Voted Best Bank and Financial Institution two years in a row:

2023 & 2024

READERS CHOICE WINNER 2024 READING EAGLE

BEST OF BERKS Berks County Living • 2024

# 2024 Consolidated ANNUAL Report

Fleetwood Bank Corporation

Fleetwood Bank®

EQUAL HOUSING LENDER

Member FDIC

# MORE THAN A FINANCIAL INVESTMENT IT'S WHAT YOU WANT YOUR BANK TO BE

## OUR **VISION** STATEMENT

Fleetwood Bank will be a catalyst to help build strong communities.

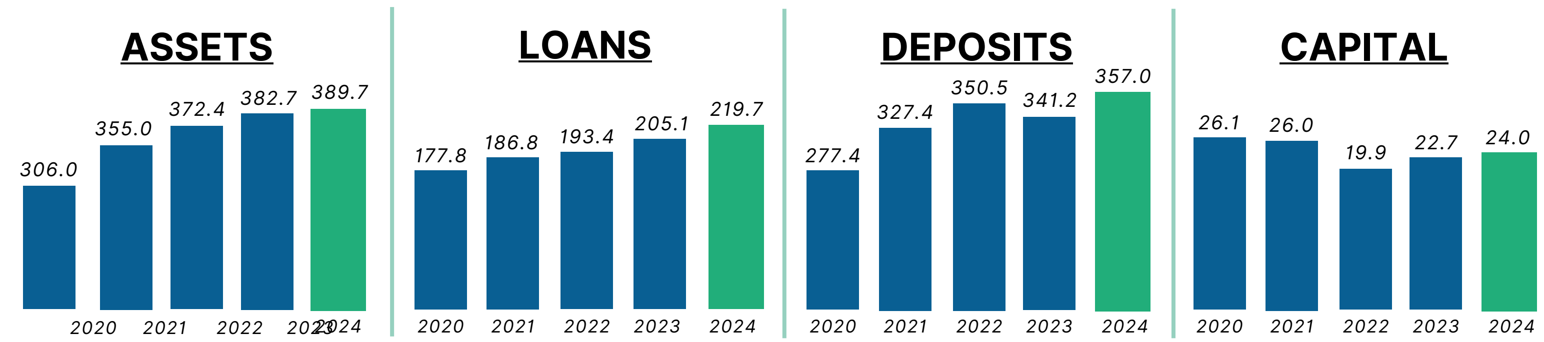
## OUR **MISSION** STATEMENT

To create opportunities for our communities, employees, and shareholders.

Fleetwood Bank offers ***fast loan decisions*** made **locally** by people you know. We're not just bankers; we're your neighbor and friend. We know your community. After all, we are a part of it. That's the difference **banking local** makes.

# FINANCIAL HIGHLIGHTS

*(In Millions)*




*OCT. '24*
INVESTING IN OUR FUTURE BY RENOVATING THE KUTZTOWN BRANCH

*AUG. '23 (Pictured Below)*
CELEBRATING 150 YEARS OF THE FLEETWOOD BOROUGH

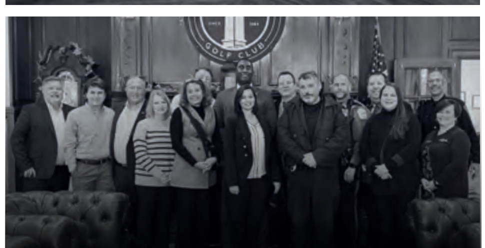
BEST OF BERKS CELEBRATION
*DEC. '23*

INVESTING IN FLEETWOOD AREA SCHOOL DISTRICT

FASD Superintendent, Dr. Greg Miller, and President & CEO of Fleetwood Bank, Tim Snyder, at Ray Buss Field during the unveiling of the new scoreboard at the first home game of the 2024 Football season

SENATOR JUDY SCHWANK VISITS FLEETWOOD BANK

*MAY '24*



ANNUAL POLICE CHIEF LUNCHEON TO THANK LAW ENFORCEMENT FOR ALL THEY DO TO KEEP OUR COMMUNITY SAFE - *NOV. '24*

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# FLEETWOOD BANK CORPORATION

FLEETWOOD, PENNSYLVANIA 19522

TELEPHONE 610-944-7666

Dear Shareholder —

Fleetwood Bank continued to perform well in 2024, in loan growth, interest income and management of expenses. Total loans, net of reserve increased by $14,577,000 or 7.11%. Deposits continued to grow, increasing 4.63% over last year end. Moving to the income statement, total interest income increased by $1,879,000 while interest expenses increased by $2,073,000 or 97.83%. Total other expenses remained flat at $9,737,000. Net income totaled $1,416,000 down from $1,545,000 in 2024. Interest expense did level off in the second half of the year and we do not anticipate any dramatic changes to rates in 2025. Further analysis of our financial performance can be found in the pages that follow.

At this time, I would like to highlight items not typically reviewed in our annual report. Have you ever thought about the importance of being a shareholder of Fleetwood Bank Corporation and the impact Fleetwood Bank has on our community? Probably not, and that's ok. We often take for granted that our community bank will always be there. I would like to take a moment to reflect on the impact our community bank, the only bank headquartered in Berks County, has on the local community. Let's start with the fact that your community bank is the only bank headquartered in Berks. That is meaningful. Not that long ago there were more than twenty banks headquartered here, but over time they were acquired by larger financial institutions headquartered in other states, or countries.

This is important because it is the confidence our shareholders have in us that allows us to do the work we do each day to meet the needs of our community. As a shareholder of Fleetwood Bank, you're an investor in our community, a patron of the small businesses that adorn our towns, an advocate for the local economy, a supporter of our neighboring school districts, and so much more.

These few pages provide an overview of who we are. I invite you to really get to know us — Follow our social media and subscribe to our newsletter to become fully invested in the Bank to which you make a commitment. See for yourself how Fleetwood Bank makes a difference in the lives of our community members each and every day.

From the young boy who heard about our Smart Savers Program at an event and made his Dad bring him to the Bank because "now all he wants is a bank account," to the quick response our lending team provided a local EMS provider, Topton Ambulance, when the neighboring ambulance company closed their doors without notice. Topton Ambulance doubled in size in a matter of a day and has been serving the area since. Fleetwood Bank's financing helped procure essential equipment, including two new ambulances, ensuring uninterrupted service to the community, allowing them to provide EMS services to the 10 municipalities they now serve. We recently launched our Fleetwood Area School District co-branded Tiger Card. This card is meant to engage students in understanding the importance of good personal financial management and is available to any member of the Fleetwood community. A portion of the interchange income is returned to the school district each year. Each life we impact is the reason we do what we do.

It is you, our dedicated shareholder, who allows us to continue looking forward and building a better community for our family, friends, and neighbors.

Thank you for being a part of our story.

With gratitude,

Timothy P. Snyder

President - Chief Executive Officer

# Independent Auditors' Report

To the Board of Directors of and Stockholders of
Fleetwood Bank Corporation

## Opinion

We have audited the consolidated financial statements of Fleetwood Bank Corporation and its Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

## Basis for Opinion

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

## Responsibilities of Management for the Consolidated Financial Statements

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

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

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Allentown, Pennsylvania
February 12, 2025

