended December 31,	
(In thousands)	2023	2022
Proceeds	$ 125,241	$ 4,994
Gross gains	230	14
Gross losses	5,470	248

At December 31, 2023 and 2022, securities with a carrying value of $233.7 million and $342.2 million, respectively, were pledged as collateral as required by law on public and trust deposits, repurchase agreements, and for other purposes.

NOTE 4 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

The composition of the loan portfolio as of December 31:

(In thousands)	2023	2022
Commercial real estate	$ 898,709	$ 824,111
Residential mortgage	394,189	361,905
Commercial and industrial	152,344	180,958
Home equity lines of credit	90,163	83,463
Real estate construction	84,341	80,491
Consumer	9,954	11,336
Gross loans	1,629,700	1,542,264
Unearned income	(1,712)	(3,654)
Total loans, net of unearned income	$ 1,627,988	$ 1,538,610

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. None of these loans were past due, in nonaccrual status, or restructured at December 31, 2023.

Following is a summary of the activity for these related-party loans:

(In thousands)	2023
Balance at January 1	$ 5,950
New loans [1]	344
Repayments [1]	987
Balance at December 31	$ 5,307

[1] Includes one additional loan and the removal of one loan due to changes in executive management and directors.

One of the factors used to monitor the performance and credit quality of the loan portfolio is to analyze the age of the loans receivable as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the past due status:

(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, 2023							
Commercial real estate	**$ 150**	**$ 347**	**$ —**	**$ 497**	**$ 898,212**	**$ 898,709**	**$ —**
Residential mortgage	**1,293**	**388**	**849**	**2,530**	**391,659**	**394,189**	**505**
Commercial and industrial	**50**	**—**	**159**	**209**	**152,135**	**152,344**	**—**
Home equity lines of credit	**414**	**—**	**654**	**1,068**	**89,095**	**90,163**	**654**
Real estate construction	**12**	**—**	**—**	**12**	**84,329**	**84,341**	**—**
Consumer	**8**	**—**	**3**	**11**	**9,943**	**9,954**	**3**
Total Loans	**$ 1,927**	**$ 735**	**$ 1,665**	**$ 4,327**	**$ 1,625,373**	**$ 1,629,700**	**$ 1,162**

(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							
Commercial real estate	$ 2,026	$ 350	$ 255	$ 2,631	$ 821,480	$ 824,111	$ —
Residential mortgage	2,969	970	705	4,644	357,261	361,905	705
Commercial and industrial	287	—	162	449	180,509	180,958	—
Home equity lines of credit	438	117	498	1,053	82,410	83,463	498
Real estate construction	24	—	—	24	80,467	80,491	—
Consumer	155	80	—	235	11,101	11,336	—
Total Loans	$ 5,899	$ 1,517	$ 1,620	$ 9,036	$ 1,533,228	$ 1,542,264	$ 1,203

Allowance for Credit Losses, effective January 1, 2023

As discussed in Note 1, “Summary of Significant Account Polices,” the Corporation adopted CECL effective January 1, 2023. CECL requires estimated credit losses on loans to be determined based on an expected life of loan model, as compared to an incurred loss model, which was in effect for periods prior to 2023. Accordingly, ACL disclosures subsequent to January 1, 2023 are not always comparable to prior periods. In addition, certain new disclosures required under CECL are not applicable to prior periods. As a result, the tables in this disclosure present separately for each period, where appropriate.

Under CECL, loans individually evaluated consist of nonaccrual loans. Under the incurred loss model in effect prior to the adoption of CECL, loans evaluated individually for impairment were referred to as impaired loans.

The following table presents nonaccrual loans:

	December 31, 2023			December 31, 2022
(In thousands)	With a Related Allowance	Without a Related Allowance	Total	Total
Commercial real estate	$ 315	$ 1,164	$ 1,479	$ 1,873
Residential mortgage	—	343	343	—
Commercial and industrial	1,004	—	1,004	781
Home equity lines of credit	—	185	185	—
	$ 1,319	$ 1,692	$ 3,011	$ 2,654

No additional funds are committed to be advanced in connection with individually evaluated loans. If interest on all nonaccrual loans had been accrued at original contract rates, interest income would have increased by $302 thousand in 2023 and $410 thousand in 2022.

One accruing TDR was included in the table above as of December 31, 2022. That loan was moved to performing status during 2023 due to its loan repayment history .

Total nonperforming loans at December 31 are as follows:

(In thousands)	2023	2022
Nonaccrual loans	$ 3,011	$ 2,654
Greater than 90 days past due and still accruing	1,162	1,203
Total nonperforming loans	$ 4,173	$ 3,857

Loan Modifications

On January 1, 2023, the Corporation adopted the accounting guidance in ASU 2022-02, which eliminated the recognition and measurement of TDRs. Due to the removal of the TDR designation, the Corporation evaluates all loan restructurings according to the accounting guidance for loan modifications to determine if the restructuring results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows include situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, and combinations of the above. Therefore, the disclosures related to loan restructurings are only for modifications that directly affect cash flows.

Loans modified as of December 31, 2023 were as follows:

(In thousands)	Term Extension	% of Total Class of Financing Receivable
Commercial and industrial	$ 549	0.4 %

As of December 31, 2023, the Corporation had no commitments to lend any additional funds on modified loans. There were no loans that defaulted during the period that had been modified preceding the payment default when the borrower was experiencing financial difficulty at the time of modification. For purposes of this disclosure, a default occurs when, within 12 months of the original modification, either a full or partial charge-off occurs or the loan becomes 90 days or more past due.

Collateral-Dependent Loans

A loan is considered to be collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of loans deemed collateral-dependent, the Corporation elected the practical expedient to estimate expected credit losses based on the collateral's fair value less cost to sell. In most cases, the Corporation records a partial charge-off to reduce the collateral-dependent loan's carrying value to the collateral's fair value less cost to sell. Substantially all of the collateral supporting collateral-dependent loans consists of various types of real estate, including residential properties, commercial properties, such as retail centers, office buildings, and lodging, agriculture land, and vacant land.

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

	December 31, 2023	
	Type of Collateral	
(In thousands)	**Business Assets**	**Real Estate**
Commercial real estate	$ —	$ 1,479
Residential mortgage	—	343
Commercial and industrial	1,004	—
Home equity lines of credit	—	185
Total	$ 1,004	$ 2,007

Consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process at December 31, 2023 and December 31, 2022, totaled $1.3 million and $1.1 million, respectively.

Allowance for Credit Losses

The Corporation maintains an ACL at a level determined to be adequate to absorb expected credit losses associated with the Corporation's financial instruments over the life of those instruments as of the balance sheet date. The Corporation's systematic ACL methodology is based on the following portfolio segments: commercial real estate, residential mortgage, commercial and industrial, home equity lines of credit, real estate construction and consumer. The Corporation's loan portfolio is segmented by loan types that have similar risk characteristics, type of collateral and behave similarly during economic cycles. The segmentation in the CECL model is different from the segmentation in the incurred loss model, however there was minimal impact on the presentation of the financial statement disclosures. See Note 1 "Summary of Significant Accounting Policies" for discussion of the key risks by portfolio segment that management assesses in preparing the ACL.

The Bank considers the performance of the loan portfolio and its impact on the ACL. The Bank does not assign internal risk ratings to smaller balance, homogeneous loans such as certain residential mortgage, home equity lines of credit, construction loans to individuals secured by residential real estate and consumer loans. For these loans, the Bank evaluates credit quality based on the aging status of the loan and designates as performing and nonperforming.

The following summarizes designated internal risk categories by portfolio segment for loans that the Bank assigns a risk rating and those that Bank evaluates based on the performance status:

	December 31, 2023							
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	
(In thousands)	2023	2022	2021	2020	2019	Prior		Total
Internally Risk Rated:								
Commercial real estate								
Pass	$ 136,158	$ 152,767	$ 130,994	$ 60,918	$ 65,856	$ 287,026	$ 13,636	$ 847,355
Special Mention	1,927	6,385	5,920	1,904	8,222	16,244	1,994	42,596
Substandard	—	—	—	1,530	704	6,524	—	8,758
Total Commercial real estate	$ 138,085	$ 159,152	$ 136,914	$ 64,352	$ 74,782	$ 309,794	$ 15,630	$ 898,709
Residential mortgage								
Pass	$ 39,146	$ 27,612	$ 41,031	$ 14,758	$ 10,492	$ 27,274	$ 402	$ 160,715
Special Mention	588	82	593	397	826	2,457	62	5,005
Substandard	—	—	—	—	—	218	—	218
Total Residential Mortgage	$ 39,734	$ 27,694	$ 41,624	$ 15,155	$ 11,318	$ 29,949	$ 464	$ 165,938
Commercial and industrial								
Pass	$ 12,319	$ 24,259	$ 34,830	$ 15,614	$ 13,922	$ 17,780	$ 25,147	$ 143,871
Special Mention	128	303	290	529	140	459	2,014	3,863
Substandard	7	135	499	91	9	1,597	2,272	4,610
Total Commercial and industrial	$ 12,454	$ 24,697	$ 35,619	$ 16,234	$ 14,071	$ 19,836	$ 29,433	$ 152,344
Year-to-date gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 110	$ —	$ 110
Real estate construction								
Pass	$ 19,766	$ 39,758	$ 3,953	$ 1,160	$ —	$ 2,604	$ 8,003	$ 75,244
Special Mention	—	465	—	92	—	725	—	1,282
Substandard	—	—	—	—	—	69	—	69
Total Real estate construction	$ 19,766	$ 40,223	$ 3,953	$ 1,252	$ —	$ 3,398	$ 8,003	$ 76,595
Home equity lines of credit								
Pass	$ 300	$ 99	$ —	$ —	$ —	$ 131	$ 5,235	$ 5,765
Special Mention	—	—	—	—	—	—	727	727
Substandard	—	—	—	—	—	362	—	362
Total Home equity lines of credit	$ 300	$ 99	$ —	$ —	$ —	$ 493	$ 5,962	$ 6,854
Performance Rated:								
Residential mortgage								
Performing	$ 33,884	$ 45,221	$ 14,878	$ 16,184	$ 9,059	$ 108,021	$ 156	$ 227,403
Nonperforming	—	—	—	—	—	848	—	848
Total Residential Mortgage	$ 33,884	$ 45,221	$ 14,878	$ 16,184	$ 9,059	$ 108,869	$ 156	$ 228,251
Home equity lines of credit								
Performing	$ 23	$ 38	$ —	$ 13	$ 94	$ 4,742	$ 77,745	$ 82,655
Nonperforming	—	—	—	—	—	92	562	654
Total Home equity lines of credit	$ 23	$ 38	$ —	$ 13	$ 94	$ 4,834	$ 78,307	$ 83,309
Consumer								
Performing	$ 2,351	$ 2,685	$ 778	$ 522	$ 271	$ 1,085	$ 2,259	$ 9,951
Nonperforming	—	—	—	—	—	—	3	3
Total Consumer	$ 2,351	$ 2,685	$ 778	$ 522	$ 271	$ 1,085	$ 2,262	$ 9,954
Year-to-date gross charge-offs	$ 48	$ 83	$ 42	$ 55	$ 23	$ 78	$ 67	$ 396
Real estate construction								
Performing	$ 5,571	$ 753	$ 175	$ 210	$ 170	$ 867	$ —	$ 7,746
Total Real estate construction	$ 5,571	$ 753	$ 175	$ 210	$ 170	$ 867	$ —	$ 7,746
Total Portfolio loans								
Pass	$ 207,689	$ 244,495	$ 210,808	$ 92,450	$ 90,270	$ 334,815	$ 52,423	$ 1,232,950
Special Mention	2,643	7,235	6,803	2,922	9,188	19,885	4,797	53,473
Substandard	7	135	499	1,621	713	8,770	2,272	14,017
Performing	41,829	48,697	15,831	16,929	9,594	114,715	80,160	327,755
Nonperforming	—	—	—	—	—	940	565	1,505
Total Portfolio loans	$ 252,168	$ 300,562	$ 233,941	$ 113,922	$ 109,765	$ 479,125	$ 140,217	$ 1,629,700
Year-to-date gross charge-offs	$ 48	$ 83	$ 42	$ 55	$ 23	$ 188	$ 67	$ 506

