CCCB BANCORP, INC.

2023 ANNUAL REPORT

CCCB BANCORP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

December 31, 2023 and 2022

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SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
CCCB Bancorp, Inc. and Subsidiary
Clarion, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of CCCB Bancorp, Inc. and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for credit losses effective January 1, 2023, due to the adoption of Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 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.

S.R. Snodgrass P.C.

Cranberry Township, Pennsylvania
March 26, 2024

CONSOLIDATED BALANCE SHEETS

CCCB BANCORP, INC.

	December 31, 2023	December 31, 2022
ASSETS		
Cash and due from banks	**$ 1,628,010**	$ 1,320,985
Interest bearing deposits with banks	**1,619,247**	4,421,083
Cash and cash equivalents	**3,247,257**	5,742,068
Certificates of deposit	**100,000**	100,000
Investment securities available for sale	**24,652,534**	24,137,372
Restricted bank stock, at cost	**1,493,600**	1,208,600
Loans receivable, net of allowance for credit losses of $1,489,205 in 2023 and $1,473,771 in 2022	**183,329,516**	169,840,319
Premises and equipment, net	**2,940,551**	2,825,451
Right of use asset	**651,563**	-
Bank owned life insurance	**4,378,894**	4,277,169
Net deferred taxes	**1,515,798**	1,738,173
Other assets	**3,296,743**	3,017,099
Total Assets	**$ 225,606,456**	$ 212,886,251
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest bearing	**$ 46,407,951**	$ 46,310,007
Interest bearing	**147,356,287**	143,239,826
Total deposits	**193,764,238**	189,549,833
Federal Home Loan Bank advances	**12,500,000**	6,000,000
Lease liability	**658,820**	-
Accrued interest and other liabilities	**2,149,741**	1,722,010
Total liabilities	**209,072,799**	197,271,843
Stockholders' Equity		
Preferred stock: 1,000,000 shares authorized, no shares issued	**-**	-
Common stock; par value $1; 10,000,000 shares authorized; 1,665,667 issued and outstanding in 2023 and 2022	**1,665,667**	1,665,667
Surplus	**10,647,455**	10,647,455
Retained earnings	**7,828,130**	7,828,365
Accumulated other comprehensive loss	**(3,607,595)**	(4,527,079)
Total stockholders' equity	**16,533,657**	15,614,408
Total Liabilities and Stockholders' Equity	**$ 225,606,456**	$ 212,886,251

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

CONSOLIDATED STATEMENTS OF INCOME

CCCB BANCORP, INC.

	Years Ended December 31, 2023	2022
Interest Income		
Loans, including fees	$ **9,527,159**	$ 7,844,167
Taxable securities	**336,094**	313,458
Tax exempt securities	**411,901**	406,198
Interest bearing deposits	**101,775**	64,573
Total interest income	**10,376,929**	8,628,396
Interest Expense		
Deposits	**3,015,864**	1,235,257
Federal Home Loan Bank advances	**437,163**	112,335
Total interest expense	**3,453,027**	1,347,592
Net Interest Income	**6,923,902**	7,280,804
(Recovery) Provision for Credit Losses	**(19,500)**	180,000
Net Interest Income after (Recovery) Provision for Credit Losses	**6,943,402**	7,100,804
Other Income		
Service fees	**126,226**	124,392
Bank owned life insurance	**101,725**	105,622
Net losses on sales of loans held for sale	**-**	(2,124)
Net losses on sales of securities available for sale	**(5,796)**	(3,283)
Other	**257,375**	244,393
Total other income	**479,530**	469,000
Other Expenses		
Salaries and employee benefits	**3,762,165**	3,082,756
Professional fees	**184,073**	193,782
FDIC insurance	**110,446**	61,634
Occupancy and equipment	**701,943**	480,677
Data processing	**977,042**	743,448
Other (see Note 12)	**1,288,149**	1,144,003
Total other expenses	**7,023,818**	5,706,300
Income Before Income Tax (Benefit) Expense	**399,114**	1,863,504
Income Tax (Benefit) Expense	**(11,519)**	281,400
Net Income	$ **410,633**	$ 1,582,104
Earnings per Common Share	$ **0.25**	$ 0.95

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

CCCB BANCORP, INC.

	Years Ended December 31, 2023	2022
Net income	**$ 410,633**	$ 1,582,104
Unrealized holding gain (loss) on available for sale securities	**1,150,907**	(5,905,351)
Reclassification adjustment for losses on securities available for sale realized in net income	**5,796**	3,283
Net unrealized gain (loss)	**1,156,703**	(5,902,068)
Tax effect	**(242,907)**	1,239,434
Net-of-tax amount	**913,796**	(4,662,634)
Amortization of prior service cost	**7,200**	7,200
Tax effect	**(1,512)**	(1,512)
Net-of-tax amount	**5,688**	5,688
Other comprehensive income (loss)	**919,484**	(4,656,946)
Total comprehensive gain (loss) income	**$ 1,330,117**	$ (3,074,842)

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

CCCB BANCORP, INC.

For the Years Ended December 31, 2023 and 2022

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2022	$ 1,665,667	$ 10,647,455	$ 6,612,688	$ 129,867	$ 19,055,677
Net income	-	-	1,582,104	-	1,582,104
Cash dividend, $0.22 per share	-	-	(366,427)	-	(366,427)
Other comprehensive loss	-	-	-	(4,656,946)	(4,656,946)
Balance at December 31, 2022	1,665,667	10,647,455	7,828,365	(4,527,079)	15,614,408
Cummulative effect of adoption of ASU 2016-13	**-**	**-**	**(44,421)**	**-**	**(44,421)**
Net income	**-**	**-**	**410,633**	**-**	**410,633**
Cash dividend, $0.22 per share	**-**	**-**	**(366,447)**	**-**	**(366,447)**
Other comprehensive income	**-**	**-**	**-**	**919,484**	**919,484**
Balance at December 31, 2023	**$ 1,665,667**	**$ 10,647,455**	**$ 7,828,130**	**$ (3,607,595)**	**$ 16,533,657**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

CCCB BANCORP, INC.