## Fleetwood Bank Corporation and Subsidiary

Consolidated Balance Sheets
December 31, 2024 and 2023
(In Thousands, Except Share and Per Share Data)

| | 2024 | 2023 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 3,882 | $ 4,268 |
| Interest bearing deposits with banks | 5,677 | 5,999 |
| Cash and cash equivalents | 9,559 | 10,267 |
| Interest-bearing time deposits | 9,500 | 11,450 |
| Securities available-for-sale, at fair value | 59,767 | 61,716 |
| Securities held-to-maturity, at amortized cost (fair value 2024 $67,320; 2023 $70,080) | 72,645 | 76,318 |
| Loans receivable, net of allowance for credit losses (2024 $2,884; 2023 $2,570) | 219,671 | 205,094 |
| Restricted stocks, at cost | 732 | 1,236 |
| Premises and equipment, net | 6,201 | 5,325 |
| Bank owned life insurance | 7,352 | 7,178 |
| Net deferred tax asset | 2,164 | 2,218 |
| Accrued interest receivable | 1,270 | 1,231 |
| Other assets | 868 | 669 |
| Total assets | $ 389,729 | $ 382,702 |
| **Liabilities and Stockholders' Equity** | | |
| **Liabilities** | | |
| Deposits: | | |
| Noninterest bearing | $ 71,992 | $ 66,353 |
| Interest-bearing | 284,982 | 274,813 |
| Total deposits | 356,974 | 341,166 |
| Accrued interest payable | 49 | 86 |
| Long-term debt | 3,000 | 15,000 |
| Other liabilities | 5,687 | 3,772 |
| Total liabilities | 365,710 | 360,024 |
| **Stockholders' Equity** | | |
| Common stock, par value $2 per share; authorized 1,000,000 shares; issued 2024 and 2023: 308,201 shares; outstanding 2024: 298,180 shares; 2023: 299,313 shares | 619 | 619 |
| Surplus | 10,406 | 10,405 |
| Retained earnings | 18,801 | 17,984 |
| Accumulated other comprehensive loss | (5,177) | (5,761) |
| Treasury stock, at cost, 2024: 10,021 shares; 2023: 8,888 shares | (630) | (569) |
| Total stockholders' equity | 24,019 | 22,678 |
| Total liabilities and stockholders' equity | $ 389,729 | $ 382,702 |

*See notes to consolidated financial statements*

## Fleetwood Bank Corporation and Subsidiary

Consolidated Statements of Income
Years Ended December 31, 2024 and 2023
(In Thousands, Except Share and Per Share Data)

| | 2024 | 2023 |
|---|---|---|
| **Interest Income** | | |
| Loans receivable, including fees | $ 11,512 | $ 9,816 |
| Securities: | | |
| Taxable | 1,943 | 1,932 |
| Tax-exempt | 402 | 397 |
| Other | 569 | 402 |
| Total interest income | 14,426 | 12,547 |
| **Interest Expense** | | |
| Deposits | 3,765 | 1,434 |
| Other | 427 | 685 |
| Total interest expense | 4,192 | 2,119 |
| Net interest income | 10,234 | 10,428 |
| **Provision for Credit Losses** | 330 | 330 |
| Net interest income after provision for credit losses | 9,904 | 10,098 |
| **Other Income** | | |
| Customer service fees | 681 | 623 |
| Earnings on bank owned life insurance | 174 | 164 |
| Other | 589 | 675 |
| Total other income | 1,444 | 1,462 |
| **Other Expenses** | | |
| Salaries and employee benefits | 5,255 | 5,289 |
| Occupancy, net | 777 | 806 |
| Furniture and equipment | 596 | 600 |
| Data processing | 883 | 776 |
| Professional fees | 356 | 413 |
| FDIC insurance assessment | 305 | 238 |
| Advertising | 194 | 213 |
| Pennsylvania shares tax expense | 175 | 153 |
| ATM charges and expenses | 238 | 230 |
| Other operating expenses | 958 | 1,015 |
| Total other expenses | 9,737 | 9,733 |
| Income before income tax expense | 1,611 | 1,827 |
| **Income Tax Expense** | 195 | 282 |
| Net income | $ 1,416 | $ 1,545 |
| **Per Share Data** | | |
| Basic earnings per share | $ 4.74 | $ 5.14 |
| Cash dividends | $ 2.00 | $ 2.00 |
| **Weighted-Average Number of Shares Outstanding** | 298,756 | 300,191 |

*See notes to consolidated financial statements*

## Fleetwood Bank Corporation and Subsidiary

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023
(In Thousands)

| | 2024 | 2023 |
|---|---|---|
| **Net Income** | $ 1,416 | $ 1,545 |
| **Other Comprehensive Income** | | |
| Unrealized holding gains on securities available-for-sale, net of tax of ($156) in 2024 and ($505) in 2023 | 584 | 1,905 |
| Comprehensive income | $ 2,000 | $ 3,450 |

*See notes to consolidated financial statements*

## Fleetwood Bank Corporation and Subsidiary

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2024 and 2023
(In Thousands, Except Per Share Data)

| | Common Stock | Surplus | Retained Earnings | Accumulated Other Comprehensive (Loss) | Treasury Stock | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2022** | $ 619 | $ 10,404 | $ 17,041 | $ (7,666) | $ (526) | $ 19,872 |
| Net income | - | - | 1,545 | - | - | 1,545 |
| Other comprehensive income | - | - | - | 1,905 | - | 1,905 |
| Purchase of treasury stock (1,568 shares) | - | 1 | - | - | (43) | (42) |
| Cash dividends, $2.00 per share | - | - | (602) | - | - | (602) |
| **Balance at December 31, 2023** | 619 | 10,405 | 17,984 | (5,761) | (569) | 22,678 |
| Net income | - | - | 1,416 | - | - | 1,416 |
| Other comprehensive income | - | - | - | 584 | - | 584 |
| Purchase of treasury stock (1,133 shares) | - | 1 | - | - | (61) | (60) |
| Cash dividends, $2.00 per share | - | - | (599) | - | - | (599) |
| **Balance at December 31, 2024** | $ 619 | $ 10,406 | $ 18,801 | $ (5,177) | $ (630) | $ 24,019 |

*See notes to consolidated financial statements*

## Fleetwood Bank Corporation and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(In Thousands)

| | 2024 | 2023 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Net income | $ 1,416 | $ 1,545 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | 330 | 330 |
| Depreciation expense | 376 | 284 |
| Net amortization of securities premiums and discounts | 147 | 167 |
| Deferred income taxes | (102) | (46) |
| Earnings on bank owned life insurance | (174) | (164) |
| (Increase) decrease in accrued interest receivable and other assets | (238) | 158 |
| Increase in accrued interest payable and other liabilities | 1,878 | 1,817 |
| Net cash provided by operating activities | 3,633 | 4,091 |
| **Cash Flows From Investing Activities** | | |
| Proceeds from maturities, calls and principal repayments on available-for-sale securities | 2,598 | 2,187 |
| Proceeds from maturities, calls and principal repayments on held-to-maturity securities | 3,617 | 1,512 |
| Net increase in loans receivable | (14,907) | (12,042) |
| Net redemptions (purchases) of restricted stocks | 504 | (596) |
| Purchases of premises and equipment | (1,252) | (260) |
| Redemption of interest bearing time deposits | 1,950 | 850 |
| Net cash used in investing activities | (7,490) | (8,349) |
| **Cash Flows From Financing Activities** | | |
| Net increase (decrease) in deposits | 15,808 | (9,338) |
| Proceeds from long-term debt | 3,000 | 15,000 |
| Repayments of long-term debt | (15,000) | - |
| Purchase of treasury stock | (60) | (43) |
| Dividends paid | (599) | (602) |
| Net cash provided by financing activities | 3,149 | 5,017 |
| Net (decrease) increase in cash and cash equivalents | (708) | 759 |
| **Cash and Cash Equivalents, Beginning** | 10,267 | 9,508 |
| **Cash and Cash Equivalents, Ending** | $ 9,559 | $ 10,267 |
| **Supplemental Cash Flows Information** | | |
| Interest paid | $ 4,229 | $ 2,041 |
| Income taxes paid | $ 180 | $ 289 |

*See notes to consolidated financial statements*

## 1. Summary of Significant Accounting Policies

### Principles of Consolidation

The consolidated financial statements include the accounts of Fleetwood Bank Corporation and its wholly owned subsidiary, Fleetwood Bank (collectively, the Company), which also includes its wholly owned entity, Fleetwood Financial, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

### Nature of Operations

Fleetwood Bank Corporation is a bank holding company, which controls its wholly owned subsidiary, Fleetwood Bank (the Bank). It is regulated under the Bank Holding Company Act of 1956, as amended.

The Bank is a state-chartered bank that provides full banking services. As a state-chartered bank, the Bank is subject to regulation by the Pennsylvania Department of Banking and Securities, the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board. The Company is subject to regulation by the Federal Reserve Board. The Bank grants commercial, installment and residential loans to its customers located primarily in Berks and surrounding counties of Pennsylvania. The Bank also provides a variety of deposit products to its customers, including checking, savings and term certificate accounts.

### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the fair value of securities, the valuation of deferred tax assets and other real estate owned.

### Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within Berks and surrounding counties of Pennsylvania. Note 4 discusses the types of securities that the Bank invests in. Note 5 discusses the types of lending that the Bank engages in. The Company does not have any significant concentrations to any one industry or customer. Although the Company has a diversified loan portfolio, its debtors' ability to honor its contracts is influenced by the region's economy.

### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks, interest bearing deposits with banks and federal funds sold, all of which mature within 90 days.

### Interest-Bearing Time Deposits

Interest-bearing time deposits mature at various times through 2029 and are carried at cost.

### Securities

Securities classified as available-for-sale are those debt securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available-for-sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in other comprehensive income, net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Purchases and sales of securities are recorded at the trade date. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Securities classified as held-to-maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by the interest method over their contractual lives.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each consolidated balance sheet date.

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

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectability of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable is excluded from the estimate of credit losses.

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Management classifies the held-to-maturity portfolio into the following major security types: U.S. government agencies, mortgage-backed and state and municipal securities.

Nearly all of the U.S. government agencies securities and mortgage-backed securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. State and municipal securities are rated investment grade and have a history of no credit losses.

### Investment in Restricted Stocks, at Cost

Investment in restricted stocks, at cost is principally comprised of restricted stock in the Federal Home Loan Bank (FHLB), which is carried at cost. Federal law requires a member institution of the FHLB to hold stock according to a predetermined formula. The FHLB stock was carried at approximately $613,000 and $1,117,000 as of December 31, 2024 and 2023, respectively. Restricted stock also includes stock of the Atlantic Community Bankers Bank in the amount of $88,000 at December 31, 2024 and 2023 and stock of the Federal Reserve Bank in the amount of $31,000 at December 31, 2024 and 2023. Both cash and stock dividends are reported as income.

Management's determination of whether these investments are impaired is based on the Company's assessment of the ultimate recoverability of the Company's cost rather than by recognizing temporary declines in value. Management believes no impairment charge is necessary related to these restricted stocks as of December 31, 2024.

### Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. 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 yield (interest income) of the related loans. The Company generally amortizes these amounts over the contractual life of the loan.

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

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans, including impaired loans, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

### Allowance for Credit Losses

The allowance for credit losses is a valuation account that is recorded as a reduction of the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the uncollectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics, such as differences in underwriting standards, portfolio mix, delinquency level, or term, as well as for changes in environmental conditions, such as changes in unemployment rates and property values.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments and measures the allowance for credit losses using the SCALE method: commercial, commercial real estate owner occupied, commercial real estate nonowner occupied, residential mortgages, home equity loans, and other consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative and forecasted risk factors. These risk factors include:

1. Lending policies and procedures, including experience, ability and depth of lending management and staff, underwriting standards and collection, charge-off and recovery practices.

2. National, regional and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.

3. Nature and volume of the portfolio and terms of loans.

4. Volume and severity of past due, classified and nonaccrual loans as well as other loan modifications.

5. Existence and effect of any concentrations of credit and changes in the level of such concentrations.

6. Effect of external factors, such as competition and legal and regulatory requirements.

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

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. When management determines that foreclosure is probable, or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. Loans that experience insignificant payment delays and payment shortfalls generally are not individually evaluated. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration 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.

The Company's credit policies determine advance rates against the different forms of collateral that can be pledged against commercial loans. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, equipment, eligible accounts receivable and inventory. Individual loan advance rates may be higher or lower depending upon the financial strength of the borrower and/or term of the loan. The assets financed through commercial loans are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets. Commercial real estate loans include long-term loans financing commercial properties. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. Commercial real estate loans typically require a loan to value ratio of not greater than 80% and vary in terms.

For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes non-performing, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For commercial and industrial loans secured by nonreal 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 agings or 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.

Residential mortgages and home equity loans are secured by the borrower's residential real estate in either a first or second lien position. Residential mortgages and home equity loans have varying loan rates depending on the financial condition of the borrower and the loan to value ratio. Residential mortgages have amortizations up to 30 years and home equity loans have maturities up to 15 years.

Other consumer loans include installment loans, car loans and overdraft lines of credit. The majority of these loans are unsecured.

### Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosures are held for sale and are initially recorded at fair value less cost 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 carried at lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in valuation allowances are included in net expenses from foreclosed assets. As of December 31, 2024 there are $186,000 of residential mortgages in process of foreclosure.

### Premises and Equipment

Land is carried at cost. Buildings and equipment are stated at cost less accumulated depreciation and amortization computed on a straight-line method over the estimated useful lives of the assets and the expected terms of the leases if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

### Leases

The Company accounts for leases in accordance with ASC 842 *Leases*. The Company determines if an arrangement is a lease at inception. Right-of-use (ROU) assets represent the Company’s right to use an underlying asset for the lease term, and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

### 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 Company put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

### Income Taxes

There are 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 Company 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 basis 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 recognized 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. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

### Treasury Stock

Common stock shares repurchased are recorded as treasury stock at cost.

### Earnings Per Share

The Company has a simple capital structure. Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period.

Treasury shares are not deemed outstanding for earnings per share calculations.

### Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains on securities available-for-sale which are recognized as a separate component of equity, net of income taxes.

### Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions are more fully disclosed in Note 15. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

### Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the consolidated balance sheets when they are funded.

### Bank Owned Life Insurance

The Company invests in bank owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Company on a chosen group of employees. The Company is the owner and beneficiary of the policies. This life insurance investment is carried at the cash surrender value of the underlying policies and is included on the consolidated balance sheets. Income from the increase in cash surrender value of the policies is included in other income on the consolidated statements of income.

### Employment Agreement

The Bank has an employment agreement with its President and Chief Executive Officer for a two-year period. The agreement renews automatically and the employment period is extended for successive additional periods of two years each unless written notice is given not to renew by any of the parties to this agreement. The agreement also contains several restrictive covenants common to most employment contracts.

### Advertising Costs

Advertising costs are expensed as incurred.

### Reclassification

Certain reclassifications have been made to the 2024 consolidated financial statements to conform to the 2023 consolidated financial statement presentation. These reclassifications had no effect on net income.

### Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the consolidated balance sheet date of December 31, 2024 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through February 12, 2025, the date these consolidated financial statements were available for issue.

### Future Accounting Standard

During December 2023, the Financial Accounting Standards Board (FASB) issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU No. 2023-09 enhances the transparency and decision usefulness of income tax disclosures. The amendments in this ASU require consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. ASU No. 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in this ASU should be applied on a prospective basis. Retrospective application is permitted. The Company does not believe that the adoption of ASU No. 2023-09 will have a material effect on the results of operations, financial position or cash flows.

## 2. Revenue Recognition

The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. The main types of revenue contracts included in other income within the consolidated statements of income are as follows:

### Deposits Related Fees and Service Charges

Service charges and fees on deposits which are included as liabilities in the consolidated balance sheets consist of transaction-based fees, account maintenance fees and overdraft services fees for various retail and business checking customers. Transaction-based fees, which includes services such as automated teller machines (ATM) fees, Automated Clearing House (ACH) fees, stop payment charges and statement rendering fees are recognized at the time transaction is executed as that is the point in time the Company fulfills the customer's request. All deposit liabilities are considered to have one-day terms, and therefore, related fees are recognized as noninterest income at the time when the services are provided to the customer. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn directly from the customer's account balance.

### Interchange Income

The Company earns interchange fees from credit/debit cardholder transactions conducted through MasterCard payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized monthly, concurrently with the transaction processing services provided to the cardholder.

### Gain/Losses on Sale of OREO

The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO assets are derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction prices and related gain (loss) on sale if a significant financing component is present. There were no sales of OREO in 2024 and 2023.

## 3. Restrictions on Cash and Due From Banks

The Company is required to maintain reserve balances in the form of vault cash or on deposit with the Federal Reserve Bank. The amount reserved at December 31, 2024 and 2023 was $0.