The information presented in the preceding table is not required to be disclosed for periods prior to the adoption of CECL. The following table presents the most comparable required information, the recorded investment in loan classes by internally assigned risk ratings and loan classes by performing and nonperforming status as of December 31, 2022:

(In thousands)	Commercial and Industrial	Commercial Real Estate	Real Estate Construction	Residential Mortgage	Home Equity Lines of Credit	Consumer	Total
December 31, 2022							
Pass	$ 175,633	$ 789,017	$ 78,673	$ 355,888	$ 82,366	$ 11,336	$ 1,492,913
Special Mention	4,035	29,540	1,818	5,803	712	—	41,908
Substandard	1,290	5,554	—	214	385	—	7,443
Total Portfolio Loans	$ 180,958	$ 824,111	$ 80,491	$ 361,905	$ 83,463	$ 11,336	$ 1,542,264
Performing Loans	$ 180,177	$ 822,238	$ 80,491	$ 361,200	$ 82,965	$ 11,336	$ 1,538,407
Nonperforming Loans	781	1,873	—	705	498	—	3,857
Total Portfolio Loans	$ 180,958	$ 824,111	$ 80,491	$ 361,905	$ 83,463	$ 11,336	$ 1,542,264

The following table summarizes the allowance for credit losses by loan portfolio class for the year ended December 31, 2023:

(In thousands)	Commercial and Industrial	Commercial Real Estate	Real Estate Construction	Residential Mortgage	Home Equity Lines of Credit	Consumer	Unallocated	Total
Allowance for Credit Losses								
Beginning balance - January 1, 2023	**$ 2,848**	**$ 10,016**	**$ 1,000**	**$ 3,029**	**$ 347**	**$ 376**	**$ 245**	**$ 17,861**
Impact of CECL adoption	**(762)**	**1,106**	**1,347**	**297**	**17**	**(142)**	**(245)**	**1,618**
Charge-offs	**(110)**	—	—	—	—	**(396)**	—	**(506)**
Recoveries	**64**	—	—	—	—	**72**	—	**136**
Provisions (credits)	**8**	**888**	**(277)**	**(23)**	**33**	**231**	—	**860**
Ending balance - December 31, 2023	**$ 2,048**	**$ 12,010**	**$ 2,070**	**$ 3,303**	**$ 397**	**$ 141**	**$ —**	**$ 19,969**

The following table summarizes the allowance for loan losses by loan portfolio class for the year ended December 31, 2022:

(In thousands)	Commercial and Industrial	Commercial Real Estate	Real Estate Construction	Residential Mortgage	Home Equity Lines of Credit	Consumer	Unallocated	Total
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

The following summarizes information relative to individually evaluated loans by loan portfolio class as of December 31, 2022:

	Individually Evaluated Loans with Allowance			Individually Evaluated Loans with No Allowance	
(In thousands)	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
Total	$ 1,131	$ 1,131	$ 820	$ 4,984	$ 4,984

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

(In thousands)	Individually Evaluated Loans with Allowance		Individually Evaluated 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
Total	$ 1,847	$ —	$ 5,568	$ 589

NOTE 5 — PREMISES AND EQUIPMENT

Premises and equipment were as follows at December 31:

(In thousands)	2023	2022
Land	**$ 5,418**	$ 5,418
Buildings and improvements	**33,249**	32,515
Furniture and equipment	**14,813**	14,598
Construction in process	**81**	8
Total premises and equipment	**53,561**	52,539
Accumulated depreciation	**(27,278)**	(25,486)
Premises and equipment, net	**$ 26,283**	$ 27,053

Depreciation expense was $1.9 million and $2.3 million for the years ended December 31, 2023 and 2022, respectively.

NOTE 6 — 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, 2023 and 2022, the carrying value of these investments was $1.0 million and $1.1 million, respectively. In December 2022, ACNB Corporation sold one limited partnership resulting in a $421 thousand gain.

NOTE 7 — LEASES

The Corporation enters into noncancellable lease arrangements primarily for some of its community banking 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, 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 ROU assets and lease liabilities are reported within the Consolidated Statements of Condition as follows:

(In thousands)	December 31, 2023	December 31, 2022
Operating Leases:		
ROU assets	**$ 2,615**	$ 3,162
Lease liabilities	**2,615**	3,162
Weighted average remaining lease term	**4.7 years**	5.0 years
Weighted average discount rate	**5.61 %**	5.42 %

Supplemental cash flow information related to operating leases for the years ended December 31:

(In thousands)	2023	2022
Operating cash flows from operating leases	**$ 924**	$ 964

As of December 31, 2023, the Corporation did not have any significant additional operating or finance leases that had not yet commenced.

The following summarizes the remaining scheduled future minimum lease payments for operating leases as of December 31, 2023:

Year	*(In thousands)*
2024	**$ 827**
2025	**785**
2026	**632**
2027	**428**
2028	**393**
Thereafter	**367**
Total minimum lease payments	**3,432**
Less: amount representing interest [(1)]	**817**
Present value of net minimum lease payments	**$ 2,615**

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

NOTE 8 — GOODWILL AND INTANGIBLE ASSETS

Goodwill totaled $44.2 million as of both December 31, 2023 and 2022. There were no goodwill impairment charges in 2023 based on the annual goodwill assessment. On February 28, 2022, ACNB Insurance Services, Inc. completed its acquisition of Hockley & O'Donnell of Gettysburg, Pennsylvania. The purchase price was $7.8 million and was funded with all cash and no additional contingent payments were required. The acquisition of Hockley & O'Donnell resulted in goodwill of approximately $2.1 million and generated $5.7 million in customer list and non-compete covenants intangible assets.

Goodwill, which has an indefinite useful life, is evaluated for impairment annually or 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 were no impairment losses or accumulated impairment losses associated with goodwill as of December 31, 2023 and 2022.

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

	2023		2022	
(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
ACNB Insurance Services - amortizing intangible assets	**$ 16,331**	**$ 8,956**	$ 16,151	$ 8,177
Core deposit intangibles	**5,978**	**4,271**	5,978	3,620
	$ 22,309	**$ 13,227**	$ 22,129	$ 11,797

Amortization expense was $1.4 million and $1.5 million for the years ended December 31, 2023 and 2022, respectively.

The following table shows the amortization expense of the intangible assets for future periods:

Year		*(in thousands)*
2024	$	1,244
2025		1,115
2026		1,004
2027		857
2028		711
Thereafter		4,151
	$	9,082

NOTE 9 — DEPOSITS

Deposits were comprised of the following as of December 31:

(In thousands)		**2023**		**2022**
Noninterest-bearing demand deposits	**$**	**500,332**	$	595,049
Interest-bearing demand deposits		**524,289**		592,586
Money market		**264,907**		310,911
Savings		**340,134**		407,299
Total demand and savings		**1,629,662**		1,905,845
Time		**232,151**		293,130
Total deposits	**$**	**1,861,813**	$	2,198,975

Scheduled maturities of time certificates of deposit at December 31, 2023, were as follows (*in thousands*):

	Time Deposits			
Year		**Less than $250,000**		**$250,000 or more**
2024	$	145,891	$	39,351
2025		30,168		3,780
2026		6,643		254
2027		4,322		—
2028		1,726		—
Thereafter		16		—
	$	188,766	$	43,385

NOTE 10 — BORROWINGS

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

	2023			**2022**		
(Dollars in thousands)		**Amount**	**Rate**		**Amount**	**Rate**
Securities sold under repurchase agreements	**$**	**26,882**	**0.15 %**	$	41,954	0.12 %
FHLB Advances		**30,000**	**5.64**		—	—
Total	**$**	**56,882**	**3.05 %**	$	41,954	0.12 %

Borrowings with original maturities of one year or less are classified as short-term. Securities sold under repurchase agreements are comprised of customer repurchase agreements, which are sweep accounts with next-day maturities utilized by larger commercial customers to earn interest on their funds. Securities are pledged to these customers in an amount at least equal to the outstanding balance. 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. In addition, all FHLB advances are secured by the FHLB capital stock owned by the Bank having a par value of $9.4 million at December 31, 2023. The Bank also has lines of credit that total $192.0 million with correspondent banks for overnight federal funds borrowings. There were no advances on these lines at December 31, 2023 and 2022.

