JTNB Bancorp, Inc.

A Bank Holding Company for

JTNB

Jim Thorpe Neighborhood Bank

- Since 1855 -

2023 Annual Report

JTNB Bancorp, Inc.

Board of Directors and Principal Officers

Ronald J. Sheehan Chairman	Craig A. Zurn President & CEO	William P. Gardiner Vice Chairman
Joseph T. Svetik Treasurer	Joseph F. Arieta Secretary	Harry W. Hintz Director

Jim Thorpe Neighborhood Bank

Executive Officers

Craig A. Zurn	President & CEO
Ronald J. Sheehan	Executive Vice President & Financial Officer

Officers & Senior Management

Jay T. Miller	Senior Vice President & Compliance Officer
Sarah A. Smith	Assistant Vice President & Deposit Operations / Electronic Banking Manager
Amy L. Behrens	Executive Assistant
Mary C. Marzen	Credit Administration Officer
James Lordi	Vice President of Operations & ISO Officer
Gino DeGiosio	Vice President of Commercial Lending
Jennifer Karnish	Controller
Tawny Delich	Branch Operations & CSR Supervisor
Karen M. Vasiliou	Human Resources Administrator & Administrative Assistant

Transfer Agent & Registrar

Computershare
150 Royall Street, Suite 101
Canton, MA 02021
www.computershare.com

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on Wednesday, May 8, 2024 at 10:00 a.m. Eastern Time at The Inn at Jim Thorpe, Broadway Underground, 24 Broadway, Jim Thorpe Pennsylvania 18229

JTNB Bancorp, Inc.
12 Broadway
Jim Thorpe, PA 18229

April 2024

To our Shareholders:

On behalf of the Board of Directors, Officers, and Employees, I am pleased to have this opportunity to report to you on the progress and strength of your Community Bank. The accompanying statements present the financial status of the Jim Thorpe Neighborhood Bank and reflect our continued efforts and success in maintaining positive financial results and growth. We are proud to continue the tradition of being a strong, independent community bank that provides superior banking services to our communities.

Financial Snapshot

Net income for the year-ended December 31, 2023 was $1,447,000 or $1.53 per share. Earnings comparable to prior year are 1.4% higher and are mainly attributed to other income from insurance policies and increased total interest income offset by total interest expense versus prior year.

Total assets at December 31, 2023, were $248.2 million, an increase of $2.9 million or 1.2% and deposits totaled $230.2 million, which increased by $5.1 million or 2.3%. The total deposit increase is attributed to the growth of our customer base and market share, enhancing core deposits in consumer, business and public funds. Total shareholders' equity at December 31, 2023, was $17.1 million, an increase of $2.8 million or 19.4% over prior year due to accumulated other comprehensive income increasing which includes a decrease in the unrealized loss in the investment portfolio as sustained in general by the financial industry as the Federal Open Market Committee (FOMC) rapidly increased interest rates in 2022 and 2023.

Net loans outstanding totaled $120.6 million, a decrease of $2.1 million or 1.7%. The net loan decrease was mainly due to anticipated large principal paydowns and maturities of low-rate municipal loans. Also, tepid loan demand due to higher interest rates and borrowing costs were a consequence of the FOMC's actions to control inflation. Although more expensive debt financing has been a tough adjustment for borrowers, with some institutions pulling back on lending due to funding challenges, JTNB is in a good position and saw this as a time of opportunity to pick up new customers.

Investments totaled $92.9 million, which decreased by $6.0 million or 6.1% over the prior year. The decrease in investments was due to the maturity of securities. At this time, we opted to keep this in cash earning a higher rate of return and to fund commercial loans. Cash and Cash Equivalents totaled $23.8 million, which increased by $11.2 million or 88.4% over the prior year. Borrowed funds were $0 which decreased from $5.0 million prior year.

Non-accrual loans totaled $58,700 which represents 0.05% of the total loan portfolio. Our credit quality remains high. JTNB's loan portfolio and asset quality remain good despite the challenges of the economic environment. Through sound business practices and sensible underwriting standards, our loan portfolio continues to perform well.

Dividends paid for 2023 totaled $0.52 per share, an approximate 4.8% yield on your investment, delivering consistent ongoing returns to our shareholders. The dividend of $0.52 per share was a 2.0% increase over the prior year regular dividend of $0.51 per share. JTNB's conservative and disciplined business philosophy enables us to continue our mission by providing a strong return for our shareholders without impairing capital.

The Jim Thorpe Neighborhood Bank continues to be "safe and sound" and is well capitalized, exceeding all regulatory requirements. Tier 1 capital to average assets was 9.1% and total capital to risk-weighted assets was 20.0% versus the 5.0% and 10.0%, respectively, required by regulators to be well capitalized.

Once again, **JTNB has earned a 5-Star Superior Rating** from BauerFinancial, the Nation's Premier Bank Rating Firm. To earn Bauer's Highest 5-Star Superior Rating, Jim Thorpe Neighborhood Bank must excel in areas of capital adequacy, profitability, loan quality, and more. This marks the **138th consecutive quarter**, as of December 2023, that Jim Thorpe Neighborhood Bank has earned Bauer's recommendation of 5-Stars or 4-Stars.

As a true community bank, we take pride in reinvesting in the communities that we serve. We encourage and support our employees to participate through volunteerism and community involvement. Financial contributions were distributed to more than 200 organizations benefitting seniors, veterans, youth groups, churches, and community events as well as educational and healthcare systems to name a few. JTNB is recognized and respected for being a good corporate citizen and our staff takes great pride and passion in their services to the community.

Final Thoughts

As we look back on 2023, we felt the impact of numerous challenges, failures of large risky banks, higher interest rates, cost of funding, liquidity issues, pressure on net interest margins, and a ramped up regulatory environment. JTNB is strong, well-capitalized, highly liquid, and able to withstand those challenges. Not only did we survive, but we became stronger. While we are not immune from these issues, JTNB remains true to its community bank philosophy and conservative financial principals. That has been our foundation and hallmark that has successfully sustained us for over 165 years.

I am proud of the effort given and the results achieved by our dedicated team. Managing a successful community bank is an ongoing process. Each year we set our goals to enhance shareholder value and meet the needs of our customers, employees, and communities. We believe 2023 was a good year for all.

The annual meeting of JTNB Bancorp, Inc. is scheduled for Wednesday, May 8, 2024 at 10:00 a.m. at The Inn at Jim Thorpe, in the Broadway Underground Meeting Room, located at 24 Broadway, Jim Thorpe. Light refreshments will be served at 9:30 a.m. prior to commencement of the meeting. The Board of Directors thanks you, our shareholders, for your continued support and appreciates your confidence in us as we look forward to the coming year.

Very truly yours,

Craig A. Zurn
Chief Executive Officer

In Memoriam

Jane F. Engler

35 Years of Service

Throughout our long and great history, we have been blessed with strong, servant leaders who have strategically guided us through both good and challenging times.

Jane F. Engler passed away on December 18, 2023 and the JTNB family lost a wonderful director and friend. Her presence and leadership will be greatly missed by all.

In 1988, Jane became the first female member to serve on the Board of Directors. During her tenure, she served as the Treasurer for seventeen years and Secretary for another six years. In 2011, Jane made history and became the first female Chairman of the Board, a position she held for the remainder of her JTNB career.