For the Years Ended December 31, 2023 and 2022

	For the Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 410,633**	$ 1,582,104
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	**297,078**	241,733
Net amortization of premiums and discounts	**(2,777)**	45,686
Net losses on securities available for sale	**5,796**	3,283
(Recovery) Provision for credit losses	**(19,500)**	180,000
Net losses (gains) on sale of loans held for sale	**-**	2,124
Loans originated for sale	**-**	(338,000)
Proceeds from sale of loans held for sale	**-**	335,876
Gain on OREO, net	**-**	(2,309)
Deferred taxes	**(8,724)**	(59,694)
Earnings on bank owned life insurance	**(101,725)**	(105,622)
Earnings on investment contract	**(10,580)**	(11,668)
Change in:		
Deferred loan fees	**52,433**	61,018
Other assets	**(270,577)**	(80,498)
Accrued interest and other liabilities	**434,988**	102,280
Net Cash From Operating Activities	**787,045**	1,956,313
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available for sale securities	**(404,482)**	(5,997,961)
Proceeds from sales of securities available for sale	**539,204**	133,708
Maturities and calls of available for sale securities	**-**	7,193,925
Principal payments from mortgage-backed securities	**511,001**	645,316
Purchase of restricted bank stock	**(1,916,700)**	(410,500)
Redemption or call of restricted bank stock	**1,631,700**	403,100
Purchases of certificates of deposit	**(100,000)**	(100,000)
Maturities of certificates of deposit	**100,000**	100,000
Proceeds from sale of foreclosed assets	**-**	59,309
Loan originations and repayments, net	**(13,578,359)**	(17,515,497)
Purchases of premises and equipment	**(412,178)**	(355,170)
Net Cash Used on Investing Activities	**(13,629,814)**	(15,843,770)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	**4,214,405**	9,429,286
Repayment of FHLB borrowings	**(145,751,000)**	(2,000,000)
Purchase of FHLB borrowings	**152,251,000**	4,000,000
Cash dividends paid on common stock	**(366,447)**	(366,428)
Net Cash From Financing Activities	**10,347,958**	11,062,858
Net Change in Cash and Cash Equivalents	**(2,494,811)**	(2,824,599)
Cash and Cash Equivalents at Beginning of Year	**5,742,068**	8,566,667
Cash and Cash Equivalents at End of Year	**$ 3,247,257**	$ 5,742,068
SUPPLEMENTAL DISCLOSURES		
Interest paid	**$ 3,220,515**	$ 1,326,196
Income taxes paid	**91,674**	333,079

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization: CCCB Bancorp, Inc. (the "Company"), headquartered in Clarion, Pennsylvania, is a Pennsylvania corporation and bank holding company incorporated on August 1, 2020. The Company was formed to serve as the stock holding company for Clarion County Community Bank (the "Bank") which provides a full range of retail and commercial financial products and services to customers in western Pennsylvania. The Bank received its Pennsylvania banking charter on January 6, 2004. The Bank was incorporated under the laws of the Commonwealth of Pennsylvania on June 18, 2003, to operate as a state-chartered banking institution. The Bank opened for business on January 8, 2004, and currently has five locations; the main office in Clarion, Pennsylvania, and full-service branch offices in New Bethlehem, Pennsylvania, Rimersburg, Pennsylvania, Franklin, Pennsylvania, and Erie, Pennsylvania.

Nature of Operations: The Company, through the Bank, provides financial services through its offices in Clarion County, Venango County and Erie County. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial real estate, commercial, and consumer loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses.

Principles of Consolidation: The consolidated financial statements include CCCB Bancorp, Inc. and its wholly-owned subsidiary, Clarion County Community Bank. Intercompany transactions and balances have been eliminated in consolidation.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 26, 2024, which is the date the financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with original maturities less than 90 days, and federal funds sold.

Certificates of Deposit: Certificates of deposit in other financial institutions are carried at cost.

Allowance for Credit Losses – Available for Sale Securities: The Bank measures expected credit losses on available-for-sale debt securities when the Bank does not intend to sell, or when it is not more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Bank considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, equal to the amount that the fair value is less than the amortized cost basis.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Economic forecast data is utilized to calculate the present value of expected cash flows. The Bank obtains its forecast data through a subscription to a widely recognized and relied upon company who publishes various forecast scenarios. Management evaluates the various scenarios to determine a reasonable and supportable scenario and utilizes a single scenario in the model. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

The allowance for credit losses on available-for-sale debt securities is included within Investment securities available-for-sale on the consolidated balance sheet. Changes in the allowance for credit losses are recorded within Provision for credit losses on the consolidated statement of income. Losses are charged against the allowance when the Bank believes the collectability of an available-for-sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $152,618 at December 31, 2023 and is included within other assets on the consolidated balance sheet. This amount is excluded from the estimate of expected credit losses. Available-for-sale debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available-for-sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Credit Losses on Investment Securities – Prior to adopting ASU 2016-13: The Bank adopted ASU No. 2016-13 effective January 1, 2023. Financial statement amounts related to Investment Securities recorded as of December 31, 2022 and for the periods ending December 31, 2022 are presented in accordance with the accounting policies described in the following sections.

Securities are evaluated on at least a quarterly basis, and more frequently when market conditions warrant such an evaluation, to determine whether a decline in their value is other than temporary. To determine whether a loss is other than temporary, management utilizes criteria such as the reasons underlying the decline, the magnitude and duration of the decline, and whether or not management intends to sell or expects that it is more likely than not that it will be required to sell the security prior to an anticipated recovery of the fair value. The term “other than temporary” is not intended to indicate that the decline is permanent but indicates that the prospects for a near-term recovery of value are not necessarily favorable or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment.

Declines in the fair value of securities below their cost that are deemed to be other than temporary are separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss), and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive (loss) income.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. There were no loans held for sale at December 31, 2023 and 2022.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, less deferred loan fees and costs, and an allowance for credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 or more days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. A loan is moved to non-accrual status in accordance with the Company's policy, typically after 90 days of non-payment.

Allowance for Credit Losses – Loans: The allowance for credit losses is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Bank has identified the following portfolio segments (commercial, commercial real estate, residential real estate, consumer auto and other consumer) and measures the allowance for credit losses using the Weighted Average Remaining Maturity (WARM) / Remaining Life methodology.

Historical credit loss experience is the basis for the estimation of expected credit losses. We apply historical loss rates to pools of loans with similar risk characteristics. After consideration of the historic

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. Our reasonable and supportable forecast adjustment is based on PA unemployment rate, loan exceptions at origination, segment percentage increase, prime rate changes, nonaccrual loans, loan segment to total loans, average net losses and management judgment. For periods beyond our reasonable and supportable forecast, we revert to historical loss rates utilizing a straight-line method over a one-year reversion period. The qualitative adjustments for current conditions are based upon changes in lending policies and practices, experience and ability of lending staff, quality of the bank's loan review system, value of underlying collateral, the existence of and changes in concentrations and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve.

The Bank has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore, should be individually assessed. We evaluate all commercial loans that meet the following criteria: 1) substandard, doubtful and nonperforming loans when repayment is expected to be provided substantially through the operation or sale of the collateral, 2) when it is determined that foreclosure is probable, 3) when it is determined by management that a loan does not share similar risk characteristics with other loans. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. Our individual loan evaluations consist primarily of the fair value of collateral method because most of our loans are collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Bank. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Allowance for Loan Losses – Prior to Adopting ASU 2016-13: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Loans for which the terms have been modified, resulting in a concession, and for which the borrower is experiencing financial difficulties are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all 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.

Commercial and commercial real estate loans over $50,000 are individually evaluated for impairment if management does not expect to collect principal and interest in accordance with the original contractual agreement. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures, unless such loans are modified in a troubled debt restructuring.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on consideration of historical loss experience and peer data adjusted for current factors. This actual and peer loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: Residential Real Estate, Commercial Real Estate, Commercial, and Consumer. As of December 31, 2022, twenty-two percent of the Company's loan portfolio is 1-4 family real estate, home equity lines of credit, and consumer installment loans made to individuals in the Company's market area. These loans are largely secured by underlying real estate or consumer collateral. Repayment of these loans is dependent on general economic conditions and unemployment levels in the Company's market area.