A summary of long-term borrowings and their weighted-average contractual rates as of December 31 is as follows:

	2023		2022	
(Dollars in thousands)	**Amount**	**Rate**	**Amount**	**Rate**
FHLB fixed-rate advances maturing:				
2026	**$ 80,000**	**4.71 %**	$ —	— %
2027	**60,000**	**4.64**	—	—
2028	**35,000**	**4.23**	—	—
Trust preferred subordinated debt	**5,292**	**7.28**	6,000	3.21
Subordinated debt	**15,000**	**4.00**	15,000	4.00
	$ 195,292	**4.62 %**	$ 21,000	3.78 %

The long-term FHLB advances are collateralized by the assets defined in the security agreement and FHLB capital stock described previously. Based on this collateral and ACNB's holding of FHLB stock, ACNB is eligible to borrow up to $867.2 million, of which $661.7 million was available at December 31, 2023.

The trust preferred subordinated debt is comprised of debt securities issued by FCBI in December 2006 and assumed by ACNB Corporation through the acquisition of FCBI. FCBI completed the private placement of an aggregate of $6.0 million of trust preferred securities. The interest rate on the subordinated debentures is adjusted quarterly to 163 basis points over three-month SOFR. On December 15, 2023 the most recent interest rate reset date, the interest rate was adjusted to 7.28% for the period ending March 14, 2024. 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 trust preferred subordinated debt is considered Tier 1 capital for the consolidated capital ratios.

On March 30, 2021, ACNB entered into Subordinated Note Purchase Agreements with certain Purchasers pursuant to which the Corporation 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 Subordinated Notes 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 SOFR plus 329 basis points. As provided in the Subordinated Notes, the interest rate on the Subordinated Notes during the applicable floating rate period may be determined based on a rate other than the 90-day average SOFR. The Subordinated Notes were issued by the Corporation to the Purchasers at a price equal to 100% of their face amount. The Subordinated Notes have a stated maturity of March 31, 2031, are redeemable by the Corporation at its option, in whole or in part, on or after March 30, 2026, and at any time upon the occurrences of certain events. The subordinated debt is considered Tier 2 capital for the consolidated capital ratios.

NOTE 11 — FAIR VALUE MEASUREMENTS

Fair value is the exchange 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 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 for similar assets or liabilities 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.

The following tables present assets measured at fair value and the basis of measurement used at December 31:

		2023			
(In thousands)	**Basis**	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities with readily determinable fair values	**Recurring**	**$ 928**	**$ —**	**$ —**	**$ 928**
AFS Investment Securities:					
U.S. Government and agencies		**—**	**156,795**	**—**	**156,795**
Mortgage-backed securities		**—**	**265,204**	**—**	**265,204**
Corporate bonds		**—**	**29,694**	**—**	**29,694**
Total AFS Investment Securities	**Recurring**	**—**	**451,693**	**—**	**451,693**
Loans held for sale	**Recurring**	**—**	**280**	**—**	**280**
Individually evaluated loans	**Non-recurring**	**—**	**—**	**242**	**242**
Foreclosed assets held for resale	**Non-recurring**	**—**	**—**	**467**	**467**

		2022			
(In thousands)	**Basis**	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities with readily determinable fair values	Recurring	$ 1,719	$ —	$ —	$ 1,719
AFS Investment Securities:					
U.S. Government and agencies		—	210,999	—	210,999
Mortgage-backed securities		—	295,718	—	295,718
State and municipal		—	15,235	—	15,235
Corporate bonds		—	31,602	—	31,602
Total AFS Investment Securities	Recurring	—	553,554	—	553,554
Loans held for sale	Recurring	—	123	—	123
Individually evaluated loans	Non-recurring	—	—	3,773	3,773
Foreclosed assets held for resale	Non-recurring	—	—	474	474

The valuation techniques used to measure fair value for the items in the preceding tables are as follows:

Equity securities - The fair value of equity securities with readily determinable fair values is recorded on the Consolidated Balance Sheet, with realized and unrealized gains and losses reported in other expense on the Consolidated Statements of Income.

Available for sale investment securities – Included in this asset category are debt securities. Level 2 investment securities are valued by a third-party pricing service. The pricing service uses pricing models that vary based on asset class and incorporate available market information, including quoted prices of investment securities with similar characteristics. Because many fixed income securities do not trade on a daily basis, pricing models use available information, as applicable, through processes such as benchmark yield curves, benchmarking of like securities, sector groupings and matrix pricing. Standard market inputs include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data, including market research publications. For certain security types, additional inputs may be used, or some of the standard market inputs may not be applicable.

- *U.S. Government and agencies* – These debt securities are classified as Level 2. Fair values are determined by a third-party pricing service, as detailed above.

- *Mortgage-backed/State and municipal securities* – These debt securities are classified as Level 2. Fair values are determined by a third-party pricing service, as detailed above.

- *Corporate bonds* – This category consists of subordinated and senior debt issued by financial institutions and are classified as Level 2 investments. The fair values for these corporate debt securities are determined by a third-party pricing service, as detailed above.

Loans held for sale – This category includes mortgage loans held for sale that are measured at fair value. Fair values as of December 31, 2023 and 2022, were measured as the price that secondary market investors were offering for loans with similar characteristics. See “Note 1 - Summary of Significant Accounting Policies” for details related to the Corporation’s election to measure assets and liabilities at fair value.

Individually evaluated loans – This category consists of loans that were individually evaluated for impairment and have a specific reserve. They are classified as Level 3 assets.

Foreclosed assets held for resale – This category consists of foreclosed assets that are held for resale and classified as Level 3 assets, for which the fair values were based on estimated selling prices less estimated selling costs for similar assets in active markets.

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 as of December 31:

(Dollars in thousands)	Fair Value Estimate	Valuation Technique	Unobservable Input	Range	Weighted Average
2023					
Individually evaluated loans	**$ 242**	**Appraisal of collateral** [1]	**Appraisal adjustments** [2]	**(33)%–(100)%**	**(94)%**
2022					
Individually evaluated loans	$ 3,773	Appraisal of collateral [1]	Appraisal adjustments [2]	(10)%–(50)%	(48) %

(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 tables present the carrying amount and the estimated fair value of the Corporation's financial instruments as of December 31:

	2023				
		Estimated Fair Value			
(In thousands)	Carrying Amount	Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	$ 21,442	$ 21,442	$ 7,063	$ 14,379	$ —
Interest-bearing deposits with banks	44,516	44,516	44,516	—	—
Equity securities with readily determinable fair values	928	928	928	—	—
Investment securities available for sale	451,693	451,693	—	451,693	—
Investment securities held to maturity	64,600	59,057	—	59,057	—
Loans held for sale	280	280	—	280	—
Loans, net	1,608,019	1,562,703	—	—	1,562,703
Accrued interest receivable	8,080	8,080	—	8,080	—
Restricted investment in bank stocks	9,677	9,677	—	9,677	—
Financial liabilities:					
Demand deposits, savings, and money markets	1,629,662	1,391,709	—	1,391,709	—
Time deposits	232,151	221,770	—	221,770	—
Securities sold under repurchase agreements	26,882	23,666	—	23,666	—
FHLB Advances	205,000	206,950	—	206,950	—
Trust preferred and subordinated debt	20,292	16,992	—	16,992	—
Accrued interest payable	794	794	—	794	—

(In thousands)	2022 Carrying Amount	Estimated Fair Value Total	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	—	—
Investment securities available for sale	553,554	553,554	—	553,554	—
Investment securities held to maturity	64,977	58,078	—	58,078	—
Loans held for sale	123	123	—	123	—
Loans, net	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, savings, and money markets	1,905,845	1,905,845	—	1,905,845	—
Time deposits	293,130	276,182	—	276,182	—
Securities sold under repurchase agreements	41,954	41,954	—	41,954	—
Trust preferred and subordinated debt	21,000	18,648	—	18,648	—
Accrued interest payable	51	51	—	51	—

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.

NOTE 12 — RETIREMENT PLANS

Defined-Contribution 401(k) Retirement Plans

The Bank maintains a 401(k) retirement plan for the benefit of eligible employees. The plan allows employees to contribute up to 100% of their compensation subject to certain limits based on federal tax laws. The plan also provides for the Bank to match 100% of the employee's contribution to the plan up to 3% of the employee's compensation, plus 50% the employee's contribution to the plan on the next 2% of the employee's compensation. Matching contributions vest immediately to the employee. Bank contributions to the plan were $999 thousand and $901 thousand for 2023 and 2022, respectively, and were included as a component of salaries and employee benefits expense.

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 the plan were $183 thousand and $157 thousand for 2023 and 2022, respectively, and were included as a component of salaries and employee benefits expense.

Nonqualified Compensation Plans

The Bank 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, 2023 and 2022, totaled $4.5 million and $4.1 million, respectively. The annual expense included in salaries and employee benefits expense totaled $953 thousand and $628 thousand during the years ended December 31, 2023 and 2022, 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.

Defined Benefit Pension Plan

The Bank has a non-contributory, defined benefit pension plan. No employee hired after March 31, 2012 is eligible to participate in the plan. Retirement benefits are a function of both years of service and compensation. As of the last annual census, the Bank had a combined 336 active, vested terminated, and retired persons in the plan. The funding policy is to contribute annually the amount that is sufficient to meet the minimum funding requirements set forth by ERISA. The Bank uses a measurement date of December 31 for this plan.

The following table summarized the changes in the projected benefit obligation and fair value of plan assets for the plan years ended December 31:

(In thousands)	2023	2022
Change in benefit obligation:		
Projected Benefit obligation at beginning of year	**$ 30,226**	$ 39,123
Service cost	**495**	777
Interest cost	**1,493**	1,052
Actuarial gain (loss)	**983**	(9,141)
Benefits paid	**(1,703)**	(1,585)
Projected benefit obligation at end of year	**31,494**	30,226
Change in plan assets, at fair value:		
Fair value of plan assets at beginning of year	**43,119**	50,218
Actual return on plan assets	**5,011**	(5,514)
Benefits paid	**(1,703)**	(1,585)
Fair value of plan assets at end of year	**46,427**	43,119
Funded Status, included in other assets	**$ 14,933**	$ 12,893

The amounts recognized in accumulated other comprehensive income (loss) are as follows:

(In thousands)	2023	2022
Total net actuarial loss (pre-tax)	**$ 5,120**	$ 6,887

For the years ended December 31, 2023 and 2022, the assumptions used to determine the benefit obligation are as follows:

	2023	2022
Discount rate	**4.90 %**	5.10 %
Rate of compensation increase	**3.50 %**	3.50 %

The discount rate assumption used to determine the benefit obligation decreased since last year. This change results in an increase in the benefit obligation.