Jane was a well-known and respected member of the community and an attorney practicing in Jim Thorpe for over forty years. She accomplished so many great things in life and always followed the path of honesty and compassion.

Jane, your memories will be treasured in this organization. We are celebrating your legacy and not mourning you. On behalf of the entire JTNB Family, we thank you for your service and dedication!

In Our Hearts

We thought of you today. But that is nothing new.
We thought about you yesterday. And days before that too.
We think of you in silence. We often speak your name.
Now all we have are memories. And your picture in a frame.
Your memory is our keepsake. With which we'll never part.
God has you in his keeping. We have you in our heart.

~ Unknown

JTNB Bancorp, Inc. and Subsidiary

Consolidated Financial Statements

December 31, 2023 and 2022

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December 31, 2023 and 2022

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Independent Auditors' Report

To the Shareholders and Board of Directors of
JTNB Bancorp, Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of JTNB Bancorp, Inc. and Subsidiary (Corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), shareholders' 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 Corporation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Corporation has changed its method of accounting for the recognition and measurement of the allowance for credit losses effective January 1, 2023 due to the adoption of ASC 326, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

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 Corporation 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 GAAP, 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 Corporation'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 Corporation'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 Corporation'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

Milwaukee, Wisconsin
March 25, 2024

JTNB Bancorp, Inc. and Subsidiary

Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and due from banks	$ 6,390,231	$ 4,109,968
Interest-bearing deposits with banks	17,422,221	8,531,423
Cash and cash equivalents	23,812,452	12,641,391
Securities available-for-sale, at fair value	40,084,399	54,745,297
Mortgage-backed securities available-for-sale, at fair value	52,806,579	44,130,524
Loans, net **(1)**	120,561,757	122,640,875
Restricted equity securities	346,565	534,665
Bank-owned life insurance	4,480,344	4,668,260
Accrued interest receivable	727,305	682,427
Premises and equipment, net	1,397,108	1,487,983
Goodwill	861,746	861,746
Deferred income taxes, net	2,033,319	2,518,538
Other assets	1,070,891	360,427
Total assets	$ 248,182,465	$ 245,272,133
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 58,015,223	$ 52,463,095
Interest-bearing	172,142,253	172,588,742
Total deposits	230,157,476	225,051,837
Federal Home Loan Bank borrowings	-	5,000,000
Deferred compensation payable	53,521	91,826
Accrued interest payable	134,957	70,135
Other liabilities	709,749	719,559
Total liabilities	231,055,703	230,933,357
Shareholders' Equity		
Common stock, par value $0.334; 6,000,000 shares authorized; 951,557 shares issued in 2023 and 2022; 946,095 shares outstanding in 2023 and 944,495 in 2022	317,820	317,820
Additional paid-in capital	1,873,907	1,880,249
Retained earnings	22,078,247	21,090,277
Accumulated other comprehensive loss	(7,062,398)	(8,841,949)
Treasury stock, at cost (5,462 shares in 2023 and 7,062 shares in 2022)	(80,814)	(107,621)
Total shareholders' equity	17,126,762	14,338,776
Total liabilities and shareholders' equity	$ 248,182,465	$ 245,272,133

(1) The Company adopted Accounting Standard Update (ASU) 2016-13 as of January 1, 2023. The 2022 amount presented is calculated under the prior accounting standard.

See notes to consolidated financial statements

JTNB Bancorp, Inc. and Subsidiary

Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

		2023		2022
Interest Income				
Loans	$	5,020,760	$	4,548,406
Taxable investments		2,117,202		1,781,373
Investments exempt from federal income taxes		205,876		210,073
Deposits with banks		726,966		226,076
Total interest income		8,070,804		6,765,928
Interest Expense				
NOW and money market accounts		628,867		255,145
Savings accounts		54,141		57,713
Time deposits		1,060,665		207,459
Borrowings		95,662		125,646
Total interest expense		1,839,335		645,963
Net Interest Income		6,231,469		6,119,965
(Credit) Provision for Credit Losses (1)		(60,000)		110,000
Net Interest Income After (Credit) Provision for Credit Losses		6,291,469		6,009,965
Noninterest Income				
Service charges on deposit accounts		228,955		224,709
Other service charges and fees		392,077		411,892
Income on bank-owned life insurance		110,937		107,454
Gain on life insurance		169,890		186,724
Total noninterest income		901,859		930,779
Noninterest Expense				
Salaries and employee benefits		3,279,158		3,101,673
Data processing fees		329,168		309,461
Occupancy expense		278,468		288,040
Professional fees		257,653		249,327
Shares tax expense		112,897		205,578
Directors' fees and compensation expense		204,408		203,476
Computer software maintenance		192,704		162,237
Telecommunications expense		152,058		148,392
Furniture and equipment expense		120,587		129,751
FDIC assessment		123,667		68,167
Other operating expenses		483,160		472,590
Total noninterest expense		5,533,928		5,338,692
Income before income tax expense		1,659,400		1,602,052
Income Tax Expense		211,964		175,157
Net income	$	1,447,436	$	1,426,895
Earnings Per Share	$	1.53	$	1.51
Weighted Average Shares Outstanding		945,093		944,249

(1) The Company adopted Accounting Standard Update (ASU) 2016-13 as of January 1, 2023. The 2022 amount presented is calculated under the prior accounting standard.

See notes to consolidated financial statements

JTNB Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2023 and 2022

	2023	2022
Net Income	$ 1,447,436	$ 1,426,895
Other Comprehensive Income (Loss)		
Unrealized holding gains (losses) on securities available-for-sale, net of tax of $473,045 in 2023 and $(2,402,342) in 2022	1,779,551	(9,037,381)
Total other comprehensive income (loss)	1,779,551	(9,037,381)
Total comprehensive income (loss)	$ 3,226,987	$ (7,610,486)

See notes to consolidated financial statements

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2022	$ 317,820	$ 1,880,676	$ 20,144,981	$ 195,432	$ (30,035)	$ 22,508,874
Net income	-	-	1,426,895	-	-	1,426,895
Other comprehensive loss	-	-	-	(9,037,381)	-	(9,037,381)
Purchase of 5,615 shares	-	-	-	-	(89,427)	(89,427)
Issue of 777 shares through dividend reinvestment plan	-	(427)	-	-	11,841	11,414
Dividends declared ($0.51 per share)	-	-	(481,599)	-	-	(481,599)
Balance, December 31, 2022	317,820	1,880,249	21,090,277	(8,841,949)	(107,621)	14,338,776
Net income	-	-	1,447,436	-	-	1,447,436
Other comprehensive income	-	-	-	1,779,551	-	1,779,551
Purchase of 1,990 shares	-	-	-	-	(28,855)	(28,855)
Issue of 3,590 shares through dividend reinvestment plan	-	(6,342)	-	-	55,662	49,320
Dividends declared ($0.52 per share)	-	-	(459,466)	-	-	(459,466)
Balance, December 31, 2023	$ 317,820	$ 1,873,907	$ 22,078,247	$ (7,062,398)	$ (80,814)	$ 17,126,762