## 4. Securities

The amortized cost and fair value of investment securities, with gross unrealized gains and losses at December 31, 2024 and 2023 are as follows:

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Allowance for Credit Losses | Fair Value |
| | | | (In Thousands) | | |
| Available-for-sale: | | | | | |
| U.S. government agencies | $ 49,667 | $ - | $ (4,521) | $ - | $ 45,146 |
| Mortgage-backed securities | 8,224 | - | (882) | - | 7,342 |
| State and municipal | 8,430 | - | (1,151) | - | 7,279 |
| | $ 66,321 | $ - | $ (6,554) | $ - | $ 59,767 |
| Held-to-maturity: | | | | | |
| U.S. government agencies | $ 56,775 | $ - | $ (3,884) | $ - | $ 52,891 |
| Mortgage-backed securities | 6,061 | - | (529) | - | 5,532 |
| State and municipal | 9,809 | - | (912) | - | 8,897 |
| | $ 72,645 | $ - | $ (5,325) | $ - | $ 67,320 |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Allowance for Credit Losses | Fair Value |
| | | | (In Thousands) | | |
| Available-for-sale: | | | | | |
| Treasury bonds | $ 995 | $ - | $ (10) | $ - | $ 985 |
| U.S. government agencies | 49,620 | - | (5,287) | - | 44,333 |
| Mortgage-backed securities | 9,937 | - | (929) | - | 9,008 |
| State and municipal | 8,458 | - | (1,068) | - | 7,390 |
| | $ 69,010 | $ - | $ (7,294) | $ - | $ 61,716 |
| Held-to-maturity: | | | | | |
| U.S. government agencies | $ 58,478 | $ - | $ (4,803) | $ - | $ 53,675 |
| Mortgage-backed securities | 7,780 | - | (627) | - | 7,153 |
| State and municipal | 10,060 | 31 | (839) | - | 9,252 |
| | $ 76,318 | $ 31 | $ (6,269) | $ - | $ 70,080 |

Investment securities with a carrying amount of $24,315,000 and $21,744,000 as of December 31, 2024 and 2023, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

The amortized cost and fair value of debt securities by contractual maturity, at December 31, 2024 are as follows:

| | Available-for-Sale | | Held-to-Maturity | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| | (In Thousands) | | | |
| Due within one year | $ 2,750 | $ 2,730 | $ 11,130 | $ 11,057 |
| Due after one year through five years | 36,966 | 34,222 | 40,863 | 38,441 |
| Due after five years through 10 years | 16,691 | 14,024 | 11,307 | 9,752 |
| Due after 10 years | 1,690 | 1,449 | 3,284 | 2,538 |
| | 58,097 | 52,425 | 66,584 | 61,788 |
| Mortgage-backed securities | 8,224 | 7,342 | 6,061 | 5,532 |
| | $ 66,321 | $ 59,767 | $ 72,645 | $ 67,320 |

Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2024 and 2023, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of stockholders' equity.

The following tables show gross unrealized losses and fair value of the Company's investments for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that the individual securities have been in continuous unrealized loss position at December 31, 2024 and 2023.

| | 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | (In Thousands) | | | | | |
| Available-for-sale: | | | | | | |
| U.S. government agencies | $ - | $ - | $ 45,146 | $ (4,521) | $ 45,146 | $ (4,521) |
| Mortgage-backed securities | - | - | 7,306 | (882) | 7,306 | (882) |
| State and municipal | 660 | (89) | 6,620 | (1,062) | 7,280 | (1,151) |
| | $ 660 | $ (89) | $ 59,072 | $ (6,465) | $ 59,732 | $ (6,554) |
| Held-to-maturity: | | | | | | |
| U.S. government agencies | $ - | $ - | $ 52,891 | $ (3,884) | $ 52,891 | $ (3,884) |
| Mortgage-backed securities | - | - | 5,532 | (529) | 5,532 | (529) |
| State and municipal | 2,482 | (31) | 6,415 | (881) | 8,897 | (912) |
| | $ 2,482 | $ (31) | $ 64,838 | $ (5,294) | $ 67,320 | $ (5,325) |

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | (In Thousands) | | | | | |
| Available-for-sale: | | | | | | |
| Treasury bonds | $ - | $ - | $ 985 | $ (10) | $ 985 | $ (10) |
| U.S. government agencies | - | - | 44,333 | (5,287) | 44,333 | (5,287) |
| Mortgage-backed securities | - | - | 9,008 | (929) | 9,008 | (929) |
| State and municipal | - | - | 7,390 | (1,068) | 7,390 | (1,068) |
| | $ - | $ - | $ 61,716 | $ (7,294) | $ 61,716 | $ (7,294) |
| Held-to-maturity: | | | | | | |
| U.S. government agencies | $ - | $ - | $ 53,675 | $ (4,803) | $ 53,675 | $ (4,803) |
| Mortgage-backed securities | - | - | 7,153 | (627) | 7,153 | (627) |
| State and municipal | - | - | 8,453 | (839) | 8,453 | (839) |
| | $ - | $ - | $ 69,281 | $ (6,269) | $ 69,281 | $ (6,269) |

At December 31, 2024 and 2023, the Company had 7 and 0 securities, in an unrealized loss position for less than 12 months, respectively. At December 31, 2024 and 2023, the Company had 125 and 135 securities, in an unrealized loss position for 12 months or more, respectively. The majority of these securities are guaranteed by the U.S. government. These unrealized losses relate principally to current interest rates for similar types of securities. The contractual terms of the U.S. government agency and mortgage-backed securities do not permit the issuer to settle the securities at a price less than amortized cost basis of the investments. For municipal securities, the Company analyzes an issuer's financial condition and considers whether downgrades by bond rating agencies have occurred in determining whether or not there is an impairment. Because the Company does not intend to sell the investments and it is not more-likely-than-not that the Company will be required to sell the investments before recovery of their amortized cost basis which may be at maturity, the Company does not consider any investments held as of December 31, 2024 to need an allowance for credit losses.

## 5. Loans and Allowance for Credit Losses

A summary of loans at December 31, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|---|---|
| | (In Thousands) | |
| Commercial | $ 24,053 | $ 20,623 |
| Commercial real estate owner occupied | 23,653 | 22,022 |
| Commercial real estate nonowner occupied | 41,764 | 37,143 |
| Residential mortgage | 112,176 | 109,438 |
| Home equity | 20,708 | 18,193 |
| Consumer, other | 201 | 245 |
| | 222,555 | 207,664 |
| Less allowance for credit losses | (2,884) | (2,570) |
| Loans, net | $ 219,671 | $ 205,094 |

The following tables presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2024 and 2023:

| | 2024 Allowance for Credit Losses | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Charge-offs | Recoveries | Provision for Credit Losses | Ending Balance |
| | | | (In Thousands) | | |
| Commercial | $ 326 | $ - | $ - | $ 192 | $ 518 |
| Commercial real estate owner occupied | 314 | - | - | 179 | 493 |
| Commercial real estate nonowner occupied | 550 | - | - | 320 | 870 |
| Residential mortgage | 1,265 | (33) | 16 | (381) | 867 |
| Home equity | 112 | - | - | 18 | 130 |
| Consumer, other | 3 | (6) | 7 | 2 | 6 |
| Total | $ 2,570 | $ (39) | $ 23 | $ 330 | $ 2,884 |

| | 2023 Allowance for Credit Losses | | | | | |
|---|---|---|---|---|---|---|
| | Beginning Balance | Adoption of ASC 326 | Charge-offs | Recoveries | Provision for Credit Losses | Ending Balance |
| | | | (In Thousands) | | | |
| Commercial | $ 218 | $ 32 | $ (112) | $ - | $ 188 | $ 326 |
| Commercial real estate | 697 | (697) | - | - | - | - |
| Commercial real estate owner occupied | - | 287 | - | - | 27 | 314 |
| Commercial real estate nonowner occupied | - | 511 | - | - | 39 | 550 |
| Residential mortgage | 1,032 | 148 | - | 4 | 81 | 1,265 |
| Home equity | 106 | 15 | - | 1 | (10) | 112 |
| Consumer, other | 1 | - | (3) | - | 5 | 3 |
| Unallocated | 296 | (296) | - | - | - | - |
| Total | $ 2,350 | $ - | $ (115) | $ 5 | $ 330 | $ 2,570 |

The cumulative loss rate used as the basis for the estimate of credit losses is comprised of the historical loss experience of banks located in Pennsylvania with an asset size between $300,000,000 and $500,000,000. The Company has adjusted the historical loss experience to reflect the Bank's portfolio, asset quality, concentrations of credit, lending policies, management, loan review policies and procedures, and operating environment. Additionally, the Company has adjusted the historical loss experience to reflect the Company's expectations for future performance of the local residential and commercial real estate markets.