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

(In thousands)	2023	2022
Components of net periodic benefit cost (income):		
Service cost	**$ 495**	$ 777
Interest cost	**1,493**	1,052
Expected return on plan assets	**(2,653)**	(3,136)
Recognized net actuarial loss	**392**	407
Net Periodic Benefit Income	**(273)**	(900)
Net gain	**(1,375)**	(491)
Amortization of net loss	**(392)**	(407)
Total recognized in other comprehensive income (loss)	**(1,767)**	(898)
Total recognized in net periodic benefit cost (income) and other comprehensive income	**$ (2,040)**	$ (1,798)

The assumptions used to determine the net periodic benefit cost (income) are as follows for the years ended December 31:

	2023	2022
Discount rate	**5.10 %**	2.75 %
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, 2023 and 2022 are as follows:

(In thousands)	2023	2022
Projected benefit obligation	**$ 31,494**	$ 30,226
Accumulated benefit obligation	**30,411**	29,150
Fair value of plan assets at measurement date	**46,427**	43,119

For the year ended December 31, 2023 the mortality assumption was updated to reflect the most recently published mortality information through October 2023. Estimated future benefit payments are as follows:

Year	*(in thousands)*
2024	**$ 2,010**
2025	**2,060**
2026	**2,070**
2027	**2,060**
2028	**2,060**
2029-2033	**10,750**

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 following 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.

The Corporation's pension plan weighted-average assets' allocations at December 31, 2023 and 2022, are as follows:

	2023	2022
Equity securities	**43 %**	46 %
Debt securities	**54**	49
Real property	**3**	5
	100 %	100 %

Equity securities included $3.9 million of the Corporation's common stock, or 8%, of total plan assets, and $3.3 million, or 8%, of total plan assets, at December 31, 2023 and 2022, respectively.

Fair value measurements were as follows:

(In thousands)	Total	Level 1	Level 2	Level 3
December 31, 2023				
Equity securities	**$ 20,123**	**$ 3,876**	**$ 16,247**	**$ —**
Debt securities	**24,891**	**—**	**24,891**	**—**
Real estate	**1,413**	**—**	**1,413**	**—**
Total	**$ 46,427**	**$ 3,876**	**$ 42,551**	**$ —**
December 31, 2022				
Equity securities	$ 19,749	$ 3,339	$ 16,410	$ —
Debt securities	21,228	—	21,228	—
Real estate	2,142	—	2,142	—
Total	$ 43,119	$ 3,339	$ 39,780	$ —

NOTE 13 — INCOME TAXES

The components of income tax expense were as follows:

(In thousands)	2023	2022
Current:		
Federal	**$ 7,924**	$ 7,461
State	**(534)**	1,259
Total	**7,390**	8,720
Deferred:		
Federal	**755**	592
State	**16**	(113)
Total	**771**	479
Provision for income taxes	**$ 8,161**	$ 9,199

The differences between the ETR and the federal statutory income tax rate are as follows:

	2023	2022
Federal income tax at statutory rate	**21.0 %**	21.0 %
State income taxes, net of federal benefit	**1.5**	1.8
Tax-exempt income	**(1.3)**	(1.1)
Earnings on investment in bank-owned life insurance	**(1.0)**	(0.7)
Tax credit benefits	**—**	(0.6)
Other	**0.3**	0.1
Effective income tax rate	**20.5 %**	20.5 %

The net deferred tax asset recorded by the Corporation is included in other assets and consists of the following tax effects of temporary differences as of December 31:

(In thousands)	2023	2022
Deferred tax assets:		
Investment securities available for sale	**$ 12,052**	$ 15,210
Allowance for credit losses	**4,533**	4,128
Accrued deferred compensation	**1,166**	1,064
Pension	**1,162**	1,608
Deferred director fees	**1,097**	978
Other	**783**	719
Lease liability	**742**	731
Nonaccrual interest	**740**	792
Allowance for unfunded commitments	**390**	—
Accumulated depreciation	**3**	—
Purchase accounting	**—**	149
Total gross deferred tax assets	**22,668**	25,379
Deferred tax liabilities:		
Prepaid benefit cost	**4,552**	4,571
Goodwill and intangibles, net	**1,439**	1,462
Right of use asset	**742**	731
Prepaid expenses	**67**	179
Deferred loan fees	**57**	66
Accumulated depreciation	**—**	208
Purchase accounting	**25**	—
Total gross deferred tax liabilities	**6,882**	7,217
Net deferred tax asset	**$ 15,786**	$ 18,162

Rehabilitation and low-income housing income tax credits were $14 thousand and $281 thousand, during 2023 and 2022, respectively.

The Corporation did not have any uncertain tax positions at December 31, 2023 and 2022. The Corporation's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the Consolidated Statements of Income.

The Corporation and its subsidiaries are subject to U.S. federal income tax as well as income tax of the states for which income is derived. The Corporation is no longer subject to examination by taxing authorities for year before 2019.

NOTE 14 — REGULATORY MATTERS

Regulatory Capital Requirements

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.

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

- Meet a minimum Tier 1 leverage capital ratio of 4.0% of average assets;
- Meet a minimum Common Equity Tier 1 capital ratio of 4.5% of risk-weighted assets;
- Meet a minimum Tier 1 capital ratio of 6.0% of risk-weighted assets;
- Meet a minimum Total capital ratio of 8.0% of risk-weighted assets;
- Maintain a "capital conservation buffer" of 2.5% above the minimum risk-based capital requirements, which must be maintained to avoid restrictions on capital distributions and certain discretionary bonus; and,
- Comply with the definition of capital to improve the ability of regulatory capital instruments to absorb losses.

Management believes, as of December 31, 2023, that the Corporation and the Bank meet all capital adequacy requirements to which they are subject. There are no subsequent conditions or events that management believes have changed the Bank's category.

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The actual and required regulatory capital levels, leverage ratios and risk-based capital ratios as of December 31:

(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions [2]	
	Amount	Ratio	Amount [1]	Ratio [1]	Amount	Ratio
CORPORATION						
2023						
Tier 1 Leverage Capital (to average assets)	**$ 280,135**	**11.57 %**	**$ 96,822**	**4.0%**	**N/A**	**N/A**
Common Equity Tier 1 Capital (to risk-weighted assets)	**274,844**	**15.16**	**81,562**	**4.5**	**N/A**	**N/A**
Tier 1 Capital (to risk-weighted assets)	**280,135**	**15.46**	**108,749**	**6.0**	**N/A**	**N/A**
Total Capital (to risk-weighted assets)	**315,564**	**17.41**	**144,999**	**8.0**	**N/A**	**N/A**
2022						
Tier 1 Leverage Capital (to average assets)	$ 258,468	9.91 %	$ 104,372	4.0%	N/A	N/A
Common Equity Tier 1 Capital (to risk-weighted assets)	252,468	15.00	75,733	4.5	N/A	N/A
Tier 1 Capital (to risk-weighted assets)	258,468	15.36	100,978	6.0	N/A	N/A
Total Capital (to risk-weighted assets)	291,421	17.32	134,637	8.0	N/A	N/A
ACNB BANK						
2023						
Tier 1 Leverage Capital (to average assets)	**$ 268,314**	**11.12 %**	**$ 96,494**	**4.0%**	**$ 120,618**	**5.0%**
Common Equity Tier 1 Capital (to risk-weighted assets)	**268,314**	**14.86**	**81,260**	**4.5**	**117,375**	**6.5**
Tier 1 Capital (to risk-weighted assets)	**268,314**	**14.86**	**108,346**	**6.0**	**144,462**	**8.0**
Total Capital (to risk-weighted assets)	**288,742**	**15.99**	**144,462**	**8.0**	**180,577**	**10.0**
2022						
Tier 1 Leverage Capital (to average assets)	$ 246,184	9.50 %	$ 103,690	4.0%	$ 129,612	5.0%
Common Equity Tier 1 Capital (to risk-weighted assets)	246,184	14.68	75,441	4.5	108,971	6.5
Tier 1 Capital (to risk-weighted assets)	246,184	14.68	100,588	6.0	134,118	8.0
Total Capital (to risk-weighted assets)	264,137	15.76	134,118	8.0	167,647	10.0

(1) Amounts and ratios do not include capital conservation buffer.
(2) N/A - Not applicable as "well capitalized" applies only to banks.

Dividend Restrictions

Dividend payments by the Bank to the Corporation are subject to certain legal and regulatory limitations. As of December 31, 2023 $48.3 million 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.

NOTE 15 — COMMITMENTS AND CONTINGENCIES

Commitments

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. To varying degrees, these instruments involve elements of credit and interest rate risk in excess of the amount recognized on the Consolidated Statement of Condition.

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 Corporation maintains a $5.0 million unsecured line of credit with a correspondent bank. The Corporation guarantees a note related to a $1.5 million commercial line of credit with a correspondent bank, with normal terms and conditions for such a line, for ACNB Insurance Services, the borrower. The commercial line of credit is for general working capital needs as they arise by the ACNB Insurance Services. 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. There were no advances on these lines at December 31, 2023 and 2022.

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)	**2023**	2022
Commitments to extend credit	**$ 403,300**	$ 401,786
Standby letters of credit	**21,029**	11,429

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 16 — EARNINGS PER SHARE

The Corporation has a simple capital structure. Basic earnings per share of common stock is calculated as net income available to common stockholders divided by the weighted average number of shares outstanding less unvested restricted stock at the end of the period. Diluted earnings per share is calculated as net income available to common stockholders divided by the weighted average number of shares outstanding.