See notes to consolidated financial statements

JTNB Bancorp, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Net income	$ 1,447,436	$ 1,426,895
Adjustments to reconcile net income to net cash provided by operating activities:		
(Credit) provision for credit losses	(60,000)	110,000
Depreciation	127,512	143,397
Net accretion of securities and loan fees and costs	(38,762)	(37,546)
Deferred compensation expense	2,976	4,475
Deferred income taxes	12,174	(3,250)
Gain on life insurance	(169,890)	(186,724)
Income on bank-owned life insurance	(110,937)	(107,454)
Net change in:		
Accrued interest receivable	(44,878)	(149,084)
Other assets	(234,292)	(4,062)
Deferred compensation payable	(41,281)	(41,281)
Accrued interest payable	64,822	21,499
Other liabilities	(32,109)	(44,624)
Net cash provided by operating activities	922,771	1,132,241
Cash Flows From Investing Activities		
Purchases of securities available-for-sale	-	(30,280,507)
Proceeds from maturities, calls and principal repayments of securities available-for-sale	15,890,036	2,145,000
Purchases of mortgage-backed securities available-for-sale	(12,289,564)	(4,473,126)
Proceeds from principal repayments of mortgage-backed securities available-for-sale	4,671,257	5,979,012
Purchases of restricted stock	(59,500)	(22,200)
Proceeds from redemption of restricted equity securities	247,600	24,100
Proceeds from life insurance	-	744,557
Premiums paid on bank-owned life insurance	(7,429)	(10,310)
Net change in loans	2,143,591	1,047,569
Purchases of premises and equipment	(36,637)	(46,728)
Net cash provided by (used in) investing activities	10,559,354	(24,892,633)
Cash Flows From Financing Activities		
Net increase in deposits	5,105,639	6,663,082
Repayment of borrowings	(5,000,000)	-
Purchase of treasury stock	(28,855)	(89,427)
Dividends paid	(387,848)	(462,579)
Net cash (used in) provided by financing activities	(311,064)	6,111,076
Net increase (decrease) in cash and cash equivalents	11,171,061	(17,649,316)
Cash and Cash Equivalents, Beginning	12,641,391	30,290,707
Cash and Cash Equivalents, Ending	$ 23,812,452	$ 12,641,391
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	$ 1,774,513	$ 624,464
Income taxes paid	$ 179,412	$ 290,000

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of JTNB Bancorp, Inc. (Bancorp) and its wholly owned subsidiary, Jim Thorpe Neighborhood Bank (Bank), (collectively, the Corporation). All material intercompany transactions have been eliminated in consolidation.

Nature of Operations

The Corporation provides a full range of commercial banking services to individual and small business customers in Carbon County, Pennsylvania, and the surrounding counties. The Corporation's primary deposit products are demand deposits and interest-bearing time and savings accounts. It offers a full array of loan products to meet the needs of retail and commercial customers.

The Bank is subject to regulation by the Federal Reserve Board and the Pennsylvania Department of Banking and Securities. The Bancorp is subject to regulation by the Federal Reserve Board.

Significant Concentrations of Credit Risk

The Corporation grants loans to customers primarily in Carbon County and the surrounding counties of Pennsylvania. Although the Corporation has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on the economic conditions in its marketplace. The Corporation does not have any significant concentrations from one industry or customer.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, the valuation of investment securities and determination of credit losses thereon, and valuation of deferred tax assets.

Accounting Standards Adopted in 2023

On January 1, 2023, the Corporation adopted ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments (ASC 326)*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables, available-for-sale securities, held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Upon adoption, the Corporation used the modified retrospective method. The Corporation determined the impact on the allowance for credit losses and unfunded commitments was not material and determined no cumulative effect adjustment necessary. Results for financial reporting periods beginning after January 1, 2023 are presented under CECL, while prior period amounts continue to be reported in accordance with previously applicable accounting standards (the "incurred loss" method).

The Corporation adopted ASC 326 using the prospective transition approach for available-for-sale securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Corporation did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Corporation determined that an allowance for credit losses on available-for-sale securities was not material.

Upon adoption of CECL, ASU No. 2022-02, *Troubled Debt Restructuring and Vintage Disclosures*, eliminated the need for the trouble debt restructuring accounting designation for loan modifications to borrowers experiencing financial difficulty because the lifetime expected credit losses of these loans are already incorporated in the allowance for credit losses under CECL. In addition, the amendments require disclosure of current-period gross write-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include amounts due from depository institutions and interest-bearing deposits with other banks with original maturities of less than 90 days.

Securities and Mortgage-Backed Securities

Debt securities acquired with the intent and ability to hold to maturity are classified as securities held-to-maturity and reported at amortized cost. Debt securities not classified as held-to-maturity securities are classified as securities available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss).

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Declines in the fair value of securities below their costs that are deemed to be credit-related are reflected in earnings as realized losses.

Allowance for Credit Losses - Available-for-Sale Securities

For available-for-sale securities in an unrealized loss position, the Corporation 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 criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale securities that do not meet the aforementioned criteria, the Corporation 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 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 (ACL) 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 (loss).

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 uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

The Corporation made a policy election to exclude accrued interest receivable from amortized cost basis of securities available-for-sale. Accrued interest receivable on available-for-sale securities is reported as a component of accrued interest receivable on the consolidated balance sheets, totaled $412,083 at December 31, 2023 and is excluded from the estimate of credit losses.

Loans

Loans 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 related loan yield over the contractual life of the loan using the interest method.

The loans receivable portfolio is segmented into following classes: construction real estate, commercial real estate, residential real estate, commercial, other consumer and municipal loans. The segments of the Corporation's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. Common risk characteristics include loan type, collateral type, and geographic location.

Generally, 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 is reversed against interest income. Interest received on nonaccrual loans, including substandard loans, 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 - Loans

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.

The allowance is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is estimated using relevant available information from both internal and external sources relating to past events (including the Corporation's past loan loss experience), current conditions, and reasonable and supportable forecasts.

The allowance for credit losses is measured on a collective (pool) basis when similar characteristics exist. The Corporation has identified the following portfolio segments and measures the allowance for credit losses using the SCALE method: construction real estate, commercial real estate, residential real estate, commercial, other consumer and municipal 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 factors.

These qualitative risk factors include:

1. Delinquency trends.
2. Volume trends concerning the portfolio and terms of loans.
3. Changes to lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices.
4. Experience, ability, and depth of lending management and staff.
5. 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.
6. Existence and effect of any concentrations of credit and changes in the level of such concentrations.
7. Quality of the Corporation's loan review system, and the degree of oversight by the Corporation's Board of Directors.
8. Collateral values.
9. Effect of external factors, such as competition and legal and regulatory requirements.

The Corporation's ACL is calculated by collectively evaluating segmented pools of loans as well as individually evaluating loans. 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 estimated fair values of substantially all of the Corporation's individually evaluated loans are measured based on the estimated fair value of the loan's collateral.

For loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When an individually evaluated loan is secured by real estate, 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, when necessary, 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 loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable agings, equipment appraisals, invoices or online pricing sources. Indications of value from these sources are generally discounted, as appropriate, based on the age of the financial information or the quality of the assets.

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

A reserve for unfunded loan commitments is provided for possible credit losses on off-balance sheet credit exposures. Off-balance sheet credit exposures primarily include undrawn portions of revolving lines of credit and standby letters of credit. The reserve for unfunded loan commitments represents management's estimate of losses inherent in its unfunded loan commitments and is recorded in other liabilities on the consolidated balance sheets.