The following tables present the amortized cost basis of loans on nonaccrual status as of December 31, 2024 and 2023:

| | 2024 | | |
|---|---|---|---|
| | Nonaccrual With No Allowance For Credit Loss | Nonaccrual With Recorded Allowance For Credit Loss | Total Nonaccrual |
| | | (In Thousands) | |
| Commercial | $ - | $ - | $ - |
| Commercial real estate owner occupied | 15 | - | 15 |
| Commercial real estate nonowner occupied | - | - | - |
| Residential mortgage | 1,248 | - | 1,248 |
| Home equity | 70 | - | 70 |
| Consumer, other | - | - | - |
| Total | $ 1,333 | $ - | $ 1,333 |

| | 2023 | | |
|---|---|---|---|
| | Nonaccrual With No Allowance For Credit Loss | Nonaccrual With Recorded Allowance For Credit Loss | Total Nonaccrual |
| | | (In Thousands) | |
| Commercial | $ - | $ - | $ - |
| Commercial real estate owner occupied | 17 | - | 17 |
| Commercial real estate nonowner occupied | - | - | - |
| Residential mortgage | 1,031 | 121 | 1,152 |
| Home equity | 73 | - | 73 |
| Consumer, other | - | 1 | 1 |
| Total | $ 1,121 | $ 122 | $ 1,243 |

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024 and 2023:

| | 2024 | | |
|---|---|---|---|
| | Real Estate Secured | Other (1) | Total Collateral Dependent Loans |
| | | (In Thousands) | |
| Commercial | $ - | $ - | $ - |
| Commercial real estate owner occupied | 15 | - | 15 |
| Commercial real estate nonowner occupied | - | - | - |
| Residential mortgage | 1,248 | - | 1,248 |
| Home equity | 70 | - | 70 |
| Consumer, other | - | - | - |
| Total | $ 1,333 | $ - | $ 1,333 |

(1) Secured by business assets, personal property and equipment, or guarantees.

| | 2023 | | |
|---|---|---|---|
| | Real Estate Secured | Other (1) | Total Collateral Dependent Loans |
| | | (In Thousands) | |
| Commercial | $ - | $ - | $ - |
| Commercial real estate owner occupied | 17 | - | 17 |
| Commercial real estate nonowner occupied | - | - | - |
| Residential mortgage | 1,151 | - | 1,151 |
| Home equity | 85 | - | 85 |
| Consumer, other | - | - | - |
| Total | $ 1,253 | $ - | $ 1,253 |

(1) Secured by business assets, personal property and equipment, or guarantees.

The performance and credit quality of the loan portfolio is monitored by analyzing 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 as of December 31, 2024 and 2023:

| | 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans Receivables | Loans Receivable >90 Days and Accruing |
| | | | | (In Thousands) | | | |
| Commercial | $ - | $ - | $ - | $ - | $ 24,053 | $ 24,053 | $ - |
| Commercial real estate owner occupied | 15 | - | - | 15 | 23,638 | 23,653 | - |
| Commercial real estate nonowner occupied | 1,596 | - | - | 1,596 | 40,168 | 41,764 | - |
| Residential mortgage | - | 301 | 573 | 874 | 111,302 | 112,176 | - |
| Home equity | - | - | 70 | 70 | 20,638 | 20,708 | - |
| Consumer, other | 35 | - | - | 35 | 166 | 201 | - |
| | $ 1,646 | $ 301 | $ 643 | $ 2,590 | $ 219,965 | $ 222,555 | $ - |

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans Receivables | Loans Receivable >90 Days and Accruing |
| | | | | (In Thousands) | | | |
| Commercial | $ - | $ - | $ - | $ - | $ 20,623 | $ 20,623 | $ - |
| Commercial real estate owner occupied | - | - | - | - | 22,022 | 22,022 | - |
| Commercial real estate nonowner occupied | - | - | - | - | 37,143 | 37,143 | - |
| Residential mortgage | 982 | - | 592 | 1,574 | 107,864 | 109,438 | - |
| Home equity | - | - | 65 | 65 | 18,128 | 18,193 | - |
| Consumer, other | 35 | 2 | - | 37 | 208 | 245 | - |
| | $ 1,017 | $ 2 | $ 657 | $ 1,676 | $ 205,988 | $ 207,664 | $ - |

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. This analysis includes loans with an outstanding balance greater than $500,000 and nonhomogenous loans, such as commercial and commercial real estate loans. This analysis is performed on an annual basis. The Company uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or credit position of the institution at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

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

The following tables present the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of December 31, 2024 and 2023:

| | 2024 Loans Amortized Cost Basis by Origination Year (In Thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Total |
| Commercial: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 7,694 | $ 4,912 | $ 1,311 | $ 437 | $ 3,019 | $ 6,680 | $ 24,053 |
| Special mention | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 7,694 | $ 4,912 | $ 1,311 | $ 437 | $ 3,019 | $ 6,680 | $ 24,053 |
| 2024 gross write offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | 2024 Loans Amortized Cost Basis by Origination Year (In Thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Total |
| Commercial real estate owner occupied: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 4,578 | $ 3,851 | $ 2,812 | $ 3,243 | $ 1,060 | $ 8,094 | $ 23,638 |
| Special mention | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | 15 | 15 |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 4,578 | $ 3,851 | $ 2,812 | $ 3,243 | $ 1,060 | $ 8,109 | $ 23,653 |
| 2024 gross write offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | 2024 Loans Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Total |
| | (In Thousands) | | | | | | |
| Commercial real estate nonowner occupied: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 9,874 | $ 6,020 | $ 10,842 | $ 5,474 | $ 1,526 | $ 6,205 | $ 39,941 |
| Special mention | - | - | - | 1,823 | - | - | 1,823 |
| Substandard | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 9,874 | $ 6,020 | $ 10,842 | $ 7,297 | $ 1,526 | $ 6,205 | $ 41,764 |
| 2024 gross write offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | 2024 Loans Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Total |
| | (In Thousands) | | | | | | |
| Residential mortgage: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 10,732 | $ 12,810 | $ 17,663 | $ 24,276 | $ 14,754 | $ 30,693 | $ 110,928 |
| Special mention | - | - | - | - | - | - | - |
| Substandard | - | - | 238 | - | 412 | 598 | 1,248 |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 10,732 | $ 12,810 | $ 17,901 | $ 24,276 | $ 15,166 | $ 31,291 | $ 112,176 |
| 2024 gross write offs | $ - | $ - | $ - | $ - | $ - | $ 33 | $ 33 |

| | 2024 Loans Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Total |
| | (In Thousands) | | | | | | |
| Home equity: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 5,771 | $ 2,020 | $ 5,566 | $ 1,170 | $ 1,061 | $ 5,050 | $ 20,638 |
| Special mention | - | - | - | - | - | - | - |
| Substandard | - | - | 70 | - | - | - | 70 |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 5,771 | $ 2,020 | $ 5,636 | $ 1,170 | $ 1,061 | $ 5,050 | $ 20,708 |
| 2024 gross write offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | 2024 Loans Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Total |
| | (In Thousands) | | | | | | |
| Consumer, other: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 45 | $ 65 | $ 45 | $ 7 | $ 1 | $ 38 | $ 201 |
| Special mention | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 45 | $ 65 | $ 45 | $ 7 | $ 1 | $ 38 | $ 201 |
| 2024 gross write offs | $ - | $ - | $ - | $ 4 | $ 2 | $ - | $ 6 |

| | 2023 Loans Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total |
| | (In Thousands) | | | | | | |
| Commercial: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 5,666 | $ 1,621 | $ 759 | $ 3,355 | $ 1,004 | $ 7,871 | $ 20,276 |
| Special mention | - | - | - | - | 347 | - | 347 |
| Substandard | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 5,666 | $ 1,621 | $ 759 | $ 3,355 | $ 1,351 | $ 7,871 | $ 20,623 |
| 2023 gross write offs | $ - | $ - | $ - | $ - | $ 112 | $ - | $ 112 |