	Years Ended December 31,	
	2023	**2022**
Weighted average shares outstanding (basic)	**8,507,803**	8,623,012
Unvested shares	**28,322**	—
Weighted average shares outstanding (diluted)	**8,536,125**	8,623,012
Per share:		
Basic	**$ 3.72**	$ 4.15
Diluted	**3.71**	4.15

NOTE 17 — STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

Other comprehensive income includes unrealized gains and losses on investment securities AFS 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 (Losses) Gains on Securities	Pension Liability	Accumulated Other Comprehensive Loss
Balance at December 31, 2021	$ (3,474)	$ (6,071)	$ (9,545)
Amounts reclassified from accumulated other comprehensive loss, net of tax:			
Unrealized losses on AFS 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 HTM, 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)
Balance at December 31, 2022	(52,734)	(5,278)	(58,012)
Amounts reclassified from accumulated other comprehensive loss, net of tax:			
Unrealized gain on AFS securities, net of tax	**6,814**	**—**	**6,814**
Realized losses on securities, net of tax	**4,052**	**—**	**4,052**
Amortization of unrealized losses on securities transferred to HTM, net of tax	**916**	**—**	**916**
Amortization of pension net loss, transition liability and prior service cost, net of tax	**—**	**258**	**258**
Unrecognized pension net gain, net of tax	**—**	**1,063**	**1,063**
Net current period other comprehensive income	**11,782**	**1,321**	**13,103**
Balance at December 31, 2023	**$ (40,952)**	**$ (3,957)**	**$ (44,909)**

Dividend Reinvestment Plan

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 2023, 20,361 shares were issued under this plan with proceeds in the amount of $721 thousand. During 2022, 20,908 shares were issued under this plan with proceeds in the amount of $713 thousand. Proceeds are used for general corporate purposes.

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 were authorized, but not issued, under the ACNB Corporation 2009 Restricted Stock Plan. The ACNB Corporation 2009 Restricted Stock Plan expired by its own terms after 10 years on February 24, 2019. No further shares may be issued under this plan. The remaining 174,055 shares were transferred to the ACNB Corporation 2018 Omnibus Stock Incentive Plan.

As of December 31, 2023, 99,381 shares were issued under this plan, of which 32,993 were unvested. Plan expense is recognized over the vesting period of the stock issued and resulted in $1.0 million and $729 thousand of compensation expense during the years ended December 31, 2023 and 2022, respectively.

Share Repurchase Plan

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 61,066 treasury shares purchased under this plan during the year ended December 31, 2023.

NOTE 18 — PARENT COMPANY ONLY FINANCIAL INFORMATION

CONDENSED STATEMENTS OF CONDITION

(In thousands)	December 31, 2023	December 31, 2022
ASSETS		
Cash	**$ 16,647**	$ 18,263
Investment in banking subsidiary	**258,748**	225,806
Investment in other subsidiaries	**20,023**	18,757
Securities and other assets	**1,107**	1,797
Receivable from banking subsidiary	**1,355**	1,508
Total Assets	**$ 297,880**	$ 266,131
LIABILITIES AND STOCKHOLDERS' EQUITY		
Long-term borrowings	**$ 20,292**	$ 21,000
Other liabilities	**127**	89
Stockholders' equity	**277,461**	245,042
Total Liabilities and Stockholders' Equity	**$ 297,880**	$ 266,131

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

(In thousands)	Years Ended December 31, 2023	2022
Dividends from banking subsidiary	**$ 9,702**	$ 9,117
Net (loss) gain on sales of securities	**(7)**	13
Other Income	**41**	519
	9,736	9,649
Expenses	**1,934**	1,653
	7,802	7,996
Income tax benefit	**413**	516
	8,215	8,512
Equity in undistributed earnings of subsidiaries	**23,473**	27,240
Net Income	**$ 31,688**	$ 35,752
Comprehensive Income (Loss)	**$ 44,791**	$ (12,715)

CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended December 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 31,688**	$ 35,752
Equity in undistributed earnings of subsidiaries	**(23,473)**	(27,240)
(Increase) decrease in receivable from banking subsidiary	**153**	(311)
Gain on sale of equity securities	**(7)**	(13)
Mark-to-market gain on equity securities	**—**	177
Gain on sale of low-income housing partnership	**—**	(421)
Other	**439**	(308)
Net Cash Provided by Operating Activities	**8,800**	7,636
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	**592**	811
Net Cash Used in Investing Activities	**592**	14,232
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayments on long-term borrowings	—	(2,700)
Dividends paid	**(9,702)**	(9,117)
Common stock repurchased	**(2,027)**	(6,681)
Common stock issued	**721**	1,442
Net Cash Used in Financing Activities	**(11,008)**	(17,056)
Net Increase (Decrease) in Cash and Cash Equivalents	**(1,616)**	4,812
CASH AND CASH EQUIVALENTS — BEGINNING	**18,263**	13,451
CASH AND CASH EQUIVALENTS — ENDING	**$ 16,647**	$ 18,263

NOTE 19 — SEGMENT AND RELATED INFORMATION

The Corporation has two reporting segments, the Bank and ACNB Insurance Services, Inc. as discussed further in Note 1 - "Summary of Significant Accounting Policies."

Segment information for the years ended December 31:

(In thousands)	Banking	Insurance	Total
2023			
Interest income and other income from external customers	**$ 105,766**	**$ 9,319**	**$ 115,085**
Interest expense	**8,320**	**—**	**8,320**
Depreciation and amortization expense	**2,515**	**847**	**3,362**
Income before income taxes	**38,148**	**1,701**	**39,849**
Total assets	**2,399,151**	**19,696**	**2,418,847**
Goodwill	**35,800**	**8,385**	**44,185**
Capital expenditures	**424**	**744**	**1,168**
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
Goodwill	35,800	8,385	44,185
Capital expenditures	1,783	28	1,811

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, 2023. 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

During the first quarter of 2023, the Corporation implemented new CECL accounting policies, procedures, and controls as part of its adoption of ASU No. 2016-13. There were no other changes made to the Corporation’s internal control over financial reporting that materially affected, or would be reasonably likely to materially affect, the Corporation’s internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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 GAAP 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, 2023. 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, 2023, 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, 2023 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

During the three months ended December 31, 2023, no director or officer of the Corporation adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” as each term is defined in Item 408(a) of Regulation S-K.

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 2024 Annual Meeting of Stockholders, 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 20, 2024, 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 stockholders 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 2024 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 2024 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, 2023:

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	—	$ —	**474,674**
Equity compensation plans not approved by security holders	—	—	—
Total	—	$ —	**474,674**

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 2024 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 2024 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:

Report of Independent Registered Public Accounting Firm

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, Douglas A. Seibel and Laurie A. Laub. (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, D. Arthur Seibel, Jr. and Alan J. Stock. (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. and Alan J. Stock. (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	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 10.8	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 10.9	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 10.10	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 10.11	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 10.12	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 10.13	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 10.14	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 10.15	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 10.16	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 10.17	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 10.18	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 10.19	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 10.20	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 10.21	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 10.22	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 10.23	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 10.24	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 10.25	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 10.26	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 10.27	Amended and Restated Employment Agreement between ACNB Bank and Douglas A. Seibel dated as of October 20, 2022. (Incorporated by reference to Exhibit 10.31 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Commission on March 3, 2023.)
Exhibit 10.28	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 10.29	Supplemental Executive Retirement Plan by and between ACNB Bank and Douglas A. Seibel dated as of October 20, 2022. (Incorporated by reference to Exhibit 10.33 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Commission on March 3, 2023.)
Exhibit 10.30	Form of ACNB Bank Variable Compensation Plan Restricted Stock Agreement for Employees dated as of March 15, 2023. (Incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K, filed with the Commission on March 21, 2023.)
Exhibit 10.31	Amended and Restated Employment Agreement between ACNB Bank and Laurie A. Laub dated as of October 6, 2022.
Exhibit 10.32	First Amendment to ACNB Bank Salary Continuation Agreement by and between ACNB Bank and Laurie A. Laub dated as of October 6, 2022.
Exhibit 10.33	Salary Continuation Agreement by and between ACNB Bank and Laurie A. Laub dated as of October 6, 2022.
Exhibit 10.34	First Amendment to ACNB Bank Amended and Restated Executive Supplemental Life Insurance Plan dated December 31, 2014 (Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K, filed with the Commission on November 3, 2023.)
Exhibit 10.35	ACNB Bank 2023 Executive Supplemental Life Insurance Plan dated November 1, 2023 and Participant Election Form (Incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K, filed with the Commission on November 3, 2023.)
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 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 97	Excess Incentive Compensation Recovery Policy Statement
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 14, 2024 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 14, 2024, 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	

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective as of the 6th 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 Laurie A. Laub ("Executive"), an individual residing in Pennsylvania.

WITNESSETH:

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

WHEREAS, on November 16, 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 Credit & Operations Officer of the Bank under the terms and conditions set forth herein;

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 Credit & Operations 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 her from time to time by the Board of Directors of the Bank.

3. **Engagement in Other Employment.** Executive shall devote all of her 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 her 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 6, 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 her 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 her 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 Credit & Operations 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 Credit & Operations Officer of the Bank, (ii) a reassignment which requires Executive to move her principal residence or her 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 her 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 her to obtain substantially similar employee benefits which she 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) her attainment of age sixty-five (65), (iii) her 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 her 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 her to obtain substantially similar employee benefits which she 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 her 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 her 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 she 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 $________ 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 her, 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. **<u>Termination of Employment Following Change in Control</u>.**

(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. **<u>Rights in Event of Termination Following a Change in Control</u>.** 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 her to obtain substantially comparable employee benefits which she 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 her 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 her 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 her to obtain substantially similar employee benefits which she 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 her 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 her 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 her 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 her 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 her duties as an executive of the Bank, any material confidential information obtained by her 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 her 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 her employment, regardless of the reason for termination, she 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 her 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 her by reason of the fact that she 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 her 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/ Laurie A. Laub______________________
Laurie A. Laub

Exhibit 10.32

FIRST AMENDMENT TO
ACNB BANK
SALARY CONTINUATION AGREEMENT

THIS FIRST AMENDMENT (the "Amendment") is adopted, made and agreed to this 6th day of October 2022, by and between ACNB Bank (the "Bank") and Laurie A. Laub (the "Executive").

WHEREAS, the Bank and the Executive are parties to a Salary Continuation Agreement dated November 20, 2018 (the "Agreement") which provides deferred compensation benefits to the Executive under certain circumstances. The parties now wish to amend the Agreement pursuant to and as provided by this Amendment.