The Corporation made a policy election to exclude accrued interest receivable from the amortized cost basis of loans. Accrued interest receivable on loans is reported as a component of accrued interest receivable on the consolidated balance sheets, totaled $295,193 at December 31, 2023 and is excluded from the estimate of credit losses.

Restricted Equity Securities

Restricted equity securities consist of investments in the Federal Home Loan Bank of Pittsburgh (FHLB), the Federal Reserve Bank of Philadelphia, and the Atlantic Community Bankers Bank. Investments in these entities are restricted and carried at cost.

Management considers whether these investments are impaired based on the ultimate recoverability of the cost basis rather than by recognizing temporary declines in value. Management believes no impairment has occurred related to these investments at December 31, 2023 and 2022.

Bank-Owned Life Insurance

The Corporation is the owner and beneficiary of bank-owned life insurance policies on certain employees. The life insurance investment is carried at the cash surrender value of the underlying policies. The increase in the cash surrender value is recognized as a component of noninterest income. The policies can be liquidated, if necessary, with tax costs associated. However, the Corporation intends to hold these policies and, accordingly, the Corporation has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense when incurred while costs of major additions and improvements are capitalized.

Goodwill

Goodwill resulting from business combinations is generally determined as the excess of the fair value of the consideration transferred over the fair value of the assets acquired and liabilities assumed as of the acquisition date. Goodwill has an indefinite useful life and is not amortized but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. Based on the results of the annual impairment test as of October 31, 2023, the Corporation did not recognize any impairment in 2023 and 2022.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure 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 the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other operating expenses.

The Corporation had no foreclosed assets at December 31, 2023 and 2022. Residential real estate loans in process of foreclosure were approximately $140,000 at December 31, 2023 and $50,000 at December 31, 2022.

Self-Insurance

The Corporation is party to an agreement with its health insurance provider to supply coverage to its employees under a self-insurance arrangement. Under this arrangement, the Corporation is billed monthly by the provider to pay claims. To limit exposure under this arrangement, the Corporation obtained stop-loss coverage with a specific annual deductible of $50,000 per covered participant and reimbursement of claims are unlimited per covered participant over a lifetime. The stop-loss coverage also provides reimbursement up to $1,000,000 if total claims in the aggregate for the Corporation exceed approximately $648,000 during a policy year. Expense under this arrangement was $779,218 in 2023 and $635,376 in 2022 and is included in salaries and employee benefits in the consolidated statements of income.

Benefit Plans

The Corporation has a profit-sharing plan which covers substantially all employees who have attained the age of twenty-one and have completed 1,000 hours of service within one calendar year. The amount of the contribution is determined annually by the Corporation's Board of Directors. Expense under this plan was $94,046 in 2023 and $97,587 in 2022 and is included in salaries and employee benefits in the consolidated statements of income.

The Corporation has a deferred compensation plan with a director providing supplemental retirement benefits. The Corporation has recognized a liability for the present value of this obligation of $53,521 at December 31, 2023 and $91,826 at December 31, 2022. Expense of $2,975 in 2023 and $4,475 in 2022 related to this plan is included in directors' fees and compensation expense in the consolidated statements of income.

Income Taxes

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

Advertising Costs

Advertising costs are expensed as incurred and were $65,153 in 2023 and $65,770 in 2022. Amounts are included in other operating expenses in the consolidated statements of income.

Earnings per Share

Earnings per share is based on the weighted average shares of common stock outstanding. The Corporation currently maintains a simple capital structure; therefore, there are no dilutive effects on earnings per share.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) is comprised of unrealized gains (losses) on available-for-sale debt securities which are recognized as a separate component of equity, net of income taxes.

Treasury Stock

Treasury stock is recorded at cost. The subsequent disposition or sale of the treasury stock is recorded using the average cost method.

Revenue Recognition

The Corporation recognizes revenue from various sources, including loans, investment securities, bank-owned life insurance, deposit accounts and sales of assets.

Interest income on loans is accrued on the unpaid principal balance and recorded daily. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method. Other loan fees, including late charges, are recognized as they occur.

Interest income on debt securities, including purchase premiums and discounts, is calculated using the interest method over the term of the securities. Dividends on equity securities are recorded when declared.

Earnings on bank-owned life insurance policies represent the increase in the cash surrender value of these policies as well as any gains resulting from settlement of the policies.

Noninterest income includes service charge, overdraft, and other deposit account fees, ATM and debit card interchange income, and other miscellaneous fees and income. Revenue is recognized when the Corporation's performance obligation is completed which is generally monthly for interchange and account service and maintenance fees or when a transaction has been completed, such as when an overdraft or an ATM transaction occurs. Other fees and income are generally transactional in nature and are recognized as they occur.

Gains or losses on sales of assets are generally recognized when the asset has been legally transferred to the buyer and the Corporation has no continuing involvement with the asset. The Corporation does not generally finance the purchase.

Subsequent Events

Subsequent events were evaluated through March 25, 2024, the date the consolidated financial statements were available to be issued.

2. Securities

The amortized cost and fair values of securities are as follows at December 31:

	2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. Treasury	$ 2,974,120	$ -	$ (30,370)	$ 2,943,750
U.S. government agencies	12,008,107	-	(128,475)	11,879,632
Obligations of states and political subdivisions	27,199,459	6,220	(1,944,662)	25,261,017
Total	$ 42,181,686	$ 6,220	$ (2,103,507)	$ 40,084,399
Mortgage-backed securities available-for-sale:				
Government sponsored enterprises, residential	$ 59,649,035	$ 266,551	$ (7,109,007)	$ 52,806,579

	2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. Treasury	$ 12,851,533	$ -	$ (48,874)	$ 12,802,659
U.S. government agencies	15,646,786	-	(444,754)	15,202,032
Obligations of states and political subdivisions	29,491,505	-	(2,750,899)	26,740,606
Total	$ 57,989,824	$ -	$ (3,244,527)	$ 54,745,297
Mortgage-backed securities available-for-sale:				
Government sponsored enterprises, residential	$ 52,078,335	$ -	$ (7,947,811)	$ 44,130,524

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

	Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due within 1 year	$ 15,472,339	$ 15,292,154
Due after 1 but within 5 years	13,693,253	12,961,935
Due after 5 but within 10 years	9,066,706	8,314,575
Due after 10 years	3,949,388	3,515,735
	$ 42,181,686	$ 40,084,399

	Mortgage-Backed Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due within 1 year	$ -	$ -
Due after 1 but within 5 years	479,939	451,862
Due after 5 but within 10 years	4,183,542	3,857,951
Due after 10 years	54,985,554	48,496,766
	$ 59,649,035	$ 52,806,579

Securities with a carrying amount of $64,982,257 at December 31, 2023 and $63,495,761 at December 31, 2022, were pledged to secure public deposits and for other purposes required or permitted by law.

In 2023 and 2022, there were no sales of securities available-for-sale or mortgage-backed securities.