| | 2023 Loans Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total |
| | (In Thousands) | | | | | | |
| Commercial real estate owner occupied: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 4,966 | $ 3,025 | $ 3,465 | $ 1,114 | $ 1,868 | $ 7,567 | $ 22,005 |
| Special mention | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | 17 | 17 |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 4,966 | $ 3,025 | $ 3,465 | $ 1,114 | $ 1,868 | $ 7,584 | $ 22,022 |
| 2023 gross write offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | 2023 Loans Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total |
| | (In Thousands) | | | | | | |
| Commercial real estate nonowner occupied: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 7,043 | $ 11,751 | $ 6,160 | $ 1,977 | $ 2,232 | $ 6,103 | $ 35,266 |
| Special mention | - | - | 1,877 | - | - | - | 1,877 |
| Substandard | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 7,043 | $ 11,751 | $ 8,037 | $ 1,977 | $ 2,232 | $ 6,103 | $ 37,143 |
| 2023 gross write offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | 2023 Loans Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total |
| | (In Thousands) | | | | | | |
| Residential mortgage: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 12,021 | $ 19,639 | $ 26,084 | $ 15,644 | $ 7,328 | $ 27,571 | $ 108,287 |
| Special mention | - | - | - | - | - | - | - |
| Substandard | - | - | - | 568 | 475 | 108 | 1151 |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 12,021 | $ 19,639 | $ 26,084 | $ 16,212 | $ 7,803 | $ 27,679 | $ 109,438 |
| 2023 gross write offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | 2023 Loans Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total |
| | (In Thousands) | | | | | | |
| Home equity: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 2,792 | $ 6,770 | $ 1,393 | $ 1,543 | $ 1,100 | $ 4,530 | $ 18,128 |
| Special mention | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | 65 | 65 |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 2,792 | $ 6,770 | $ 1,393 | $ 1,543 | $ 1,100 | $ 4,595 | $ 18,193 |
| 2023 gross write offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | 2023 Loans Amortized Cost Basis by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total |
| | (In Thousands) | | | | | | |
| Consumer, other: | | | | | | | |
| Risk Rating: | | | | | | | |
| Pass | $ 126 | $ 49 | $ 16 | $ 6 | $ 1 | $ 37 | $ 235 |
| Special mention | - | - | - | - | - | - | - |
| Substandard | - | 9 | 1 | - | - | - | 10 |
| Doubtful | - | - | - | - | - | - | - |
| Total | $ 126 | $ 58 | $ 17 | $ 6 | $ 1 | $ 37 | $ 245 |
| 2023 gross write offs | $ - | $ - | $ 3 | $ - | $ - | $ - | $ 3 |

Occasionally, the Company modifies loans to borrowers in financial distress by providing interest rate reductions, extensions of maturity, interest only payments or other-than-insignificant payment delays. In 2024 and 2023, there were no modifications to loans to borrowers in financial distress.

## 6. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment at December 31, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|---|---|
| | (In Thousands) | |
| Land | $ 869 | $ 869 |
| Buildings and improvements | 9,109 | 8,010 |
| Furniture and equipment | 5,741 | 5,623 |
| | 15,719 | 14,502 |
| Accumulated depreciation | (9,518) | (9,177) |
| | $ 6,201 | $ 5,325 |

Depreciation expense for the years ended December 31, 2024 and 2023 amounted to $376,000 and $284,000 respectively.

## 7. Leases

The Company's two leases are classified as operating leases with no short-term leases. Currently, the leases are for branch leases and one of the two leases contains a renewal option. The recorded amounts for the branch leases are impacted by assumptions around renewals and/or extensions and the interest rate used to discount those future lease obligations. The Company has recorded amounts as of December 31, 2024 and 2023 for the right of use asset of $169,000 and $87,000, respectively, recorded in other assets, and lease liabilities of $171,000 and $88,000, respectively, recorded in other liabilities on the consolidated balance sheets. Operating cash flow paid for lease liabilities was $106,000 and $104,000 as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, the operating leases overall had a weighted average lease term of 2.7 and 1.04 years, respectively. The weighted average discount rate for the operating leases as of December 31, 2024 and 2023 was 4.48% and 3.01%, respectively.

A reconciliation of operating lease liabilities by minimum lease payments by year and in aggregate and discount amounts in aggregate, as of December 31, 2024, are as follows (in thousands):

| | |
|---|---|
| 2025 | $ 100 |
| 2026 | 62 |
| 2027 | 37 |
| Total undiscounted lease liabilities | 199 |
| Less discounted amount | (28) |
| Total lease liabilities | $ 171 |

## 8. Deposits

The components of deposits at December 31, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|---|---|
| | (In Thousands) | |
| Demand: | | |
| Noninterest bearing | $ 71,992 | $ 66,353 |
| Interest bearing | 170,092 | 145,183 |
| Savings | 67,020 | 72,902 |
| Time | 47,870 | 56,728 |
| | $ 356,974 | $ 341,166 |

Time deposits that meet or exceed the FDIC Insurance limit of $250,000 at December 31, 2024 and 2023 were $3,281,000 and $5,074,000, respectively.

At December 31, 2024, the scheduled maturities of time deposits are as follows (in thousands):

| | |
|---|---|
| 2025 | $ 44,975 |
| 2026 | 1,240 |
| 2027 | 758 |
| 2028 | 535 |
| 2029 | 362 |
| | $ 47,870 |

## 9. Borrowings

The Company has a maximum borrowing capacity with the FHLB of approximately $126,106,000 and $114,116,000 at December 31, 2024 and 2023, respectively, of which $3,000,000 and $15,000,000 of debt advances were outstanding at December 31, 2024 and 2023, respectively. The FHLB advances outstanding at December 31, 2024 have an average interest rate of 5.20%. Advances from the FHLB are secured by a blanket lien on qualified assets of the Company.

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

| | |
|---|---|
| 2025 | $ 3,000 |

## 10. Income Taxes

The components of income taxes for the years ended December 31, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|---|---|
| | (In Thousands) | |
| Current | $ 297 | $ 328 |
| Deferred | (102) | (46) |
| | $ 195 | $ 282 |

A reconciliation of the statutory income tax computed at 21% for 2024 and 2023, to the income tax expense included in the consolidated statements of income for the years ended December 31, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|---|---|
| | (In Thousands) | |
| Federal income tax at statutory rate | $ 338 | $ 383 |
| Tax-exempt interest, net of interest disallowance | (107) | (115) |
| Earnings on insurance policies | (37) | (35) |
| Other | 1 | 49 |
| | $ 195 | $ 282 |

Deferred tax assets and liabilities consisted of the following components at December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| | (In Thousands) | |
| Deferred tax assets: | | |
| Allowance for credit losses | $ 606 | $ 540 |
| Deferred loan fees | 86 | 78 |
| Deferred employee benefit plans | 278 | 294 |
| Accrued incentive pay | 22 | 10 |
| Net unrealized loss on securities available-for-sale | 1,376 | 1,533 |
| Accrued interest on nonaccrual loans | 10 | 10 |
| Lease liabilities | 36 | 19 |
| Total deferred tax assets | 2,414 | 2,484 |
| Deferred tax liabilities: | | |
| Premises and equipment depreciation | (174) | (199) |
| Securities accretion | (6) | (12) |
| Right of use assets | (36) | (18) |
| Other | (34) | (37) |
| Total deferred tax liabilities | (250) | (266) |
| Net deferred tax asset | $ 2,164 | $ 2,218 |

## 11. Employee Benefit Plans

### Defined Benefit Retirement Plan

The Company participates in a multiemployer defined benefit pension plan covering all full-time employees who had attained a minimum age of 20.5 years and completed 12 months of service prior to June 30, 2006. The retirement benefit is based on 1.5% of the highest five-year average compensation for each year of service. Benefits vest over a seven-year period. On May 3, 2006, the Board of Directors authorized a freeze to the entry of newly-hired employees into the defined benefit retirement plan, together with any additional benefit accruals for existing employees, effective June 30, 2006.