NOW THEREFORE, in consideration of the mutual promises contained herein, the Bank and the Executive, intending to be legally bound hereby, agree to the following amendment to the Agreement effective as of the date hereof.

Article 7 of the Agreement shall be deleted in its entirety and amended and replaced in its entirety with the following:

Article 7
Amendments and Termination

7.1 *Amendments.* This Agreement may be amended only by a written agreement signed by the Bank and the Executive. However, the Bank may unilaterally amend this Agreement to conform with written directives from its banking regulators or to comply with changes of law or tax law, including without limitation Section 409A of the Code and any and all Treasury Regulations and guidance promulgated thereunder. Notwithstanding anything in this Agreement to the contrary, the Agreement may be amended by the Bank at any time, if found necessary in the opinion of the Bank, (1) to ensure that the Agreement is characterized as plan of deferred compensation maintained for a select group of management or highly compensated employees as described under ERISA, (2) to conform the Agreement to the requirements of any applicable law or (3) to comply with the written instructions of the Bank's auditors or banking regulators.

7.2 *Plan Termination Generally.* This Agreement may be terminated only by a written agreement signed by the Bank and the Executive. Unless otherwise specified herein, the benefit under Section 7.2 shall be the dollar amount that the Bank should have accrued with respect to the obligations hereunder as of the date the Agreement is terminated, the Accrued Benefit as defined in the next sentence. The Accrued Benefit means the dollar value of the liability that should be accrued by the Bank under Generally Accepted Accounting Principles, for the Bank's obligations to the Executive under the Agreement, calculated by applying Accounting Standards Codification 710-10 or any successor standard or pronouncement thereto. Except as provided in Section 7.3, the termination of this Agreement shall not cause a distribution of benefits under this Agreement. Rather, after such termination, benefit distributions will be made at the earliest distribution event permitted under Article 2 or Article 3.

7.3 *Plan Terminations Under Section 409A.* Notwithstanding anything to the contrary in Section 7.2 and subject to the requirements of Code Section 409A and Treasury Regulation § 1.409A-3(j)(4)(ix), if this Agreement terminates in the following circumstances:

(a) Within thirty (30) days before, or twelve (12) months after a change in the ownership or effective control of the Corporation or Bank, or in the ownership of a substantial portion of the assets of the Corporation or Bank as described in Section 409A(2)(A)(v) of the Code, provided that all distributions are made no later than twelve (12) months following such termination of the Agreement and further provided that all the Bank's arrangements which are substantially similar to the Agreement 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 arrangements;

(b) Upon the Bank's termination of this and all other arrangements that would be aggregated with this Agreement pursuant to Treasury Regulations Section 1.409A-1(c) if the Executive participated in such arrangements ("Similar Arrangements"), provided that (i) the termination and liquidation 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 Agreement; or

(c) Within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), provided that all benefits paid under the Agreement are included in the Executive's gross income in the latest of: (i) the calendar year which the termination occurs; (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;

then if this Agreement terminates under Section 7.3(a), the Bank may distribute the actuarial equivalent of the present value of the Change of Control Benefit provided in Section 2.3 using a discount rate of five percent (5%) to the Executive in a lump sum subject to the above terms, or

then if this Agreement terminates under Section 7.3(b) or Section 7.3(c), the Bank may distribute the Accrued Benefit, determined as of the date of the termination of the Agreement, to the Executive in a lump sum subject to the above terms.

This Amendment shall constitute an amendment to the Agreement as provided in and pursuant to Section 7.1 of the Agreement.

ATTEST: ACNB BANK

/s/ Emily E. Berwager___________ By /s/ James P. Helt__________________
James P. Helt, President and CEO

WITNESS: EXECUTIVE

/s/ Emily E. Berwager___________ /s/ Laurie A. Laub__________________
Laurie A. Laub

Exhibit 10.33

ACNB BANK

SALARY CONTINUATION AGREEMENT

THIS AGREEMENT is made this 6th day of October, 2022 by and between **ACNB BANK**, located in Gettysburg, Pennsylvania, and **Laurie A. Laub** ("Executive").

INTRODUCTION

To encourage the Executive to remain an employee of the Bank the Bank entered into a Salary Continuation Agreement with Executive on November 20, 2018. In an effort to provide benefits in excess of the limitations imposed on qualified plans, and to continue to encourage the Executive to remain an employee of the Bank, the Bank is willing to provide additional salary continuation benefits to the Executive.

The purpose of this Agreement is to provide specified benefits to the Executive, a member of a select group of management or highly compensated employees who contribute materially to the continued growth, development and future business success of the Bank. This Agreement shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended from time to time.

AGREEMENT

The Executive and the Bank, intending to be legally bound, agree as follows:

Article 1
Definitions

1.1 *Definitions.* Whenever used in this Agreement, the following words and phrases shall have the meanings specified:

1.1.1 "*Bank*" means ACNB Bank and any successor thereto.

1.1.2 "*Change of Control*" means a change in the ownership or effective control of the Corporation or Bank or a change in the ownership of a substantial portion of the assets of the Corporation or Bank as defined in Code Section 409A and 16 C.F.R. § 1.409A-3(i)(5).

1.1.3 "*Code*" means the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder.

1.1.4 "*Competing Business*" means any person, firm, corporation, business or enterprise which is located or operates an office within fifty (50) miles of the Bank's principal office at the time of the Executive's Separation of Service and which is engaged in any business or activity that is or may be deemed to be competitive with any business or activity carried on by the Corporation, Bank, or their subsidiaries as of the date of the Executive's Separation of Service.

1.1.5 "*Corporation*" means ACNB Corporation and any successor thereto.

1.1.6 "*Normal Retirement Date"* means the Executive attaining age 65, or his actual retirement date if after age 65.

1.1.7 "*Separation of Service" or "Separates from Service"* means termination of the Executive's employment. Whether a Separation of 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 as an independent contractor) over the immediately preceding thirty-six (36) month period.

1.1.8 "*Specified Employee"* means an employee who at the time of Separation of Service is a key employee of the Corporation or Bank, if any stock of the Corporation or Bank is publicly traded on an established securities market or otherwise. For purposes of this Agreement, an employee is a key employee if the employee meets the requirements of Code Section 416(i)(I)(A)(i), (ii) or (iii) (applied in accordance with the regulations thereunder and disregarding Section 416(i)(5)) at any time during the twelve (12) month period ending on December 31 (the "Identification Period"). If the employee is a key employee during an Identification Period, the employee is treated as a key employee for purposes of this Agreement during the twelve (12) month period that begins on the first day of April following the close of the Identification Period.

1.1.9 "*2018 SERP*" means the Salary Continuation Agreement entered into and between the Bank and the Executive on November 20, 2018, and including any subsequent amendments or restatements thereto.

Article 2
Retirement Benefits

2.1 *Normal Retirement Benefit.* If the Executive Separates from Service on or after the Executive's Normal Retirement Date for reasons other than death, the Bank shall pay to the Executive the benefit described in this Section 2.1.

2.1.1 *Amount of Benefit.* The annual benefit under this Section 2.1 is $85,000.00. The amount shall be in addition to the amounts received under the 2018 SERP.

2.1.2 Payment *of Benefit.* The Bank shall pay the annual benefit to the Executive in twelve (12) equal monthly installments payable on the first day of each month commencing with the month following the Executive's Separation of Service and continuing for the greater of the Executive's life or an additional 179 months.

2.2 *Early Retirement Benefit.* If the Executive Separates from Service before the Executive's Normal Retirement Date for reasons other than death and a Change of Control has not occurred, the Bank shall pay to the Executive the benefit described in this Section 2.2.

2.2.1 *Amount of Benefit.* The annual benefit under this Section 2.2 is the benefit determined under Schedule A based on the date of the Executive's Separation of Service.

2.2.2 *Payment of Benefit.* The Bank shall pay the annual benefit to the Executive in twelve (12) equal monthly installments payable on the first day of each month commencing with the month following the Executive's Normal Retirement Date and continuing for the greater of the Executive's life or an additional 179 months.

2.3 *Change of Control Benefit.* If a Change of Control has occurred and is followed by a Separation of Service, the Bank shall pay to the Executive the benefit described in this Section
2.3 in lieu of any other benefit under this Agreement.

2.3.1 *Amount of Benefit.* The annual benefit under this Section 2.3 is the Normal Retirement Benefit described in Section 2.1.1.

2.3.2 *Payment of Benefit.* The Bank shall pay the annual benefit to the Executive in twelve (12) equal monthly installments payable on the first day of each month commencing with the month following the Executive's Normal Retirement Date and continuing for the greater of the Executive's life or an additional 179 months.

2.4 *Restriction on Timing of Distributions.* Notwithstanding any provision of this Agreement to the contrary, if the Executive is considered a Specified Employee, the provisions of this Section 2.4 shall govern all distributions under this Article 2. If benefit distributions which would otherwise be made to the Executive due to a Separation of Service are limited because the Executive is a Specified Employee, then such distributions shall not be made during the first six (6) months following Separation of Service. Rather, 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 of Service. All subsequent distributions shall be paid in the manner specified in the appropriate subsection.

2.5 *Distributions Upon Income Inclusion Under Section 409A of the Code.* If, pursuant to Code Section 409A, the Federal Insurance Contributions Act or other state, local or foreign tax, the Executive becomes subject to tax on the amounts deferred hereunder, then the Bank may make a limited distribution to the Executive in accordance with the provisions of Treasury Regulations Section 1.409A-3.

2.6 *Change in Form or Timing of Distributions.* All changes in the form or timing of distributions hereunder must comply with the following requirements. The changes:

(a) may not accelerate the time or schedule of any distribution, except as provided in Section 409A of the Code and the regulations thereunder;
(b) must, for benefits distributable under Sections 2.1, 2.2 and 2.3, delay the commencement of distributions for a minimum of five (5) years from the date the first distribution was originally scheduled to be made; and,
(c) must take effect not less than twelve (12) months after the election is made.

Article 3
Survivor Benefits

3.1 Death *During Active Service.* If the Executive dies while in the active service of the Bank, the Bank shall pay to the Executive's beneficiary the benefit described in this Section 3.1.

3.1.1 *Amount of Benefit.* The benefit under Section 3.1 is the benefit that would have been paid to the Executive under Section 2.1 calculated as if the date of the Executive's death were the Executive's Normal Retirement Date.