The following tables present gross unrealized losses and fair value of investments aggregated by investment category and length of time that individual securities have been in a continuous loss position at December 31:

	2023					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available-for-sale:						
U.S. Treasury	$ -	$ -	$ 2,943,750	$ (30,370)	$ 2,943,750	$ (30,370)
U.S. government agencies	5,914,079	(96,242)	5,965,553	(32,233)	11,879,632	(128,475)
Obligations of states and political subdivisions	6,102,186	(691,009)	16,374,361	(1,253,653)	22,476,547	(1,944,662)
	12,016,265	(787,251)	25,283,664	(1,316,256)	37,299,929	(2,103,507)
Mortgage-backed-securities available-for-sale:						
Government sponsored enterprises, residential	40,420,829	(7,109,007)	-	-	40,420,829	(7,109,007)
Total	$ 52,437,094	$ (7,896,258)	$ 25,283,664	$ (1,316,256)	$ 77,720,758	$ (9,212,514)

	2022					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available-for-sale:						
U.S. Treasury	$ 12,802,659	$ (48,874)	$ -	$ -	$ 12,802,659	$ (48,874)
U.S. government agencies	15,202,032	(444,754)	-	-	15,202,032	(444,754)
Obligations of states and political subdivisions	19,797,582	(1,255,128)	6,943,024	(1,495,771)	26,740,606	(2,750,899)
	47,802,273	(1,748,756)	6,943,024	(1,495,771)	54,745,297	(3,244,527)
Mortgage-backed-securities available-for-sale:						
Government sponsored enterprises, residential	9,293,664	(649,957)	34,836,860	(7,297,854)	44,130,524	(7,947,811)
Total	$ 57,095,937	$ (2,398,713)	$ 41,779,884	$ (8,793,625)	$ 98,875,821	$ (11,192,338)

At December 31, 2023, 104 securities totaling $77.7 million were in an unrealized loss position. The individual losses ranged from $555 to $1.2 million and the total gross unrealized loss was $9.2 million at December 31, 2023. The primary driver behind the market value changes of these securities relate to various changes in interest rates. At December 31, 2023, there were 58 securities totaling $25.3 million in an unrealized loss position more than twelve months. The primary reason these securities have unrealized losses relates to their original purchase date and the interest rate/spreads that was in effect at that date. There has been no material negative change in credit issues in the portfolio. All securities have the explicit or implicit guarantee of the U. S. Government or relate to obligations of states and political subdivisions. The Corporation has performed an analysis of these securities as summarized in the "Allowance for Credit Losses on Available for Sale Securities" accounting policy. Management believes that unrealized losses are temporary in nature and are a result of the current interest rate environment and not a reflection of credit quality. There was no allowance for credit loss on securities recorded as of December 31, 2023.

3. Loans, Net

The Corporation's loan portfolio is segmented to enable management to monitor risk and performance. As part of the CECL adoption in 2023, the loans receivable portfolio was realigned into the following segments: Real Estate (including Construction, Commercial, and Residential), Commercial, Other Consumer, and Municipal Loans. For 2022, the loans receivable portfolio was aligned into the following segments: Commercial and Industrial, Commercial Real Estate, Residential Mortgage, Home Equity, Municipal, and Consumer.

The composition of the Corporation's loan portfolio at December 31, 2023 is as follows:

Construction real estate	$ 1,422,781
Commercial real estate	44,763,550
Residential real estate	51,048,550
Commercial	3,283,567
Other Consumer	2,110,632
Municipal Loans	19,283,274
Total loans	121,912,354
Allowance for credit losses	(1,350,597)
Net loans	$ 120,561,757

The composition of the Corporation's loan portfolio at December 31, 2022 is as follows:

Commercial and industrial	$ 3,294,901
Commercial real estate	41,857,668
Residential mortgage	46,470,249
Home equity	4,329,931
Municipal	25,949,945
Consumer	1,687,754
Total loans	123,590,448
Allowance for loan losses	(1,325,823)
Net deferred loan origination costs	376,250
Net loans	$ 122,640,875

The following table presents the activity in the allowance for credit losses by loan segment (post adoption of ASU No. 2016-13), segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for potential losses as of December 31, 2023:

	2023						
	Allowance for Credit Losses						
	Beginning Balance Prior to Adoption of ASC 326	Charge-offs	Recoveries	Provisions (Credits)	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment
Construction real estate	$ 41,033	$ -	$ -	$ (17,749)	$ 23,284	$	$ 23,284
Commercial real estate	653,351	-	-	(47,427)	605,924	-	605,924
Residential real estate	536,168	-	89,274	(29,808)	595,634	-	595,634
Commercial	24,339	-	-	24,480	48,819	-	48,819
Other Consumer	18,772	(5,348)	848	37,648	51,920	-	51,920
Municipal Loans	52,160	-	-	(27,144)	25,016	-	25,016
Total	$ 1,325,823	$ (5,348)	$ 90,122	$ (60,000)	$ 1,350,597	$ -	$ 1,350,597

The following table presents the activity for a reserve for unfunded loan commitments which is provided for possible credit losses on off-balance sheet credit exposures. Off-balance sheet credit exposures primarily include undrawn portions of revolving lines of credit, commitments to originate loans and standby letters of credit. The reserve for unfunded lending commitments represents management's estimate of losses inherent in its unfunded loan commitments and is recorded in other liabilities on the consolidated balance sheets.

	Balance at December 31, 2022	Adoption of ASC 326	Provisions	Ending Balance
Unfunded commitment reserve	$ 10,300	$ -	$ -	$ 10,300

The following table presents the activity in the allowance for loan losses by loan segment (prior to adoption of ASU No. 2016-13), segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for potential losses as of December 31, 2022:

	2022						
	Allowance for Loan Losses						
	Beginning Balance	Charge-offs	Recoveries	Provisions	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment
Commercial and industrial	$ 27,411	$ -	$ -	$ (9,248)	$ 18,163	$ -	$ 18,163
Commercial real estate	509,078	-	-	(21,517)	487,561	-	487,561
Residential mortgage	387,607	-	-	12,506	400,113	-	400,113
Home equity	26,368	-	-	4,253	30,621	-	30,621
Consumer	14,711	(5,541)	765	4,073	14,008	-	14,008
Municipal	41,744	-	-	(2,819)	38,925	-	38,925
Unallocated	213,680	-	-	122,752	336,432	-	336,432
Total	$ 1,220,599	$ (5,541)	$ 765	$ 110,000	$ 1,325,823	$ -	$ 1,325,823

The following table summarizes information in regard to loans that were individually evaluated for impairment as December 31:

	2023		
	Loans Receivable		
	Ending Balance	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Construction real estate	$ 1,422,781	$ -	$ 1,422,781
Commercial real estate	44,763,550	58,731	44,704,819
Residential real estate	51,048,550	-	51,048,550
Commercial	3,283,567	-	3,283,567
Other Consumer	2,110,632	-	2,110,632
Municipal Loans	19,283,274	-	19,283,274
Total	$ 121,912,354	$ 58,731	$ 121,853,623

	2022		
	Loans Receivable		
	Ending Balance	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Commercial and industrial	$ 3,294,901	$ -	$ 3,294,901
Commercial real estate	41,857,668	-	41,857,668
Residential mortgage	46,470,249	117,664	46,352,585
Home equity	4,329,931	-	4,329,931
Municipal	25,949,945	-	25,949,945
Consumer	1,687,754	-	1,687,754
Total	$ 123,590,448	$ 117,664	$ 123,472,784