The risks of participating in this multiemployer plan are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Company chooses to stop participating in the plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in the plan is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2024 and 2023 is for the plan's year-end at June 30, 2024 and 2023, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. There have been no significant changes that affect the comparability of 2024 and 2023 contributions.

| Pension Fund | EIN/Pension Plan Number | Pension Protection Act Zone Status | | FIP/RP Status Pending/ Implemented | Contributions of the Company for the Years Ended December 31, (In Thousands) | | Surcharge Imposed |
|---|---|---|---|---|---|---|---|
| | | 2024 | 2023 | | 2024 | 2023 | |
| Pentagra Defined Benefit Plan for Financial Institutions | 13-5645888/ 333 | Green | Green | No | $ 30 | $ 64 | No |

The Company was not listed in the plan's Form 5500 as providing 5% or more of contributions in 2023. The Form 5500 for 2024 is not yet available.

### 401(k) Retirement Plan

The Company has a 401(k) plan which covers employees who meet the eligibility requirements of having worked 1,000 hours in a plan year and have attained the age of 18. Participants are permitted to contribute from 1% to 20% of compensation. The Company is not required to contribute, but can elect to make an annual supplemental contribution to the Plan. The Company contributed approximately $63,000 and $55,000 to the plan for the years ended December 31, 2024 and 2023, respectively, which is included in salaries and employee benefits in the accompanying consolidated statements of income.

### Other Benefit Programs

The Company has several other benefit programs, which have been funded with single premium insurance contracts. The annual earnings on these contracts are projected to cover the Company's cost for the new programs, which include a nonqualified salary continuation plan, a director retirement plan, a director deferred fee plan, an officer supplemental life insurance plan and a community bankers scholarship program.

The salary continuation plan is to provide additional retirement benefits for certain key employees and directors. The director deferred fee plan will also allow each director to defer additional funds for retirement from the board. The officers' supplemental life insurance plan also provides additional life insurance benefits for another group of key employees. The community bankers' scholarship program allows the Company to provide several scholarships annually from earnings on life insurance contracts.

The aforementioned programs use bank-owned life insurance contracts with split-dollar agreements with each individual, so that the Company is projected to recover its investment for each program in the event of any premature deaths.

The following summarizes the activity in these benefit programs for the years ended December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| | (In Thousands) | |
| Insurance contract earnings | $ 264 | $ 256 |
| Mortality costs | (92) | (92) |
| Net increase in cash value of insurance contracts | $ 172 | $ 164 |
| Benefits accrued during the year | $ 96 | $ 92 |
| Accrued benefits at end of year | 1,325 | 1,401 |
| Benefits paid during year | 172 | 182 |

## 12. Transactions With Related Parties

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties), all of which have been in the opinion of management, on similar terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

The related-party loan activity as of and for the years ended December 31, 2024 and 2023 are summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| | (In Thousands) | |
| Balance at January 1 | $ 327 | $ 809 |
| New loans | 215 | 25 |
| Principal repayments | (90) | (507) |
| Effect of change in related parties | 89 | - |
| Balance at December 31 | $ 541 | $ 327 |

Deposits from principal officers, directors, and their affiliates for the years ended December 31, 2024 and 2023 were $878,000 and $1,506,000, respectively.

## 13. Financial Instruments With Off-Balance Sheet Risk

The Company is a party to credit related financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument of commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

At December 31, 2024 and 2023, the following financial instruments were outstanding whose contract amounts represent credit risk:

| | 2024 | 2023 |
|---|---|---|
| | (In Thousands) | |
| Commitments to grant loans | $ 3,974 | $ 2,951 |
| Unfunded commitments under lines of credit | 68,291 | 58,822 |
| Standby letters of credit | 1,039 | 1,278 |
| | $ 73,304 | $ 63,051 |

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include inventory, real estate and equipment.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral supporting those commitments when deemed necessary by management.

## 14. Regulatory Matters

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities and certain consolidated balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the following table) of total capital, Tier 1 capital (as defined in the regulations) and common equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. A capital conservation buffer of 2.50%, comprised of common equity Tier I capital, is also established above the regulatory minimum capital requirements and must be maintained to avoid limitations on capital distributions.

The Bank's actual and required capital amounts and ratios are as follows at December 31, 2024 and 2023:

| | 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Actual | | For Capital Adequacy Purposes | | To be Well Capitalized Under Prompt Corrective Action Provisions | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | (Dollar Amounts in Thousands) | | | | | |
| Total capital (to risk-weighted assets) | $ 31,755 | 15.07 % | $ >16,859 | 8.00 % | $ >21,074 | 10.00 % |
| Common equity Tier 1 (CET1) capital (to risk-weighted assets) | 29,118 | 13.82 | >9,483 | 4.50 | >13,698 | 6.50 |
| Tier 1 (core) capital (to risk-weighted assets) | 29,118 | 13.82 | >12,645 | 6.00 | >16,859 | 8.00 |
| Tier 1 (core) capital (to average assets) | 29,118 | 7.48 | >15,575 | 4.00 | >19,469 | 5.00 |

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Actual | | For Capital Adequacy Purposes | | To be Well Capitalized Under Prompt Corrective Action Provisions | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | (Dollar Amounts in Thousands) | | | | | |
| Total capital (to risk-weighted assets) | $ 30,857 | 15.13 % | $ >16,311 | 8.00 % | $ >20,389 | 10.00 % |
| Common equity Tier 1 (CET1) capital (to risk-weighted assets) | 28,308 | 13.88 | >9,175 | 4.50 | >13,253 | 6.50 |
| Tier 1 (core) capital (to risk-weighted assets) | 28,308 | 13.88 | >12,233 | 6.00 | >16,311 | 8.00 |
| Tier 1 (core) capital (to average assets) | 28,308 | 7.48 | >15,142 | 4.00 | >18,927 | 5.00 |

## 15. Fair Value of Financial Instruments

Management uses its best judgment in estimating the fair value of the Company'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 Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated 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 year-end.

### Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

### Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

**Cash and Due From Banks and Interest Bearing Deposits With Banks (Carried at Cost)**

The carrying amounts reported in the consolidated balance sheets for cash and short-term instruments approximate those assets' fair values.

**Interest Bearing Time Deposits (Carried at Cost)**

Fair values for fixed-rate time certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits. The Company generally purchases amounts below the insured limit, limiting the amount of credit risk on these time deposits.

**Securities**

The fair value of securities available-for-sale (carried at fair value) and held-to-maturity (carried at amortized cost) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers (where available) were used to support fair values of certain Level 3 investments.

**Loans Receivable (Carried at Cost)**

The fair values of loans are estimated using discounted cash flow analyses, using market rates at the consolidated balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

**Individually Evaluated Loans (Generally Carried at Fair Value)**

Individually evaluated loans are those in which the Bank has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. At December 31, 2024, there were no individually evaluated loans measured on the fair value of the loan's collateral. At December 31, 2023, the fair value consists of the loan balances of $121,000, with an associated valuation allowance of $5,000.

**Restricted Investment in Bank Stocks (Carried at Cost)**

The carrying amount of restricted investment in bank stocks approximates fair value and considers the limited marketability of such securities.

**Accrued Interest Receivable and Payable (Carried at Cost)**

The carrying amount of accrued interest receivable and payable approximates its fair value.

**Deposit Liabilities (Carried at Cost)**

The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits.

**Short-Term Debt and Long-Term Debt (Carried at Cost)**

Fair values of FHLB advances are estimated using discounted cash flow analysis, based on quoted prices for new FHLB advances with similar credit risk characteristics, terms and remaining maturity. These prices obtained from this active market represent a market value that is deemed to represent the transfer price if the liability were assumed by a third party.