3.1.2 *Payment of Benefit.* The Bank shall pay the benefit to the beneficiary on the first day of each month commencing with the month following the Executive's death and continuing for 179 additional months.

3.2 *Death During Benefit Period.* If the Executive dies after benefit payments have commenced under this Agreement but before receiving 180 monthly payments, the Bank shall pay the remaining benefits (up to the 180 monthly payments) to the Executive's beneficiary at the same time and in the same amounts they would have been paid to the Executive had the Executive survived.

3.3 *Death Following Active Service Before Benefits Commence.* If the Executive is entitled to benefit payments under this Agreement, but dies prior to receiving said benefit payments, the Bank shall pay the Executive's beneficiary the benefit described in this Section 3.3.

3.3.1 *Amount of Benefit.* The annual benefit under Section 3.3 is the vested benefit that would have been paid to the Executive pursuant to Schedule A.

3.3.2 *Payment of Benefit.* The Bank shall pay the annual benefit to the beneficiary in twelve (12) equal monthly installments payable on the first day of each month commencing with the month following the Executive's death and continuing for 179 additional months.

3.4 *Death After Change of Control.* If the Executive dies following a Change of Control, provided the Executive was in active service at the time of the Change of Control, the Bank shall pay the Executive's beneficiary the benefit described in this Section 3.4.

3.4.1 *Amount of Benefit.* The benefit under Section 3.4 is the benefit that would have been paid to the Executive under Section 2.1 calculated as if the date of the Executive's death were the Executive's Normal Retirement Date.

3.4.2 *Payment of Benefit.* The Bank shall pay the benefit to the beneficiary on the first day of each month commencing with the month following the Executive's death and continuing for 179 additional months.

Article 4
Beneficiaries

4.1 *Beneficiary Designations.* The Executive shall designate a beneficiary by filing a written designation with the Bank. The Executive may revoke or modify the designation at any time by filing a new designation. However, designations shall only be effective if signed by the Executive and accepted by the Bank during the Executive's lifetime. The Executive's beneficiary designation shall be deemed automatically revoked if the beneficiary predeceases the Executive, or if the Executive names a spouse as beneficiary and the marriage is subsequently dissolved. If the Executive dies without a valid beneficiary designation, all payments shall be made to the Executive's surviving spouse, if any, and, if none, to the Executive's surviving children and the descendants of any deceased child by right of representation, and, if no children or descendants survive, to the Executive's estate.

4.2 *Facility of Payment.* If a benefit is payable to a minor, to a person declared incapacitated, or to a person incapable of handling the disposition of his or her property, the Bank may pay such benefit to the guardian, legal representative, or person having the care or custody of such minor, incapacitated person or incapable person. The Bank may require proof of incapacity, minority or guardianship as it may deem appropriate prior to distribution of the benefit. Such distribution shall completely discharge the Bank from all liability with respect to such benefit.

Article 5
General Limitations

5.1 Termination *of Employment for the Commission of a Felony*. Notwithstanding any provision of this Agreement to the contrary, the Bank shall not pay any benefit under this Agreement if the Bank terminates the Executive's employment for the commission of a felony involving the Bank or Bank property.

5.2 *Noncompetition.*

5.2.1 If the Executive experiences a Separation of Service before the Executive's Normal Retirement Date, and no Change of Control has occurred, then no benefits shall be payable under this Agreement, if the Executive, without the written consent of the Bank, engages, 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 in a Competing Business within five (5) years after the date of the Executive's Separation of Service; provided, however, the restrictions of this Section 5.2.1 shall not extend longer than three (3) years after the date on which the Executive begins to receive benefits under this Agreement.

5.2.2 If the Executive experiences a Separation of Service on or after the Executive's Normal Retirement Date, and no Change of Control has occurred, then no benefits shall be payable under this Agreement, if the Executive, without the written consent of the Bank, engages, 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 in a Competing Business within three (3) years after the date on which the Executive begins to receive benefits under this Agreement.

5.2.3 If a Change of Control occurs after the date of this Agreement, then this Section 5.2 shall not apply.

Article 6
Claims and Review Procedures

6.1 *Claims Procedure.* The Bank shall notify the Executive or the Executive's beneficiary in writing, within ninety (90) days of his or her written application for benefits, of his or her eligibility or non-eligibility for benefits under the Agreement. If the Bank determines that the Executive or beneficiary is not eligible for benefits or full benefits, the notice shall set forth (1) the specific reasons for such denial, (2) a specific reference to the provisions of the Agreement on which the denial is based, (3) a description of any additional information or material necessary for the claimant to perfect his or her claim and a description of why it is needed and (4) an explanation of the Agreement's claims review procedure and other appropriate information as to the steps to be taken if the Executive or beneficiary wishes to have the claim reviewed. If the Bank determines that there are special circumstances requiring additional time to make a decision, the Bank shall notify the Executive or beneficiary of the special circumstances and the date by which a decision is expected to be made and may extend the time for up to an additional ninety (90) day period.

6.2 *Review Procedure.* If the Executive or beneficiary is determined by the Bank not to be eligible for benefits, or if the Executive or beneficiary believes that he or she is entitled to greater or different benefits, the Executive or beneficiary shall have the opportunity to have such claim reviewed by the Bank by filing a petition for review with the Bank within sixty (60) days after receipt of the notice issued by the Bank. Said petition shall state the specific reasons which the Executive or beneficiary believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the Bank of the petition, the Bank shall afford the Executive or beneficiary (and counsel, if any) an opportunity to present his or her position to the Bank orally or in writing, and the Executive or beneficiary (or counsel) shall have the right to review the pertinent documents. The Bank shall notify the Executive or beneficiary of its decision in writing within the sixty (60) day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the Executive or beneficiary and the specific provisions of the Agreement on which the decision is based. If, because of the need for a hearing, the sixty (60) day period is not sufficient, the decision may be deferred for up to another sixty (60) day period at the election of the Bank but notice of this deferral shall be given to the Executive or beneficiary.

Article 7

Amendments and Termination

7.1 *Amendments.* This Agreement may be amended only by a written agreement signed by the Bank and the Executive. However, the Bank may unilaterally amend this Agreement to conform with written directives from its banking regulators or to comply with changes of law or tax law, including without limitation Section 409A of the Code and any and all Treasury Regulations and guidance promulgated thereunder. Notwithstanding anything in this Agreement to the contrary, the Agreement may be amended by the Bank at any time, if found necessary in the opinion of the Bank, (1) to ensure that the Agreement is characterized as plan of deferred compensation maintained for a select group of management or highly compensated employees as described under ERISA, (2) to conform the Agreement to the requirements of any applicable law or (3) to comply with the written instructions of the Bank's auditors or banking regulators.

7.2 *Plan Termination Generally.* This Agreement may be terminated only by a written agreement signed by the Bank and the Executive. Unless otherwise specified herein, the benefit under Section 7.2 shall be the dollar amount that the Bank should have accrued with respect to the obligations hereunder as of the date the Agreement is terminated, the Accrued Benefit as defined in the next sentence. The Accrued Benefit means the dollar value of the liability that should be accrued by the Bank under Generally Accepted Accounting Principles, for the Bank's obligations to the Executive under the Agreement, calculated by applying Accounting Standards Codification 710-10 or any successor standard or pronouncement thereto. Except as provided in Section 7.3, the termination of this Agreement shall not cause a distribution of benefits under this Agreement. Rather, after such termination, benefit distributions will be made at the earliest distribution event permitted under Article 2 or Article 3.

7.3 *Plan Terminations Under Section 409A.* Notwithstanding anything to the contrary in Section 7.2 and subject to the requirements of Code Section 409A and Treasury Regulation § 1.409A-3(j)(4)(ix), if this Agreement terminates in the following circumstances:

(a) Within thirty (30) days before, or twelve (12) months after a change in the ownership or effective control of the Corporation or Bank, or in the ownership of a substantial portion of the assets of the Corporation or Bank as described in Section 409A(2)(A)(v) of the Code, provided that all distributions are made no later than twelve (12) months following such termination of the Agreement and further provided that all the Bank's arrangements which are substantially similar to the Agreement 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 arrangements;

(b) Upon the Bank's termination of this and all other arrangements that would be aggregated with this Agreement pursuant to Treasury Regulations Section 1.409A-1(c) if the Executive participated in such arrangements ("Similar Arrangements"), provided that (i) the termination and liquidation 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 Agreement; or

(c) Within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), provided that all benefits paid under the Agreement are included in the Executive's gross income in the latest of: (i) the calendar year which the termination occurs; (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;

then if this Agreement terminates under Section 7.3(a), the Bank may distribute the actuarial equivalent of the present value of the Change of Control Benefit provided in Section 2.3 using a discount rate of five percent (5%) to the Executive in a lump sum subject to the above terms, or

then if this Agreement terminates under Section 7.3(b) or Section 7.3(c), the Bank may distribute the Accrued Benefit, determined as of the date of the termination of the Agreement, to the Executive in a lump sum subject to the above terms.

Article 8
Miscellaneous

8.1 *Binding Effect.* This Agreement shall bind the Executive and the Bank, and their beneficiaries, survivors, executors, successors, administrators, and transferees.

8.2 *No Guaranty of Employment.* This Agreement is not an employment policy or contract. It does not give the Executive the right to remain an employee of the Bank, nor does it interfere with the Bank's right to discharge the Executive. It also does not require the Executive to remain an employee nor interfere with the Executive's right to terminate employment at any time.

8.3 *Non-Transferability.* Benefits under this Agreement cannot be sold, transferred, assigned, pledged, attached or encumbered in any manner.

8.4 *Tax Withholding.* The Bank shall withhold any taxes that are required to be withheld from the benefits provided under this Agreement.

8.5 *Applicable Law.* The Agreement and all rights hereunder shall be governed by the laws of Pennsylvania, except to the extent preempted by the laws of the United States of America.

8.6 *Unfunded Arrangement.* The Executive and beneficiary are general unsecured creditors of the Bank for the payment of benefits under this Agreement. The benefits represent the mere promise by the Bank to pay such benefits. The rights to benefits are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors. Any insurance on the Executive's life is a general asset of the Bank to which the Executive and beneficiary have no preferred or secured claim.