The following tables summarize information on impaired loans by loan portfolio class as of December 31, 2022:

	2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential mortgage	$ 117,664	$ 117,664	$ -	$ 120,070	$ 8,388

The following table presents nonaccrual loans by classes of the loan portfolio as of December 31, 2023 and 2022:

	CECL			Incurred Loss
	2023			2022
	Nonaccrual Loans With No Allowance	Nonaccrual Loans With an Allowance	Total Nonaccrual Loans	Nonaccrual Loans
Commercial real estate	$ 58,731	$ -	$ 58,731	$ -
Residential real estate	-	-	-	12,051
Total	$ 58,731	$ -	$ 58,731	$ 12,051

The following table details the amortized cost of collateral dependent loans by class of loans as of December 31, 2023:

Commercial real estate	$ 58,731
Total	$ 58,731

The Corporation categorizes loans into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for commercial and consumer loans. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful, and loss. Loans classified as special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as doubtful have all the weaknesses inherent in loans classified as substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for credit losses. Loans not criticized or classified are rated pass.

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Corporation's internal risk rating system as of December 31, 2023 by year of origination:

	2023	2022	2021	Prior	Revolving	Total
Construction real estate:						
Pass	$ 773,694	$ 447,262	$ 165,246	$ 36,579	$ -	$ 1,422,781
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total	773,694	447,262	165,246	36,579	-	1,422,781
Commercial real estate:						
Pass	7,331,879	8,817,592	6,268,031	20,373,650	1,913,667	44,704,819
Special mention	-	-	-	-	-	-
Substandard	-	-	-	58,731	-	58,731
Total	7,331,879	8,817,592	6,268,031	20,432,381	1,913,667	44,763,550
Residential real estate:						
Pass	6,014,060	8,355,965	7,980,470	28,338,391	359,664	51,048,550
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total	6,014,060	8,355,965	7,980,470	28,338,391	359,664	51,048,550
Commercial:						
Pass	-	361,325	402,551	2,041,893	477,798	3,283,567
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total	-	361,325	402,551	2,041,893	477,798	3,283,567

	2023	2022	2021	Prior	Revolving	Total
Other consumer:						
Pass	$ 921,238	$ 440,895	$ 384,574	$ 363,925	$ -	$ 2,110,632
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total	921,238	440,895	384,574	363,925	-	2,110,632
Current period gross write-offs	-	5,348	-	-	-	5,348
Municipal loans:						
Pass	222,886	2,348,000	10,224,355	6,488,033	-	19,283,274
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total	222,886	2,348,000	10,224,355	6,488,033	-	19,283,274
Total loans:						
Pass	15,263,757	20,771,039	25,425,227	57,642,471	2,751,129	121,853,623
Special mention	-	-	-	-	-	-
Substandard	-	-	-	58,731	-	58,731
Grand total	$ 15,263,757	$ 20,771,039	$ 25,425,227	$ 57,701,202	$ 2,751,129	$ 121,912,354
Current period gross write-offs	$ -	$ 5,348	$ -	$ -	$ -	$ 5,348

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

	2022				
	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	$ 3,294,901	$ -	$ -	$ -	$ 3,294,901
Commercial real estate	41,808,052	-	49,616	-	41,857,668
Residential mortgage	46,470,249	-	-	-	46,470,249
Home equity	4,317,880	-	12,051	-	4,329,931
Municipal	25,949,945	-	-	-	25,949,945
Consumer	1,687,754	-	-	-	1,687,754
Total	$ 123,528,781	$ -	$ 61,667	$ -	$ 123,590,448

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following tables present past due status of loans as of December 31:

	2023						
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Loans Receivable > 90 Days and Accruing
Construction real estate	$ -	$ -	$ -	$ -	$ 1,422,781	$ 1,422,781	$ -
Commercial real estate	-	32,716	58,731	91,447	44,672,103	44,763,550	-
Residential real estate	91,490	-	81,453	172,943	50,875,607	51,048,550	81,453
Commercial	554,015	-	-	554,015	2,729,552	3,283,567	-
Other Consumer	-	839	-	839	2,109,793	2,110,632	-
Municipal Loans	-	-	-	-	19,283,274	19,283,274	-
Total	$ 645,505	$ 33,555	$ 140,184	$ 819,244	$ 121,093,110	$ 121,912,354	$ 81,453

	2022						
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Loans Receivable > 90 Days and Accruing
Commercial and industrial	$ -	$ -	$ -	$ -	$ 3,294,901	$ 3,294,901	$ -
Commercial real estate	63,187	-	-	63,187	41,794,481	41,857,668	-
Residential mortgage	49,082	97,314	48,976	195,372	46,274,877	46,470,249	36,925
Home equity	-	-	-	-	4,329,931	4,329,931	-
Municipal	-	-	-	-	25,949,945	25,949,945	-
Consumer	1,556	-	-	1,556	1,686,198	1,687,754	-
Total	$ 113,825	$ 97,314	$ 48,976	$ 260,115	$ 123,330,333	$ 123,590,448	$ 36,925

In some cases, the Corporation may agree to modify or restructure the contractual terms of loans to borrowers experiencing financial difficulties. The Corporation may modify loans through rate reductions, extensions of maturity, interest only payments or payment modifications to better match the timing of cash flows due under the modified terms with the cash flows from the borrowers' operations. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. Loans so modified remain collectively evaluated for determination of expected credit losses, unless, during the process of evaluation, it is determined that the loan should be placed on nonaccrual status until the Corporation determines that future collection of principal and interest is reasonably assured or the loan is otherwise deemed to be collateral dependent. Any modifications of loans to borrowers experiencing financial difficulty that are classified as nonaccrual or are otherwise designated as collateral dependent are individually evaluated for determination of expected credit losses. The Corporation did not modify any loans to borrowers experiencing financial difficulties in 2023.

4. Premises and Equipment

The following summarizes premises and equipment at December 31:

	2023	2022
Land, buildings, and improvements	$ 4,269,428	$ 4,251,840
Furniture and fixtures	3,500,755	3,481,706
Total cost	7,770,183	7,733,546
Less accumulated depreciation	6,373,075	6,245,563
Net	$ 1,397,108	$ 1,487,983

5. Deposits

Interest-bearing deposits at December 31 are as follows:

	2023	2022
NOW and money market accounts	$ 75,112,858	$ 77,206,415
Savings accounts	51,385,673	56,831,690
Time deposits	45,643,722	38,550,637
Total	$ 172,142,253	$ 172,588,742

Scheduled maturities of time deposits are as follows:

Years ending December 31:	
2024	$ 39,974,126
2025	3,192,890
2026	1,350,752
2027	608,544
2028	517,410
Total	$ 45,643,722

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2023 and 2022 were approximately $15,637,000 and $15,569,000, respectively.

6. Borrowings

The Corporation has a maximum borrowing capacity with the FHLB of $64,760,000 at December 31, 2023, including a line of credit of $29,589,950. There were no borrowings under this line of credit at December 31, 2023 and 2022. Advances are secured by certain mortgage loans.

At December 31, 2023, the Corporation has no fixed rate advances outstanding with the FHLB. At December 31, 2022, the Corporation had $5,000,000 in fixed rate advances outstanding with the FHLB.