Commercial loans primarily consist of income producing real estate and business-related assets. Repayment of these loans depends, to a large degree, on the results of operations, cash flow and management of the related businesses. These loans may be affected, to a greater extent, by adverse management of the related businesses, by adverse commerce conditions or the economy in general.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Accordingly, the nature of these loans makes them more difficult for management to monitor and evaluate.

Servicing Rights: When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value, with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts when available or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method, which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with other non-interest income on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as other non-interest income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned.

Foreclosed Assets: Foreclosed assets are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of real estate property collateralizing a loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method for 30 years. Furniture, fixtures, and equipment are depreciated using the straight-line method with useful lives ranging from 3 to 10 years. Expenses for maintenance and repairs are charged against income as occurred. Costs of major additions and improvements are capitalized.

Restricted Bank Stock: The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB). Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. The Bank is a member of the Atlantic Community Bankers Bank (ACBB) of Camp Hill, Pennsylvania. Members are required to own a certain amount of stock. FHLB and ACBB stock are carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Bank Owned Life Insurance: The Bank purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. The Bank is the sole beneficiary, without further encumbrance, of the insurance proceeds aside from split dollar agreements promising death benefits of $500,000 to the beneficiaries of two executive officers of the Bank and $150,000 to the beneficiaries of three senior officers of the Bank while under Bank employment. As the officer's projected mortality extends beyond Bank's expected employment, no accrual has been established for this potential benefit.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Retirement Plans: Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Supplemental retirement plan expense allocates the benefits over the years of service.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount more likely than not to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Advertising Costs: Advertising costs are expensed as incurred.

Earnings Per Share: Basic earnings per share is calculated as net income divided by the weighted average number of common shares outstanding during the period.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale and changes in the funded status of the supplemental retirement plan, which are recognized as separate components of stockholders' equity.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Transfer of Financial Assets:
Transfers of financial assets, typically residential real estate loans for the Bank, 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 Bank, (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 Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

Accounting Pronouncements Adopted in 2023: In June 2016, the FASB issued ASU No. 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* and subsequent related updates. This ASU replaces the incurred loss methodology for recognizing credit losses and requires businesses and other organizations to measure the current expected credit losses (CECL) on financial assets measured at amortized cost, including loans and held-to-maturity securities, net investments in leases, off-balance sheet credit exposures such as unfunded commitments, and other financial instruments. In addition, ASC 326 requires credit losses on available-for-sale debt securities to be presented as an allowance rather than as a write-down when management does not intend to sell or believes that it is not more likely than not they will be required to sell. This guidance became effective on January 1, 2023 for the Bank. The results reported for periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards.

The Bank adopted this guidance, and subsequent related updates, using the modified retrospective approach for all financial assets measured at amortized cost, including loans and held-to-maturity debt securities, available-for-sale debt securities and unfunded commitments. On January 1, 2023, the Bank recorded a cumulative effect decrease to retained earnings of $44,000, net of tax, of which $44,000 related to loans, with no decrease related to unfunded commitments or available-for-sale securities.

The Bank adopted the provisions of ASC 326 related to presenting other-than-temporary impairment on available-for-sale debt securities prior to January 1, 2023, using the prospective transition approach, though no such charges had been recorded on the securities held by the Bank as of the date of adoption.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The Bank expanded the pooling utilized under the legacy incurred loss method to include additional segmentation based on risk. The impact of the change from the incurred loss model to the current expected credit loss model is detailed below (in thousands).

	January 1, 2023		
	Pre-adoption	Adoption Impact	As Reported
Assets			
ACL on loans			
Commercial	$ 298,849	$ (81,849)	$ 217,000
Commercial real estate	697,710	93,290	791,000
Residential real estate	115,650	89,350	205,000
Consumer	38,196	(12,196)	26,000
Unallocated	323,366	(32,366)	291,000
Liabilities			
ACL for unfunded commitments	-	-	-
	$ 1,473,771	$ 56,229	$ 1,530,000

NOTE 2 – REVENUE RECOGNITION

Revenue recognition under Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, bank-owned life insurance and financial guarantees are also not in scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as deposit related fees, interchange fees and merchant income. Noninterest revenue streams in-scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of overdraft charges, monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based: and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Fees, exchange, and other service charges

This is primarily comprised of debit card income, ATM fees, merchant services income, and other service charges. Debit card income is primarily comprised of interchange fees earned whenever the Company’s debit and credit cards are processed through card payment networks such as Visa. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Other service charges include cashier’s checks, check charges and other services. The Company’s performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

NOTE 3 – INVESTMENT SECURITIES

The following table summarizes the amortized cost and fair value of investment securities at December 31, 2023 and 2022, and the corresponding amounts of gross unrealized gains and losses.

Available for Sale:	December 31, 2023 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
U.S. government sponsored entities and agencies	$ 7,187,330	$ -	$ (1,198,691)	$ 5,988,639	$ -
State and municipal bonds-tax free	17,567,015	745	(2,611,967)	14,955,793	-
Residential mortgage-backed securities	4,431,965	-	(723,863)	3,708,102	-
	$ 29,186,310	$ 745	$ (4,534,521)	$ 24,652,534	$ -

Available for Sale:	December 31, 2022 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored entities and agencies	$ 7,228,875	$ -	$ (1,419,561)	$ 5,809,314
State and municipal bonds-tax free	17,796,944	1,866	(3,467,569)	14,331,241
Residential mortgage-backed securities	4,802,032	-	(805,215)	3,996,817
	$ 29,827,851	$ 1,866	$ (5,692,345)	$ 24,137,372

The proceeds from the sales of securities and the associated gross gains and losses are listed below.

	2023	2022
Proceeds	$ 539,204	$ 133,708
Gross gains	-	8,282
Gross losses	(5,796)	(11,565)

The tax provision related to the net realized loss was $(1,217) and $(689), respectively.

As a member of the Federal Home Loan Bank of Pittsburgh (FHLB), the Bank is required to maintain a minimum amount of FHLB stock. The minimum amount is calculated based on the level of the Bank’s assets, residential real estate loans, and FHLB advances. At December 31, 2023 and 2022, the Bank held $1,428,600 and $1,143,600 respectively, of FHLB stock, which is carried at cost.

NOTE 3 – INVESTMENT SECURITIES (continued)

Management evaluates the FHLB stock for impairment in accordance with accounting guidance issued by the Financial Accounting Standards Board. Management's determination of whether this investment is impaired is based on their assessment of the ultimate recoverability of their cost basis rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost basis is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB. Management believes no impairment charge is necessary related to the FHLB stock as of December 31, 2023 or 2022.

The amortized cost and fair value of investment securities by contractual maturity are shown below.

Actual investment maturities will differ from contractual maturities because issuers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separate.

The following table summarizes the amortized cost and fair value maturities of debt securities available for sale at December 31, 2023.