8.7 *Compliance with Section 409A.* This Agreement shall at all times be administered and the provisions of this Agreement shall be interpreted consistent with the requirements of Section 409A of the Code and any and all regulations thereunder, including such regulations as may be promulgated after the effective date of this Agreement.

8.8 *Removal.* Notwithstanding anything in this Agreement to the contrary, the Bank shall not distribute any benefit under this Agreement if the Executive is subject to a final removal or prohibition order issued pursuant to Section 8(e) of the Federal Deposit Insurance Act. Furthermore, any payments made to the Executive pursuant to this Agreement shall, if required comply with 12 U.S.C. 1828, FDIC Regulation 12 CFR Part 359 and any other regulations or guidance promulgated thereunder.

IN WITNESS WHEREOF, the Executive and a duly authorized Bank officer have signed this Agreement.

EXECUTIVE: ACNB BANK

/s/ Laurie A. Laub__________ By: /s/ James P. Helt____________________
Laurie A. Laub James P. Helt
President & Chief Executive Officer

ACNB BANK
SALARY CONTINUATION AGREEMENT
BENEFICIARY DESIGNATION

I, _____________, designate the following as beneficiary of any death benefits under the Salary Continuation Agreement:

Primary:

____ ______%

____ ______%

Contingent:

____ ______%

____ ______%

____ ______%

Note: To name a trust as beneficiary, please provide the name of the trustee(s) and the exact date of the trust agreement.

I understand that I may change these beneficiary designations by filing a new written designation with the Bank. I further understand that the designations will be automatically revoked if the beneficiary predeceases me, or, if I have named my spouse as beneficiary, in the event of the dissolution of our marriage.

Signature _________________________
Date _____________________

Accepted by the Bank this _____ day of ________________

By _______________________

Title _______________________

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 14, 2024, relating to the consolidated financial statements and effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K.

/s/Crowe LLP

Washington, D.C.
March 14, 2024

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 14, 2024

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 14, 2024

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, 2023 (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, 2023.

Date: March 14, 2024

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, 2023 (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, 2023.

Date: March 14, 2024

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.

ACNB CORPORATION & SUBSIDIARIES
EXCESS INCENTIVE COMPENSATION RECOVERY POLICY STATEMENT

The Board of Directors (the "Board") of ACNB Corporation (the "Company") believes that it is in the best interests of the Company and its shareholders to adopt this Excess Incentive Compensation Recovery Policy Statement (the "Policy"). This Policy addresses the obligations of the Company upon the occurrence of a Restatement (as hereinafter defined) to recover Excessive Incentive-Based Compensation (as hereinafter defined) received by Covered Executives (as hereinafter defined) during the Relevant Recovery Period (as hereinafter defined). This Policy is designed and intended to comply with, and shall be interpreted in a manner consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 promulgated under the Exchange Act ("Rule 10D-1") adopted by the Securities and Exchange Commission (the "SEC") there under and Nasdaq Listing Rule 5608 and any amendments or successors thereto (the "Listing Standards").

1. **Administration of Policy.** The Board shall have full authority to administer, amend or terminate this Policy, provided such actions are consistent with applicable law and Listing Standards. Subject to the provisions of this Policy, the Board shall make such determinations and interpretations and take such actions in connection with this Policy as it deems necessary, appropriate or advisable, provided however, that a member of the Board who also is a Covered Executive shall be excluded from any and all discussion relating to the application or interpretation of this Policy to such Covered Executive. All determinations and interpretations made by the Board shall be final, binding and conclusive. The Board may delegate any of its powers under this Policy to the Compensation Committee of the Board or any subcommittee or delegate thereof.

2. **Definitions.** In addition to terms otherwise defined in this Policy, the following terms, when used in this Policy, shall have the following meanings:

   "Covered Executive" means any current or former Executive Officer who receives Excess Compensation.

   "Excess Compensation" means all Incentive-Based Compensation (calculated on a pre-tax basis) Received after October 1, 2023 by a Covered Executive: (i) after beginning service as an Executive Officer; (ii) who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation; (iii) while the Company had a class of securities listed on Nasdaq; and (iv) during the Relevant Recovery Period, that exceeded the amount of Incentive-Based Compensation that otherwise would have been Received had the amount been determined based on the Financial Reporting Measures, as reflected in the Restatement. For Incentive-Based Compensation based on stock price or total shareholder return, when the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in the Restatement: (i) the amount must be based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received by the Covered Executive; and (ii) the Company must maintain documentation of the determination of the reasonable estimate and provide such documentation to Nasdaq.

   "Executive Officer" includes the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any Vice President of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy making function, or any other person (including any executive officer of the Company's subsidiaries or affiliates) who performs similar policy making functions for the Company. At a minimum, the term "Executive Officer" shall include all executive officers identified in SEC filings pursuant to Item 401(b) of Regulation S-K, 17 C.F.R. §229.401(b).

   "Financial Reporting Measure" means a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part (including "non-GAAP" financial measures, such as those appearing in earnings releases) from such measures; provided, however, that any such measure need not be presented within the Company's financial statements or included in a filing made with the SEC. Examples of Financial Reporting Measures include but are not limited to measures based on: stock price, total shareholder return, revenues, net income, operating income, profitability of one or more segments, financial ratios, earnings before interest, taxes, depreciation and amortization ("EBITDA"), liquidity measures (such as working capital, operating cash flow), return measures (such as return on assets or return on invested capital), earnings measure (such as earnings per share), cost per employee, any of such financial reporting measure relative to a peer group, and tax basis income.

"Impracticable" means, after exercising a normal due process review of all the relevant facts and circumstances and taking all steps required by Rule 10D-1 and Listing Standards, the Compensation Committee determines that recovery of the Excess Compensation is impracticable because: (i) it has determined that the direct expense that the Company would pay to a third party to assist in enforcing this Policy and recovering the otherwise Excess Compensation would exceed the amount to be recovered; (ii) it has concluded that the recovery of the Excess Compensation would violate home country law adopted prior to November 28, 2022; or (iii) it has determined that the recovery of the Excess Compensation would cause a tax-qualified retirement plan, under which benefits are broadly available to the Company's employees, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder. The Company must: (a) in the case of clause (i) of the preceding sentence, prior to making that determination, make a reasonable attempt to recover any Excess Compensation, document such reasonable attempt(s) to recover, and provide that documentation to Nasdaq; and (b) in the case of clause (ii) of the preceding sentence, obtain an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation, and provide that opinion to Nasdaq.

"Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure; however, it does not include: (i) base salaries; (ii) discretionary cash bonuses; (iii) awards (either cash or equity) that are based upon subjective, strategic or operational standards; and (iv) equity awards that vest solely on the passage of time.

"Nasdaq" means The Nasdaq Stock Market.

"Received" means Incentive-Based Compensation is deemed "Received" in any Company fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

"Relevant Recovery Period" means the three completed fiscal years preceding the earlier to occur of: (i) the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement; or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. "Relevant Recovery Period" also includes, in addition to the three fiscal year period described in the preceding sentence, any transition period (that results from a change in the Company's fiscal year) within or immediately following that completed three fiscal year period; provided, further, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year. A "Relevant Recovery Period" does not include any period prior to October 2, 2023.

"Restatement" means an accounting restatement of any of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (often referred to as a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (often referred to as a "little r" restatement). A Restatement does not include situations in which financial statement changes did not result from material non-compliance with financial reporting requirements, such as, but not limited to retrospective: (i) application of a change in accounting principles; (ii) revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) reclassification due to a discontinued operation; (iv) application of a change in reporting entity, such as from a reorganization of entities under common control; (v) adjustment to provision amounts in connection with a prior business combination; and (vi) revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure.

3. **Recovery of Excess Incentive Compensation.** If the Company is required to prepare a Restatement, the Board shall, unless the Board's Compensation Committee determines it to be Impracticable, take reasonably prompt action to recover all Excess Compensation from any Covered Executive. The Company's obligation to recover Excess Compensation is not dependent on if or when the restated financial statements are filed. Subject to applicable law, the Board may seek to recover Excess Compensation by requiring a Covered Executive to repay such amount to the Company; by adding "holdback" or deferral policies to incentive compensation; by adding post-vesting "holding" or "no transfer" policies to equity awards; by set-off of a Covered Executive's other compensation; by reducing future compensation; or by such other means or combination of means as the Board, in its sole discretion, determines to be appropriate. This Policy is in addition to (and not in lieu of) any right of repayment, forfeiture or off-set against any Covered Executive that may be available under applicable law or otherwise (whether implemented prior to or after adoption of this Policy). The Board may, in its sole discretion and in the exercise of its business judgment, determine whether and to what extent additional action is appropriate to address the circumstances surrounding any Restatement to minimize the likelihood of any recurrence and to impose such other discipline as it deems appropriate.

4. **Acknowledgement by Executive Officers.** The Board shall provide notice to and seek written acknowledgement of this Policy from each Executive Officer; provided that the failure to provide such notice or obtain such acknowledgement shall have no impact on the applicability or enforceability of this Policy.

5. **No Indemnification.** Notwithstanding the terms of any of the Company's organizational documents, any corporate policy or any contract of insurance, employment agreement, or other contract to which the Company is a party, no Covered Executive shall be indemnified against the loss of any Excess Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executive to fund any recovery of Excess Compensation by the Company under this Policy.

6. **Disclosures.** The Company shall make all disclosures and filings with respect to this Policy and maintain all documents and records that are required by the applicable rules and forms of SEC (including, without limitation, Rule 10D-1) and the Listing Standards.

7. **Successors.** This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

ACNB CORPORATION & SUBSIDIARIES
EXCESS INCENTIVE COMPENSATION RECOVERY POLICY STATEMENT ACKNOWLEDGMENT

I, the undersigned, agree and acknowledge that I am fully bound by, and subject to, all of the terms and conditions of the ACNB Corporation & Subsidiaries Excess Incentive Compensation Recovery Policy Statement (as may be amended, restated, supplemented or otherwise modified from time to time, the "Policy"). In the event of any inconsistency between the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern. In the event it is determined by the Board or the Compensation Committee of the Board that any amounts granted, awarded, earned or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement. Any capitalized terms used in this Acknowledgment without definition shall have the meaning set forth in the Policy.

By: ____________ Date: __________
Name

____
Title