**Off-Balance Sheet Financial Instruments (Disclosed at Cost)**

Fair values for the Company's off-balance sheet financial instruments (lending commitments and letters of credit) are based on fees currently charged in the market to enter into similar agreements, taking into account, the remaining terms of the agreements and the counterparties' credit standing.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2024 and 2023 are as follows:

| | 2024 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (In Thousands) | | | |
| Securities available-for-sale: | | | | |
| U.S. government agencies | $ 45,146 | $ - | $ 45,146 | $ - |
| Mortgage-backed securities | 7,342 | - | 7,342 | - |
| State and municipal | 7,279 | - | 7,279 | - |
| | $ 59,767 | $ - | $ 59,767 | $ - |

| | 2023 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (In Thousands) | | | |
| Securities available-for-sale: | | | | |
| Treasury bonds | $ 985 | $ 985 | $ - | $ - |
| U.S. government agencies | 44,333 | - | 44,333 | - |
| Mortgage-backed securities | 9,008 | - | 9,008 | - |
| State and municipal | 7,390 | - | 7,390 | - |
| | $ 61,716 | $ 985 | $ 60,731 | $ - |

There were no financial assets measured at fair value on a nonrecurring basis at December 31, 2024. For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2023 are as follows:

| | 2023 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (In Thousands) | | | |
| Individually evaluated loans | $ 116 | $ - | $ - | $ 116 |

Quantitative information about Level 3 fair value measurements at December 31, 2023 is included in the table below:

| | 2023 | | | |
|---|---|---|---|---|
| | Quantitative Information About Level 3 Fair Value Measurements | | | |
| | Fair Value Estimate | Valuation Techniques | Unobservable Inputs | Estimated Range |
| | (In Thousands) | | | |
| Individually evaluated loans | $ 116 | Appraisal of collateral | Appraisal Adjustments | 90% |
| | | | Liquidation expenses | 16% |

At December 31, 2024 and 2023, the Company's estimated fair values of financial instruments were as follows:

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | (Level 1) | (Level 2) | (Level 3) |
| | | | (In Thousands) | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | $ 9,559 | $ 9,559 | $ 9,559 | $ - | $ - |
| Interest-bearing time deposits | 9,500 | 9,500 | - | 9,500 | - |
| Investment securities | 132,412 | 127,087 | - | 127,087 | - |
| Loans, net | 219,815 | 210,887 | - | - | 210,887 |
| Restricted stocks | 732 | 732 | - | 732 | - |
| Accrued interest receivable | 1,270 | 1,270 | - | 1,270 | - |
| Financial liabilities: | | | | | |
| Deposits | $ 356,974 | $ 316,964 | $ - | $ - | $ 316,964 |
| Long-term debt | 3,000 | 3,073 | - | 3,073 | - |
| Accrued interest payable | 49 | 49 | - | 49 | - |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | (Level 1) | (Level 2) | (Level 3) |
| | | | (In Thousands) | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | $ 10,267 | $ 10,267 | $ 10,267 | $ - | $ - |
| Interest-bearing time deposits | 11,450 | 11,450 | - | 11,450 | - |
| Investment securities | 138,034 | 131,796 | - | 131,796 | - |
| Loans, net | 205,094 | 195,010 | - | - | 195,010 |
| Restricted stocks | 1,236 | 1,236 | - | 1,236 | - |
| Accrued interest receivable | 1,231 | 1,231 | - | 1,231 | - |
| Financial liabilities: | | | | | |
| Deposits | $ 341,166 | $ 278,542 | $ - | $ - | $ 278,542 |
| Long-term debt | 15,000 | 15,201 | - | 15,201 | - |
| Accrued interest payable | 86 | 86 | - | 86 | - |

## 16. Legal Contingencies

Various legal claims arise from time-to-time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

## 17. Risks and Uncertainties

The Bank's loan and investment securities are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain assets and the level of uncertainty related to changes in the value of these assets, it is at least reasonably possible that changes in risks in the near term would materially affect the assets reported in the consolidated financial statements.

# PUTTING THE **UNITY** IN **COMMUNITY**

A GLANCE AT **COMMUNITY CARE** IN ACTION IN 2024

## $11,000

RAISED FOR 4 LOCAL NONPROFITS DURING OUR ANNUAL COMMUNITY GIFT BASKET BINGO — A NEAR $3,050 INCREASE FROM 2023


HABITAT FOR HUMANITY OF BERKS COUNTY, NEW JOURNEY COMMUNITY OUTREACH, SAFETY NET SACNTUARY, AND VETERANS MAKING A DIFFERENCE ALL RECEIVED $2,750

## $15,541.10

THE AMOUNT RAISED BY FLEETWOOD BANK EMPLOYEES FOR UNITED WAY'S ANNUAL CAMPAIGN TO RAISE FUNDS TO HELP 190,000 COMMUNITY MEMBERS. IN 2023, WE ALSO RAISED OVER $15,000.

## 135+

**LOCAL ORGANIZATIONS WERE SUPPORTED BY FLEETWOOD BANK LAST YEAR**

WHETHER THROUGH FINANCIAL DONATION, RAFFLE BASKET DONATIONS, OR VOLUNTEERING OUR TIME

FROM LEFT TO RIGHT: SIGNAGE FROM FASD'S NEW BOARDWALK, NATIONAL NIGHT OUT,

BACK TO SCHOOL DONATION EVENT IN READING AND HELP A GIRL OUT DRIVE TO ASSIST THOSE IN NEED



## 95

KIDS JOINED OUR SMART SAVERS PROGRAM TO LEARN TO SAVE & SPEND WISELY WHILE EARNING CASH FOR GOOD GRADES

WE LAUNCHED OUR FIRST CUSTOM DEBIT CARD IN PARTNERSHIP WITH THE FLEETWOOD AREA SCHOOL DISTRICT AT THE START OF THE '24-'25 SCHOOL YEAR. A PORTION OF EACH TRANSACTION FEE IS DONATED BACK TO THE SCHOOL DISTRICT.


## 379

**TEAM MEMBER VOLUNTEER HOURS LAST YEAR**

# FLEETWOOD BANK CORPORATION & FLEETWOOD BANK DIRECTORS

**Richard L. Meares**
*Chairman*

**Timothy P. Snyder**
*President and Chief Executive Officer*

**Franklin M. Brown, Jr.**
*Secretary*

**Bruce C. Rhoads**
*Treasurer and Assistant Secretary*

**Kenneth L. Hoch**
Director

**Rebecca A. Iannelli**
*Director*

**Kimberly A. Moyer**
*Director*

**M. Christopher Wentzel**
*Director*

**Shannon M. Illiano**
*Assistant Secretary*

**Ronald H. Frey**
*Director Emeriti*

**Franklin S. Hoch**
*Director Emeriti*

**Peter R. Merkel**
*Director Emeriti*

# FLEETWOOD BANK OFFICERS

**Thomas Bendetti**
*Vice President, Relationship Manager*

**Kevin D. Bieber**
*Vice President, Relationship Manager*

**Jennifer Clark**
*Vice President, Human Resources*

**Robert S. Kline III**
*Vice President, Chief Operating Officer*

**Melanie Manwiller**
*Vice President, Relationship Manager*

**Thomas L. Mennie**
*Vice President, Chief Financial Officer*

**Stephen Patterson**
*Vice President, Chief Lending Officer*

**Curin Romich**
*Vice President, Business Development*

**Leann M. Waszk-Becker**
*Vice President, Relationship Manager*

**Austin Addis**
*Assistant Vice President, Controller*

**Philip Courtney**
*Assistant Vice President,*
*Compliance & Loan Administration Manager*

**Angela Cremer**
*Assistant Vice President, Marketing Officer*

**Chasitie Marcinkowski**
*Assistant Vice President, Loan Servicing Manager*

**CJ Ortega**
*Assistant Vice President, IT Manager*

**Karen L. Waters**
*Assistant Vice President, Mortgage Sales Manager*

**Bridget Winter**
*Assistant Vice President,*
*Deposit & Branch Administration Manager*

**Theresa Y. Woznicki**
*Assistant Vice President,*
*Deposit & Branch Administration Supervisor*

**SUBSCRIBE TO OUR NEWSLETTER:**
*Scan the QR code or visit bit.ly/fleetwoodbanknewsletter*

**SEVEN BRANCHES CONVENIENTLY LOCATED THROUGHOUT BERKS COUNTY:**

**BLANDON | FLEETWOOD | KUTZTOWN | LYONS | OLEY | SHOEMAKERSVILLE | WYOMISSING**