	December 31, 2023	
	Amortized Cost	Fair Value
Debt securities available for sale		
Due in one year or less	$ -	$ -
Due after one year through five years	1,000,381	878,200
Due after five years through ten years	4,578,529	3,999,937
Due after ten years	19,175,435	16,066,295
Residential mortgage-backed securities	4,431,965	3,708,102
	$ 29,186,310	$ 24,652,534

The following table summarizes investment securities with unrealized losses at December 31, 2023 by major security type and length of time in a continuous unrealized loss position:

	December 31, 2023					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government sponsored entities and agencies	$ -	$ -	$ 5,988,639	$ (1,198,691)	$ 5,988,639	$ (1,198,691)
State and municipal bonds-tax free	312,657	(26,678)	12,852,309	(2,585,289)	13,164,966	(2,611,967)
Residential mortgage-backed securities	-	-	3,708,103	(723,863)	3,708,103	(723,863)
	$ 312,657	$ (26,678)	$ 22,549,051	$ (4,507,843)	$ 22,861,708	$ (4,534,521)

NOTE 3 – INVESTMENT SECURITIES (continued)

The following table summarizes investment securities with unrealized losses at December 31, 2022 by major security type and length of time in a continuous unrealized loss position:

	December 31, 2022					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government sponsored entities and agencies	$ 498,050	$ (1,417,611)	$ 5,311,263	$ (1,950)	$ 5,809,313	$ (1,419,561)
State and municipal bonds-tax free	10,809,213	(2,159,566)	3,149,586	(1,308,003)	13,958,799	(3,467,569)
Residential mortgage-backed-securities	378,745	(65,044)	3,618,073	(740,171)	3,996,818	(805,215)
	$ 11,686,008	$ (3,642,221)	$ 12,078,922	$ (2,050,124)	$ 23,764,930	$ (5,692,345)

Unrealized losses on the 58 securities at December 31, 2023 have not been recognized into income because the securities are of high credit quality (rated AA or higher), management does not intend to sell and it is not more likely than not that management would be required to sell the securities prior to their anticipated recoveries, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the securities approach their maturities. The Bank does not consider these securities to be credit impaired at December 31, 2023.

All of the mortgage-backed and agency securities held by the Bank were issued by U.S. government-sponsored entities and agencies, institutions which the government has affirmed its commitment to support.

The Bank has pledged investment securities with an approximate carrying value of $8,867,000 and $10,963,000 as of December 31, 2023 and 2022, respectively, to qualify for fiduciary powers in securing public monies as required by law and for other purposes.

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Loans at year end were as follows:

	2023	2022
Commercial	**$ 17,041,372**	$ 15,842,623
Commercial real estate	**129,844,287**	117,597,679
Residential real estate	**31,408,214**	30,478,685
Consumer:		
Auto	**2,857,604**	2,588,669
Other	**4,012,108**	5,098,864
	185,163,585	171,606,520
Net deferred loan fees	**(344,864)**	(292,430)
Allowance for loan losses	**(1,489,205)**	(1,473,771)
Loans receivable, net	**$ 183,329,516**	$ 169,840,319

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2023 and 2022:

December 31, 2023	Commercial	Commercial Real Estate	Residential Real Estate	Consumer Auto	Consumer Other	Unallocated	Total
Allowance for credit losses:							
Beginning balance, January 1, 2023	$ 298,849	$ 697,710	$ 115,650	$ 11,753	$ 26,443	$ 323,366	$ 1,473,771
Impact of adopting ASC 326	(81,849)	93,290	89,350	1,247	(13,443)	(32,366)	56,229
(Recovery) Provision for loan losses	31,947	(23,795)	5,000	4,348	3,000	(40,000)	(19,500)
Loans charged-off	(53,411)	-	-	(4,423)	-	-	(57,834)
Recoveries	34,464	-	-	2,075	-	-	36,539
Total ending balance, December 31, 2023	$ 230,000	$ 767,205	$ 210,000	$ 15,000	$ 16,000	$ 251,000	$ 1,489,205

December 31, 2022	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Beginning balance, January 1, 2022	$ 141,299	$ 826,132	$ 204,413	$ 56,027	$ 156,453	$ 1,384,324
Provision for loan losses	209,887	(128,422)	(66,107)	(2,271)	166,913	180,000
Loans charged-off	(53,833)	-	(23,656)	(21,610)	-	(99,099)
Recoveries	1,496	-	1,000	6,050	-	8,546
Total ending balance, December 31, 2022	$ 298,849	$ 697,710	$ 115,650	$ 38,196	$ 323,366	$ 1,473,771

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (continued)

The Bank maintained an unallocated reserve for the year ended December 31, 2023 to account for potential losses related to the expansion into Erie county, where no historical data is available to estimate losses.

Accrued interest receivable on loans totaled $560,730 and $473,015 at December 31, 2023 and 2022, respectively.

The following table presents the balance in the allowance for credit losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2022:

December 31, 2022	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses:						
Individually evaluated for impairment	$ 222,239	$ 50,327	$ -	$ -	$ -	$ 272,566
Collectively evaluated for impairment	76,610	647,383	115,650	38,196	323,366	1,201,205
Total ending allowance balance	$ 298,849	$ 697,710	$ 115,650	$ 38,196	$ 323,366	$ 1,473,771
Loans receivable:						
Individually evaluated for impairment	$ 449,715	$ 862,205	$ -	$ -		$ 1,311,920
Collectively evaluated for impairment	15,392,908	116,735,474	30,478,685	7,687,533		170,294,600
Total	$ 15,842,623	$ 117,597,679	$ 30,478,685	$ 7,687,533		$ 171,606,520

The following table presents information related to impaired loans as of and for the year ended December 31, 2022:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 23,363	$ 23,363	$ -	$ 27,322	$ 1,586
Commercial real estate	760,921	760,921	-	802,333	35,300
Subtotal	784,284	784,284	-	829,655	36,886
With an allowance recorded:					
Commercial	426,352	426,352	222,239	433,840	34,851
Commercial real estate	101,284	101,284	50,327	99,276	3,468
Subtotal	527,636	527,636	272,566	533,116	38,319
Total	$ 1,311,920	$ 1,311,920	$ 272,566	$ 1,362,771	$ 75,205

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (continued)

The Bank monitors the credit risk profile by payment activity for residential and consumer loan classes. Loans past due 90 days or more and loans on nonaccrual status are considered nonperforming. Nonperforming loans are reviewed quarterly. The following table presents the amortized cost in residential and consumer loans based on payment activity as of December 31, 2023:

	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming
Commercial Real Estate	63,885	7,668	71,554	-	71,554
Residential Real Estate	365,373	152,786	518,159	-	518,159
Total	$ 429,259	$ 160,454	$ 589,713	$ -	$ 589,713

The following tables present the recorded investment in nonaccrual by class of loans as of December 31, 2022:

	Nonaccrual 2022
Commercial	$ 15,239
Commercial real estate	286,550
Residential real estate	535,873
Consumer:	
Auto	-
Other	20,046
Total	$ 857,708

As of December 31, 2023 and 2022, there were no loans past due 90 days or more and still accruing.