The Corporation also has a $4,000,000 unsecured line of credit agreement with the Atlantic Community Bankers Bank. There were no borrowings under this line of credit at December 31, 2023 and 2022.

7. Income Taxes

Income tax expense consists of the following:

	2023	2022
Current	$ 199,790	$ 178,407
Deferred	12,174	(3,250)
Total	$ 211,964	$ 175,157

The reconciliation between the expected statutory income expense of 21% and the actual tax expense is as follows for 2023 and 2022:

	2023	2022
Federal income tax at statutory rate:	$ 348,474	$ 336,431
Increase (decrease) resulting from:		
Tax-exempt income	(161,587)	(173,119)
Other items	25,077	11,845
Income tax expense	$ 211,964	$ 175,157
Effective tax rate	12.77 %	10.93 %

The components of deferred income taxes, net at December 31 are as follows:

	2023	2022
Unrealized losses on securities available-for-sale	$ 1,877,346	$ 2,350,389
Allowance for credit losses	283,627	278,424
Premises and equipment	44,644	41,540
Deferred compensation and other accrued expenses	17,121	24,567
Other	(608)	26
Prepaid expenses	(7,844)	(7,505)
Goodwill	(180,967)	(168,903)
Deferred income taxes, net	$ 2,033,319	$ 2,518,538

8. Related-Party Transactions

The Corporation has granted loans to directors, principal officers, principal shareholders and their related interests. The following table summarizes activity in these loans:

	2023	2022
Balance, January 1	$ 97,000	$ 151,000
New loans	-	-
Repayments	(28,000)	(54,000)
Balance, December 31	$ 69,000	$ 97,000

At December 31, 2023 and 2022, deposits from related parties totaled $731,786 and $1,404,404, respectively.

9. Contingencies and Commitments

There are no material legal proceedings to which the Corporation is a party, except proceedings which arise in the normal course of business, which in the opinion of management, will not have a material effect on the consolidated financial statements of the Corporation.

10. Dividend Restrictions

Dividends can be paid by the Bancorp from its assets, which are mainly provided by dividends received from the Bank. The Bank is subject to certain restrictions on the dividends that it may declare without prior regulatory approval. The Pennsylvania Banking Code provides that cash dividends may be declared and paid only out of accumulated net earnings as defined. Cash dividends must be approved by the Federal Reserve Bank if the total of all cash dividends declared by the Bank in any calendar year, including the proposed cash dividend, exceeds the total of the Bank's net profit for that year plus its retained net profits from the preceding two years. Under this formula, the Bank can declare dividends to the Bancorp at December 31, 2023 equal to approximately $2.6 million. In addition, dividends paid by the Bank to the Bancorp would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

11. Regulatory Capital

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

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the following tables) 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. Management believes, as of December 31, 2023, that the Bank meets all capital adequacy requirements to which they are subject.

As of December 31, 2023, the most recent notification from regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum ratios as set forth in the following tables. There are no conditions or events since that notification that management believes have changed those categories. The Bank's actual capital amounts and ratios are as follows:

	December 31, 2023					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 24,687,687	19.98 %	$ 9,882,800	≥ 8.0 %	$ 12,353,500	≥ 10,0 %
Common equity Tier 1 (to risk-weighted assets)	23,327,090	18.88	5,559,075	≥ 4.5	8,029,775	≥ 6.5
Tier 1 capital (to risk-weighted assets)	23,327,090	18.88	7,412,100	≥ 6.0	9,882,800	≥ 8.0
Tier 1 capital (to average-assets)	23,327,090	9.10	10,255,160	≥ 4.0	12,818,950	≥ 5.0

	December 31, 2022					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 23,648,891	19.89 %	$ 9,510,880	≥ 8.0 %	$ 11,888,600	≥ 10.0 %
Common equity Tier 1 (to risk-weighted assets)	22,313,068	18.77	5,349,870	≥ 4.5	7,727,590	≥ 6.5
Tier 1 capital (to risk-weighted assets)	22,313,068	18.77	7,133,160	≥ 6.0	9,510,880	≥ 8.0
Tier 1 capital (to average-assets)	22,313,068	8.62	10,356,200	≥ 4.0	12,945,250	≥ 5.0

The Federal Reserve Bank has established capital guidelines for bank holding companies. These guidelines allow small bank holding companies, as defined, an exemption from regulatory capital requirements. The Bancorp meets the eligibility criteria and is exempt from regulatory capital requirements.

12. Fair Value Measurements and Fair Values of Financial Instruments

Fair value is defined as an exit price representing the amount that would be received to sell an asset or settle a liability in an orderly transaction between market participants. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities;

Level 2 - Valuation is determined from quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and

Level 3 - Valuation is derived from model-based and other techniques in which at least one significant input is unobservable, and which may be based on the Corporation's own estimates about the assumptions that a market participant would use to value the asset or liability.

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

The following table sets forth the Corporation's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy:

	2023			
	Total	Level 1	Level 2	Level 3
Securities available-for-sale:				
U.S. Treasury	$ 2,943,750	$ -	$ 2,943,750	$ -
U.S. government agencies	11,879,632	-	11,879,632	-
Obligations of states and political subdivisions	25,261,017	-	25,261,017	-
Mortgage-backed securities available-for-sale	52,806,579	-	52,806,579	-
	$ 92,890,978	$ -	$ 92,890,978	$ -

	2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Securities available-for-sale:				
U.S. Treasury	$ 12,802,659	$ -	$ 12,802,659	$ -
U.S. government agencies	15,202,032	-	15,202,032	-
Obligations of states and political subdivisions	26,740,606	-	26,740,606	-
Mortgage-backed securities available-for-sale	44,130,524	-	44,130,524	-
	$ 98,875,821	$ -	$ 98,875,821	$ -

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)**
Loans individually evaluated for credit loss	$ 58,731	$ -	$ -	$ 58,731

Quantitative information about Level 3 fair value measurements at December 31, 2023 and 2022 is included in the table below:

	2023			
	Quantitative Information About Level 3 Fair Value Measurements			
	Fair Value Estimate	**Valuation Techniques**	**Unobservable Inputs**	**Estimated Range**
Loans individually evaluated for credit loss	$ 58,731	Appraisal of collateral	Appraisal adjustments	5-15%
			Liquidation expenses	5-15%

The Corporation had no financial instruments measured at fair value on a nonrecurring basis at December 31, 2022.

In addition to the disclosures of financial instruments recorded at fair value, GAAP requires the disclosure of the estimated fair value of all the Corporation's financial instruments. The majority of the Corporation's assets and liabilities are considered financial instruments. However, many of these instruments lack an available market. In addition, the Corporation's general practice and intent is to hold its financial instruments to maturity. The Corporation has considered the fair value measurement criteria as required under the accounting standard relating to fair value measurement as noted above. Fair value estimates have been determined based on the methodologies management considers most appropriate for each financial instrument.