The following tables present the aging of the recorded investment in past due loans as of December 31, 2023 by class of loan:

2023	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due
Commercial	$ 17,041,372	$ 27,021	$ -	$ -	$ 27,021	$ 17,014,351
Commercial real estate	129,844,287	-	-	71,554	71,554	129,772,733
Residential real estate	31,408,214	131,772	97,942	441,095	670,808	30,737,406
Consumer:						
Auto	2,857,604	14,370	-	-	14,370	2,843,234
Other	4,012,108	27,408	830	-	28,238	3,983,870
Total	$ 185,163,585	$ 200,570	$ 98,772	$ 512,649	$ 811,991	$ 184,351,594

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (continued)

The following tables present the aging of the recorded investment in past due loans as of December 31, 2022 by class of loan:

2022	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due
Commercial	$ 15,842,623	$ -	$ 18,424	$ 15,239	$ 33,663	$ 15,808,960
Commercial real estate	117,597,679	-	-	286,550	286,550	117,311,129
Residential real estate	30,478,685	151,494	184,286	450,948	786,728	29,691,957
Consumer						
Auto	2,588,669	-	-	-	-	2,588,669
Other	5,098,864	53,125	-	20,046	73,171	5,025,693
Total	$ 171,606,520	$ 204,619	$ 202,710	$ 772,783	$ 1,180,112	$ 170,426,408

Credit Quality Indicators:

The Bank categorizes loans into risk categories based on relative 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 Bank analyzes loans individually by classifying the loans as to credit risk. This analysis typically 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 of the institution's credit position 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. Loans listed as not rated are evaluated for credit quality based on aging status, which was previously presented.

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (continued)

Based on the most recent analysis performed, the risk category of loans by class of loans at December 31, 2023 are as follows:

December 31, 2023	Term Loans Amortized Costs Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Commercial									
Risk Rating									
Pass	$ 5,247,372	$ 2,438,715	$ 2,332,322	$ 2,776,240	$ 1,963,006	$ 1,874,025	$ -	$ -	$ 16,631,680
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	409,692	-	-	409,692
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 5,247,372	$ 2,438,715	$ 2,332,322	$ 2,776,240	$ 1,963,006	$ 2,283,717	$ -	$ -	$ 17,041,372
Commercial									
Current period gross charge-offs	$ -	$ -	$ -	$ 53,411	$ -	$ -	$ -	$ -	$ 53,411
Commercial real estate									
Risk Rating									
Pass	$ 26,376,527	$ 28,898,292	$ 20,789,579	$ 23,854,869	$ 7,751,990	$ 21,670,969	$ -	$ -	$ 129,342,226
Special Mention	-	-	-	-	-	270,715	-	-	270,715
Substandard	-	-	-	-	-	231,346	-	-	231,346
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 26,376,527	$ 28,898,292	$ 20,789,579	$ 23,854,869	$ 7,751,990	$ 22,173,030	$ -	$ -	$ 129,844,287
Commercial real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Risk Rating									
Pass	$ 31,623,898	$ 31,337,007	$ 23,121,900	$ 26,631,109	$ 9,714,997	$ 23,544,994	$ -	$ -	$ 145,973,906
Special Mention	-	-	-	-	-	270,715	-	-	270,715
Substandard	-	-	-	-	-	641,038	-	-	641,038
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 31,623,898	$ 31,337,007	$ 23,121,900	$ 26,631,109	$ 9,714,997	$ 24,456,747	$ -	$ -	$ 146,885,659

Based on the most recent analysis performed, the risk category of loans by class of loans at December 31, 2022 are as follows:

December 31, 2022	Total Loans	Not Rated	Pass	Special Mention	Substandard	Doubtful
Commercial	$ 15,842,623	$ -	$ 15,392,908	$ 23,363	$ 426,352	$ -
Commercial real estate	117,597,679	-	116,735,474	381,738	480,467	-
Residential real estate	30,478,685	29,912,503	-	218,181	348,001	-
Consumer-auto	2,588,669	2,588,669	-	-	-	-
Consumer-other	5,098,864	5,098,864	-	-	-	-
Total	$ 171,606,520	$ 37,600,036	$ 132,128,382	$ 623,282	$ 1,254,820	$ -

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (continued)

The Bank considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential and consumer loan classes, the Bank also evaluates credit quality based on the performing status of the loan and by payment activity. Nonperforming loans includes loans on nonaccrual status and loans past due 90 days or more still accruing interest.

The following table presents the recorded investment in residential real estate and consumer loans based on performing status as of December 31, 2023:

December 31, 2023	Term Loans Amortized Costs Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Residential real estate									
Payment Performance									
Performing	$ 3,231,931	$ 5,987,674	$ 5,773,715	$ 3,261,296	$ 3,394,467	$ 9,240,972	$ -	$ -	$ 30,890,055
Nonperforming	-	-	-	-	116,452	401,707	-	-	518,159
Total	$ 3,231,931	$ 5,987,674	$ 5,773,715	$ 3,261,296	$ 3,510,919	$ 9,642,679	$ -	$ -	$ 31,408,214
Residential real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer Auto									
Payment Performance									
Performing	$ 1,294,227	$ 881,626	$ 408,842	$ 118,787	$ 152,435	$ 1,688	$ -	$ -	$ 2,857,604
Nonperforming	-	-	-	-	-	-	-	-	-
Total	$ 1,294,227	$ 881,626	$ 408,842	$ 118,787	$ 152,435	$ 1,688	$ -	$ -	$ 2,857,604
Consumer Auto									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ 245	$ -	$ -	$ -	$ 245
Consumer other									
Payment Performance									
Performing	$ 757,344	$ 526,121	$ 605,850	$ 609,953	$ 244,673	$ 1,268,167	$ -	$ -	$ 4,012,108
Nonperforming	-	-	-	-	-	-	-	-	-
Total	$ 757,344	$ 526,121	$ 605,850	$ 609,953	$ 244,673	$ 1,268,167	$ -	$ -	$ 4,012,108
Consumer other									
Current period gross charge-offs	$ -	$ -	$ 3,092	$ -	$ 1,086	$ -	$ -	$ -	$ 4,178
Total									
Payment Performance									
Performing	$ 5,283,502	$ 7,395,420	$ 6,788,408	$ 3,990,035	$ 3,791,575	$ 10,510,828	$ -	$ -	$ 37,759,768
Nonperforming	-	-	-	-	116,452	401,707	-	-	518,159
Total	$ 5,283,502	$ 7,395,420	$ 6,788,408	$ 3,990,035	$ 3,908,027	$ 10,912,535	$ -	$ -	$ 38,277,927

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (continued)

The following table presents the recorded investment in residential real estate and consumer loans based on performing status as of December 31, 2022:

December 31, 2022	Consumer Auto	Consumer Other	Residential Real Estate
Performing	$ 2,588,669	$ 5,078,818	$ 29,942,812
Nonperforming	-	20,046	535,873
Total	$ 2,588,669	$ 5,098,864	$ 30,478,685

NOTE 5 – OTHER REAL ESTATE OWNED (OREO)

Activity for other real estate owned was as follows:

	2023	2022
Beginning of year	$ -	$ -
Additions to OREO	-	57,000
Capitalized expenditures	-	-
Disposition of OREO	-	(57,000)
Direct write-downs	-	-
End of year	$ -	$ -

Expenses related to other real estate owned include:

	2023	2022
Net gain on sales	$ -	$ 2,309
Operating expenses, net of rental income	-	420

Other real estate owned acquired in settlement of loans are carried at fair value, less estimated costs to sell. At December 31, 2023 and 2022, there were no consumer residential mortgages that were foreclosed on or received via a deed in lieu transaction prior to the period end included with the other real estate owned. As of December 31, 2023, the Bank had initiated formal foreclosure proceedings on consumer residential mortgages, which have not yet been transferred into foreclosed assets, of $116,452.

NOTE 6 - LOAN SERVICING

Mortgage loans serviced for others are not reported as assets. The principal balances of these loans at years ended December 31, 2023 and 2022 are $18,386,000 and $19,856,000. Servicing fees totaled $47,568 and $52,080 for the years ended December 31, 2023 and 2022, respectively.

Custodial escrow balances maintained in connection with serviced loans were $281,081 and $291,026 at year end 2023 and 2022, respectively.

Activity for loan servicing rights reported in other assets follows:

	2023	2022
Beginning of year	**$ 138,951**	$ 167,445
Additions	**6,087**	7,325
Disposals	**(8,481)**	(11,647)
Amortized to expense	**(23,489)**	(24,172)
Other changes	**-**	-
Change in valuation allowance	**-**	-
End of year	**$ 113,068**	$ 138,951

NOTE 7 – PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	2023	2022
Land	**$ 783,274**	$ 783,274
Buildings and improvements	**2,712,548**	2,712,548
Furniture and equipment	**2,378,778**	1,928,116
Leasehold improvements	**37,388**	-
Leasehold property	**651,564**	-
Deposits on equipment	**-**	101,056
Construction in process	**-**	17,225
	6,563,552	5,542,219
Accumulated depreciation	**(2,971,438)**	(2,716,768)
End of year	**$ 3,592,114**	$ 2,825,451

Depreciation expense was $297,078 and $241,733 for 2023 and 2022, respectively.

NOTE 8 – DEPOSITS

The following table presents a breakdown of deposit types at December 31, 2023 and 2022:

	2023	2022
Non-interest bearing	$ **46,407,951**	$ 46,310,007
Interest bearing:		
Demand deposit	**10,511,903**	10,024,178
Money market deposit account	**24,517,993**	32,027,880
Savings	**20,554,519**	28,704,323
Certificates of Deposit	**91,771,872**	72,483,445
Total interest bearing	**147,356,287**	143,239,826
Total deposits	$ **193,764,238**	$ 189,549,833

Scheduled maturities of time deposits over the next five years as of December 31, 2023 were as follows:

	Amount	Percent
2024	$ **72,180,440**	**78.7** %
2025	**15,494,642**	**16.9**
2026	**1,744,216**	**1.9**
2027	**958,576**	**1.0**
2028	**1,393,998**	**1.5**
	$ **91,771,872**	**100.0** %

The Bank had time deposits that meet or exceed the FDIC limit of $250,000, amounting to $19,012,072 and $14,329,758 at December 31, 2023 and 2022, respectively.

NOTE 9 – FEDERAL HOME LOAN BANK ADVANCES

At December 31, 2023 and 2022, the Bank had FHLB advances outstanding as follows:

	2023	2022
Maturities January 2, 2024, through July 8, 2024, fixed rates at rates from 0.54% to 5.75%, weighted average 5.20%.	$ **12,500,000**	$ 6,000,000

Each advance is payable at its maturity date, with a prepayment penalty. Based on available collateral and the Bank's holdings of FHLB stock, the Bank is eligible to borrow up to a total of $110.4 million at year-end 2023.

Maturities of these FHLB advances is as follows:

2024	$ **12,500,000**
	$ **12,500,000**

NOTE 10 – INCOME TAXES

The provision for income taxes for the years ended December 31, 2023 and 2022 consists of the following:

		2023		2022
Current	**$**	**(2,795)**	$	341,094
Deferred		**(8,724)**		(59,694)
	$	**(11,519)**	$	281,400

The differences between the expected and actual tax provision expressed as percentages of income before income tax for the years ended December 31, 2023 and 2022 are as follows:

		2023				2022		
		Amount	**% of Pre-tax Income**			**Amount**	**% of Pre-tax Income**	
Provision at statutory rate	**$**	**83,814**	**21.0**	%	$	391,336	21.0	%
Tax exempt interest income, net of disallowed interest expense		**(86,499)**	**(21.7)**			(85,884)	(4.6)	
Earnings from bank owned life insurance		**(21,362)**	**(5.4)**			(22,181)	(1.2)	
Other, net		**12,528**	**3.1**			(1,872)	(0.1)	
Actual tax (benefit) expense and effective rate	**$**	**(11,519)**	**(3.0)**	%	$	281,400	15.1	%

NOTE 10 – INCOME TAXES (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets:		
Allowance for loan losses	**$ 266,479**	$ 260,919
Federal charitable contribution carryforward	**8,790**	-
Net operating loss carryforward	**25,299**	-
Accrued supplemental retirement	**269,159**	245,881
Unrealized losses on securities	**952,093**	1,195,001
Nonaccrual loan interest	**17,834**	14,516
Deferred loan origination fees	**72,421**	61,410
Reserve for PA Shares Tax	**5,880**	5,880
Organizational costs	**21,446**	23,298
Lease liability	**138,352**	-
Total deferred tax assets	**1,777,753**	1,806,905
Deferred tax liabilities:		
Mortgage servicing rights	**(23,744)**	(29,180)
Premises and equipment	**(101,383)**	(39,551)
Right of use asset	**(136,828)**	-
Total deferred tax liabilities	**(261,955)**	(68,731)
Net deferred tax asset	**$ 1,515,798**	$ 1,738,174

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Bank will realize the benefits of these deductible differences. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

There were no unrecognized tax benefits recorded as of December 31, 2023 and 2022; as a result, no provision has been taken in the financial statements for possible interest and penalties related to unrecognized tax benefits, and the Bank has not recorded an accrual for the payment of interest and penalties as of December 31, 2023 and 2022. The Bank does not expect the amount of unrecognized tax benefits to materially change in the next twelve months.

The Bank is subject to U.S. Federal income tax as well as a capital-based franchise tax in the State of Pennsylvania. The Bank is no longer subject to examination by the taxing authorities for 2019 and prior.

NOTE 11 – EMPLOYEE RETIREMENT PLANS

The Bank sponsors a 401(k) Profit Sharing Plan for the benefit of its employees, substantially all of whom are eligible to participate after meeting minimum qualifying standards. The Plan permits employees to make elective contributions to the Plan through pre-tax payroll deductions. The Bank has elected to make matching contributions on behalf of participating employees of 25% of employee contributions to the plan, up to 4% of their total wages. The Bank incurred expense for matching contributions to the plan, totaling $20,019 and $18,171 in 2023 and 2022, respectively.

The Bank maintains a supplemental employee retirement plan for certain executive officers of the Bank. These executive officers will receive 30% of their final base salary annually for fifteen years, beginning with the later of retirement or age 65 subject to vesting provisions for years of service. The plan requires ten years of service to be fully vested. Total expense related to the plan for the years ended December 31, 2023 and 2022 was $69,528 and $46,090, respectively. The accrued supplemental retirement liability for this plan was $1,067,441 and $1,005,113 at December 31, 2023 and 2022, respectively. Amortization of prior service cost for the years ended December 31, 2023 and 2022 was $7,200. At December 31, 2023, the unamortized prior service cost from the supplemental retirement plan was $32,800, for an after-tax amount of $25,912, recorded in accumulated other comprehensive loss.