The following are the carrying amounts and estimated fair values of the Corporation's financial instruments as of December 31 (in thousands):

	2023				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	$ 6,390	$ 6,390	$ 6,390	$ -	$ -
Interest-bearing deposits with banks	17,422	17,422	17,422	-	-
Investment securities	92,891	92,891	-	92,891	-
Loans, net	120,562	110,338	-	-	110,338
Restricted stock	347	347	-	347	-
Accrued interest receivable	727	727	-	727	-
Financial liabilities:					
Deposits	230,157	209,309	-	209,309	-
Accrued interest payable	135	135	-	135	-

	2022				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	$ 4,110	$ 4,110	$ 4,110	$ -	$ -
Interest-bearing deposits with banks	8,531	8,531	8,531	-	-
Investment securities	98,876	98,876	-	98,876	-
Loans, net	122,641	117,160	-	-	117,160
Restricted stock	535	535	-	535	-
Accrued interest receivable	682	682	-	682	-
Financial liabilities:					
Deposits	225,052	223,839	-	223,839	-
Federal home loan bank borrowings	5,000	4,902	-	4,902	-
Accrued interest payable	70	70	-	70	-

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

All investment securities are measured at fair value using quoted prices from an independent third party that provide valuation services, such as matrix pricing, for similar assets, with similar terms in actively traded markets.

13. Financial Instruments With Off-Balance-Sheet Risk

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The Corporation's exposure to credit loss is represented by the contractual amounts of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

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. Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. These lines of credit may or may not be collateralized and usually contain a specified maturity date and may not be drawn upon to the total extent to which the Corporation is committed.

Standby letters of credit written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans.

To reduce credit risk related to the use of credit-related financial instruments, the Corporation might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Corporation's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant and equipment and real estate. The Corporation has not incurred any losses on its commitments in either 2023 or 2022.

Financial instruments whose contract amount represents credit risk were as follows:

	2023	2022
Commitments to extend credit	$ 24,138,000	$ 14,457,000
Standby letters of credit	442,000	441,000

5-Star Jim Thorpe Neighborhood Bank
A Source of Security in an Insecure World

Jim Thorpe, Pennsylvania - March 2024: BauerFinancial, Inc., the Nation's Premier Bank Rating Firm, is pleased to announce that **Jim Thorpe Neighborhood Bank, Jim Thorpe, PA,** has earned its highest, **5-Star Superior rating** for financial strength and stability. This marks the 138th consecutive quarter that Jim Thorpe Neighborhood Bank has earned a recommended rating (5-Stars or 4-Stars) from the rating firm. This latest rating was assigned in March 2024 based on December 31, 2023 financial data and signifies that Jim Thorpe Neighborhood Bank continues to be one of the ***strongest banks in the nation***.

"It gives me great pleasure to announce that there are still banks, like Jim Thorpe Neighborhood Bank, that continue to provide a sense of security in this insecure world," heralds **Karen Dorway, president** of BauerFinancial. "Friends and neighbors of Jim Thorpe Neighborhood Bank probably already know this. They have the privilege of having a true community bank that sticks to common-sense banking values, right in their community. It's important to let those who might not be aware, know that they have the strength of a 5-Star bank right in their midst."

Since its inception in 1855, Jim Thorpe Neighborhood Bank has been a dedicated anchor to this community. With a solid track record behind it, Jim Thorpe Neighborhood Bank has displayed the strength and fortitude to continue forward in the same heedful manner that it has for the past 169 years.

Jim Thorpe Neighborhood Bank: "A Real Community Bank®"
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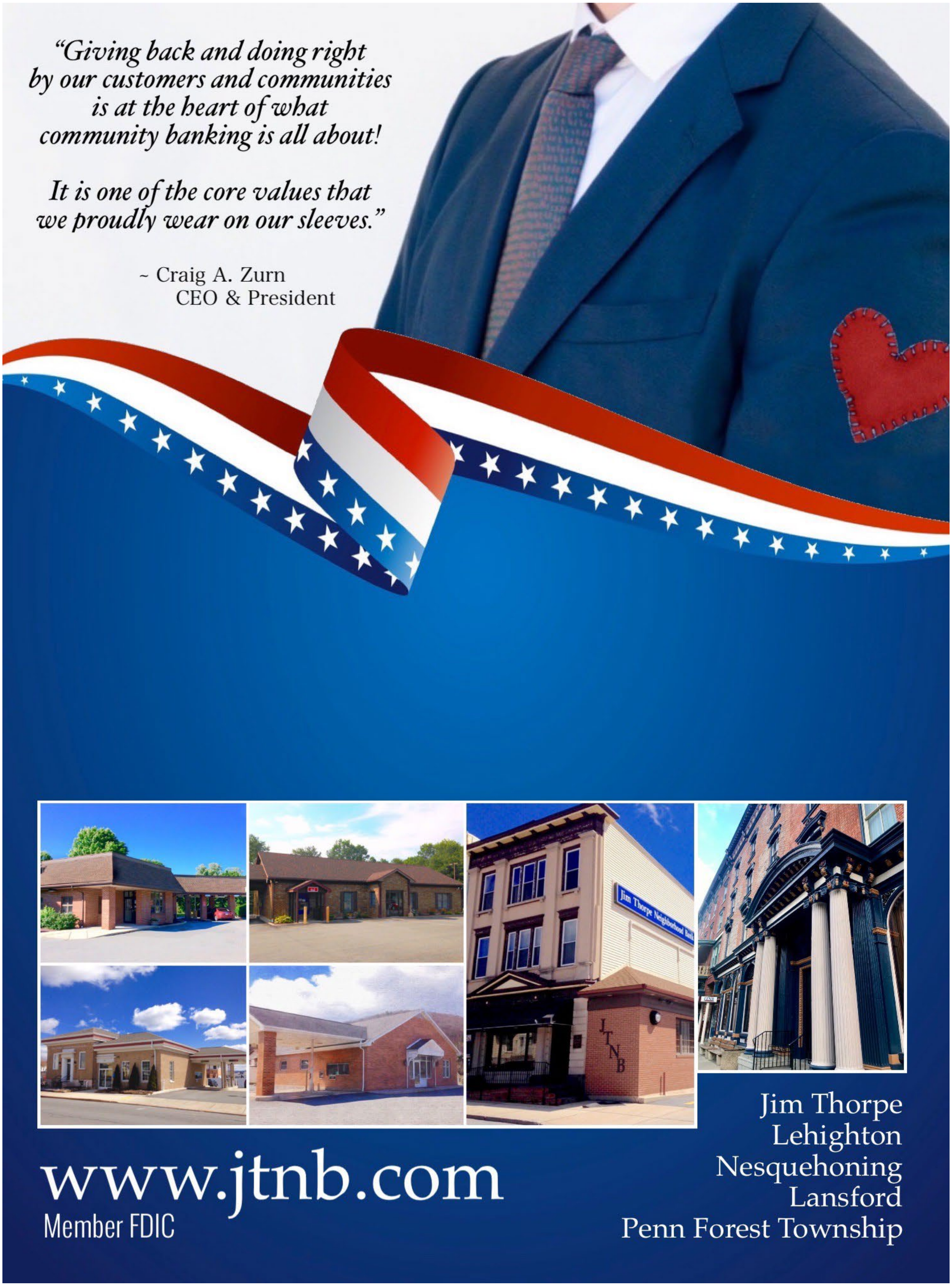
"Giving back and doing right
by our customers and communities
is at the heart of what
community banking is all about!
It is one of the core values that
we proudly wear on our sleeves."
~ Craig A. Zurn
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