The Bank initiated a supplemental employee retirement plan for certain senior officers of the Bank on March 1, 2019. These senior officers will receive 20% of their final base salary annually for fifteen years beginning with the later of retirement or age 65 subject to vesting provisions for years of service. The plan requires seven years of service to be fully vested. Total expense related to the plan for the years ended December 31, 2023 and 2022 was $48,516 and $37,379, respectively. The accrued supplemental retirement liability for this plan for the years ended December 31, 2023 and 2022 was $214,267 and $165,751, respectively.

NOTE 12 – OTHER EXPENSES

Other expenses are as follows:

	2023	2022
Advertising	$ 171,882	$ 96,272
Pennsylvania bank shares tax	124,947	173,482
Charitable contributions	41,857	45,194
Postage and courier	85,242	77,795
Stationary and printing	162,919	126,577
Telephone	72,156	61,045
Directors fees	234,200	215,179
Insurance	91,340	77,207
Miscellaneous	303,606	271,252
	$ 1,288,149	$ 1,144,003

NOTE 13 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance-sheet risk at year end were as follows:

	2023 Fixed Rate	2023 Variable Rate	2022 Fixed Rate	2022 Variable Rate
Commitments to make loans	**$ 1,505,000**	**$ 2,198,400**	$ 456,000	$ 1,724,000
Unused lines of credit	**313,000**	**21,181,900**	534,000	18,039,766
Standby letters of credit	**21,000**	**-**	23,000	-

Commitments to make loans are generally made for periods of 90 days or less. The fixed rate loan commitments at December 31, 2023, have interest rates ranging from 6.75% to 9.00% and maturities ranging from ten years to thirty years. The fixed rate loan commitments at December 31, 2022, had interest rates ranging from 5.99% to 8.50% and maturities ranging from ten years to thirty years.

NOTE 14 – CONCENTRATIONS, RISKS AND UNCERTAINTIES

The Bank primarily grants loans to customers in Clarion, Armstrong, Venango and Erie counties of Pennsylvania and maintains a diversified loan portfolio. The ability of its debtors to honor their contracts is not substantially dependent on any particular economic business sector.

The Bank has certain risks associated with deposit concentrations. The Bank had 85 accounts greater than $250,000, representing $52.4 million in deposits as of December 31, 2023 (27.0% of deposits as of December 31, 2023). As of December 31, 2022, the Bank had 91 accounts greater than $250,000, representing $58.4 million in deposits (30.3% of deposits as of December 31, 2022).

At December 31, 2023, approximately $1.4 million of the Bank's cash and cash equivalents was maintained at various financial institutions in amounts that exceeded the $250,000 limit on FDIC insured accounts. At December 31, 2022, approximately $4.4 million of the Bank's cash and cash equivalents was maintained at various financial institutions in amounts that exceeded the $250,000 limit on FDIC insured accounts.

The Bank is involved in various legal actions from normal business activities. Management believes that any liability arising from such actions will not have a material effect on the Bank’s financial position.

NOTE 15 – RELATED PARTIES

Certain executive officers, directors, and principal shareholders of the Bank, and companies in which they have beneficial ownership, were indebted (including loans, available lines of credit, open letters of credit, and third-party co-signors) to the Bank. Activity during 2023 and 2022 are as follows:

	Years Ended December 31,	
	2023	2022
Beginning balance	**$ 1,590,817**	$ 1,741,127
New loans	**403,025**	433,000
Repayments	**(99,906)**	(583,310)
Ending balance	**$ 1,893,936**	$ 1,590,817

There were no letters of credit to related parties in 2023.

Deposits from principal officers, directors, and their affiliates at year-end 2023 and 2022 were $6.8 million and $6.5 million, respectively.

NOTE 16 – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory-and possible additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Bank's 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 the Bank's assets, liabilities, and certain off-balance-sheet items, as calculated under U.S. GAAP, regulatory reporting requirements, and regulatory capital standards. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Management believes, as of December 31, 2023, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

In November 2019, federal bank regulatory agencies finalized a rule that simplifies capital requirements for community banks by allowing them to optionally adopt a simple leverage ratio to measure capital adequacy, which removes requirements for calculating and reporting risk-based capital ratios for a qualifying community bank that has less than $10 billion in total consolidated assets, limited amounts of off-balance-sheet exposures and trading assets and liabilities, and a leverage ratio greater than 9 percent. The community bank leverage ratio framework was effective on January 1, 2020. The Company elected to adopt the optional community bank leverage ratio framework in the first quarter of 2020.

In April 2020, the federal banking regulatory agencies modified the original community bank leverage ratio (CBLR) framework and provided that, as of the second quarter 2020, a banking organization with a leverage ratio of 8 percent or greater and that meets the other existing qualifying criteria may elect to

NOTE 16 – REGULATORY MATTERS (continued)

use the community bank leverage ratio framework. The modified rule also stated that the community bank leverage ratio requirement will be greater than 8 percent for the second through fourth quarters of calendar year 2020, greater than 8.5 percent for calendar year 2021, and greater than 9 percent thereafter. The transition rule also maintains a two-quarter grace period for a qualifying community banking organization whose leverage ratio falls no more than 100 basis points below the applicable community bank leverage ratio requirement.

The leverage ratios of the Company and the Bank at December 31, 2023 and 2022, are as follows:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of December 31, 2023:						
Tier 1 capital (to average assets)	**$ 20,133**	**8.81%**	**$ 9,144**	**4.0%**	**$ 11,430**	**5.0%**
As of December 31, 2022:						
Tier 1 capital (to average assets)	$ 20,108	9.26%	$ 8,685	4.0%	$ 10,856	5.0%

Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. Under Pennsylvania law, the Bank is only permitted to pay cash dividends out of retained earnings. During 2024, the Bank could, without prior approval, declare dividends of approximately $1,285,543 plus any 2024 net profits retained to the date of the dividend declaration.

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as 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.

Level 3 – Significant unobservable inputs that reflect a bank's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Bank used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Investment Securities Available for Sale: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Collateral Dependent Loans: The fair value of collateral dependent loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Collateral dependent loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Appraisals for both collateral-dependent loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Bank. Once received, the Appraisal Review Officer reviews the assumptions and approaches utilized.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2023 are summarized below:

Description	December 31, 2023 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Investment securities available for sale:				
US government sponsored entities and agencies	$ 5,988,639	$ 5,988,639	$ -	$ -
State and municipal bonds-tax-free	14,955,793	-	14,955,793	-
Residential mortgage-backed securities	3,708,102	-	3,708,102	-
Total investment securities available-for-sale	$ 24,652,534	$ 5,988,639	$ 18,663,895	$ -

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2022 are summarized below:

Description	December 31, 2022 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Investment securities available for sale:				
US government sponsored entities and agencies	$ 5,809,314	$ 5,809,314	$ -	$ -
State and municipal bonds-tax-free	14,331,241	-	14,331,241	-
Residential mortgage-backed securities	3,996,817	-	3,996,817	-
Total investment securities available-for-sale	$ 24,137,372	$ 5,809,314	$ 18,328,058	$ -

Assets measured at fair value on a nonrecurring basis at December 31, 2023 and 2022 are summarized below:

Description	**December 31, 2023 Carrying Value**	**(Level 1) Quoted Prices in Active Markets for Identical Assets**	**(Level 2) Significant Other Observable Inputs**	**(Level 3) Significant Unobservable Inputs**
Collateral Dependent:				
Commercial	**$ 195,145**	**$ -**	**$ -**	**$ 195,145**
Commercial real estate	**30,481**	**-**	**-**	**30,481**
Residential real estate	**120,543**	**-**	**-**	**120,543**

Description	**December 31, 2022 Carrying Value**	**(Level 1) Quoted Prices in Active Markets for Identical Assets**	**(Level 2) Significant Other Observable Inputs**	**(Level 3) Significant Unobservable Inputs**
Impaired loans:				
Commercial	$ 204,113	$ -	$ -	$ 204,113
Commercial real estate	50,957	-	-	50,957

Collateral dependent loans reported at fair value, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a recorded investment of $597,329, with an

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

allowance for credit loss of $251,160 at December 31, 2023. At December 31, 2022, impaired loans reported at fair value had a carrying amount of $527,636, with a valuation allowance of $272,566.

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2023 and 2022:

2023

	Fair Value	Valuation Techniques	Unobservable Inputs	Weighted Average
Collateral Dependent	**$ 225,626**	**Sales comparison approach**	**Adjustment for differences between comparable sales**	**61% (5% - 97% range)**

2022

	Fair Value	Valuation Techniques	Unobservable Inputs	Weighted Average
Impaired loans	$ 255,070	Sales comparison approach	Adjustment for differences between comparable sales	52% (25% - 96% range)

The carrying amount and fair values of financial instruments not reported at fair value for December 31, 2023 and 2022, were as follows:

2023	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Certificates of deposit	**$ 100,000**	**$ 100,324**	**$ -**	**$ -**	**$ 100,324**
Loans receivable, net	**183,329,516**	**176,836,000**	**-**	**-**	**176,836,000**
Financial liabilities:					
Deposits	**$ 193,764,238**	**$ 192,906,490**	**$ 101,992,490**	**$ -**	**$ 90,914,000**
FHLB advances	**12,500,000**	**12,500,000**	**-**	**-**	**12,500,000**

2022	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Certificates of deposit	$ 100,000	$ 99,220	$ -	$ -	$ 99,220
Loans receivable, net	169,840,319	166,200,000	-	-	166,200,000
Financial liabilities:					
Deposits	$ 189,549,833	$ 186,944,959	$ 117,065,959	$ -	$ 69,879,000
FHLB advances	6,000,000	6,000,000	-	-	6,000,000

For cash and cash equivalents, restricted bank stock, bank-owned life insurance, accrued interest receivable, and accrued interest payable, the carrying value is a reasonable estimate of fair value, and is considered a Level 1 measurement.

NOTE 18 – EARNINGS PER COMMON SHARE

The factors used in the earnings per common share computation follows:

	2023	2022
Net income	$ **410,633**	$ 1,582,104
Weighted average common shares outstanding	**1,665,667**	1,665,667
Earnings per common share	$ **0.25**	$ 0.95

NOTE 19 – ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The following is changes in accumulated other comprehensive (loss) income by component, net of tax, for the year ended December 31, 2023:

	Unrealized Gains and Losses on Available-for-Sale Securities	Prior Service Cost on Supplemental Retirement Plan	Total
December 31, 2023			
Beginning balance	$ (4,495,479)	$ (31,600)	$ (4,527,079)
Other comprehensive (loss) income before reclassification	909,217	-	909,217
Amounts reclassified from accumulated other comprehensive gain	4,579	5,688	10,267
Net current period other comprehensive income	913,796	5,688	919,484
Ending balance	$ (3,581,683)	$ (25,912)	$ (3,607,595)

NOTE 19 – ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME (continued)

The following is changes in accumulated other comprehensive loss by component, net of tax, for the year ended December 31, 2022:

	Unrealized Gains and Losses on Available-for-Sale Securities	Prior Service Cost on Supplemental Retirement Plan	Total
December 31, 2022			
Beginning balance	$ 167,155	$ (37,288)	$ 129,867
Other comprehensive income before reclassification	(4,665,228)	-	(4,665,228)
Amounts reclassified from accumulated other comprehensive loss	2,594	5,688	8,282
Net current period other comprehensive income/(loss)	(4,662,634)	5,688	(4,656,946)
Ending balance	$ (4,495,479)	$ (31,600)	$ (4,527,079)

The following table presents current period reclassifications out of accumulated other comprehensive loss and its impact on net income for the years ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Net loss on securities available for sale	**$ (5,796)**	$ (3,283)
Income tax expense	**1,217**	689
Reclassified amount, net of tax	**$ (4,579)**	$ (2,594)
Prior service cost on supplemental retirement plan (recorded in salaries and employee benefits)	**$ (7,200)**	$ (7,200)
Income tax benefit	**1,512**	1,512
Reclassified amount, net of tax	**$ (5,688)**	$ (5,688)

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SHAREHOLDER INFORMATION

Headquarters – Clarion
333 W. Main Street
Clarion, PA 16214
Telephone (814) 226-6000

New Bethlehem Office
308 Broad Street
New Bethlehem, PA 16242
Telephone (814) 275-1806

Rimersburg Office
592 Main Street
Rimersburg, PA 16248
Telephone (814) 473-3000

Franklin Office
1272 Elk Street
Franklin, PA 16323
Telephone (814) 437-1000

Erie Office
2157 W. 8th Street
Erie, PA 16505
Telephone: (582) 852-2001

website: www.clarionbank.com

Stock Listing

CCCB Bancorp, Inc.'s Common Stock is traded on the over-the counter market under the symbol "CCYY".

Auditors

S.R. Snodgrass P.C.
2009 Mackenzie Way
Suite 340
Cranberry Township, PA 16066

Board of Directors

William E. Hager III, Chairman of the Board of the Company and the Bank – Attorney in private practice

J. Todd Bish - Licensed chiropractor owning and operating Bish Chiropractic Center

Susanne A. Burns - Pennsylvania-certified real estate appraiser for Burns & Burns Associates, Inc. and licensed real estate broker

J. Fred Cherico - President and Chief Operating Officer of Computer Support Associates, a designer and manager of computer networks

Rodney R. Flick – Chief Executive Officer and Secretary of C.B.F. Contracting, Inc., a commercial and industrial construction company

Stephen J. Jaworski – Retired dentist and past owner of the dental practice, Stephen J. Jaworski DMD

James L. Kifer - President, Chief Executive Officer and Chief Financial Officer of the Company and the Bank

Mark V. Neiswonger –Retired insurance agent and past owner and operator of the Neiswonger Insurance Agency Inc.

Thomas B. Ray - President of Thomas G. Ray, Inc. and Avonelle, Inc., companies engaged in the supermarket business

Richard A. Shirey - Owner of Shirey Farms dairy farm and ECM Exploration, a natural gas production company

Executive Officers

James L. Kifer

President, Chief Executive Officer and Chief Financial Officer

Michael Fornof

Executive Vice President and Chief Credit Officer

Registrar and Transfer Agent

Shareholders who wish to change the name, address or ownership of stock, report lost stock certificates, or consolidate stock accounts should contact:

Continental Stock Transfer and Trust Company
Attn: Shareholder Relations
1 State Street, 30th Floor
New York, NY 10004
Telephone (800) 509-5586

CCCB BANCORP, INC.

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