

# FIRST COMMUNITY FINANCIAL CORPORATION

First Community Financial Corporation  
Two North Main Street  
Mifflintown, PA 17059

March 10, 2023

Dear Shareholder,

Enclosed are the notice of annual meeting, proxy statement and proxy card for our annual meeting scheduled for April 11, 2023.

The annual meeting will be held on April 11, 2023. The meeting will be convened in a virtual meeting format only with no physical location. Shareholders will be given the opportunity to attend virtually via a video conference link or via phone. We will provide additional details on how you may join the meeting virtually in our dividend notification, which will be mailed to you in approximately two weeks.

It remains important for you to return a properly completed proxy card in the enclosed postage-paid envelope as soon as possible to ensure that your vote is counted and that we have a quorum in order to conduct the business of the annual meeting.

As noted, additional information will follow with our dividend notification letter in approximately two weeks.

Thank you.

Sincerely,

Scott E. Fritz  
President and CEO

# FIRST COMMUNITY FINANCIAL CORPORATION

First Community Financial Corporation  
Two North Main Street  
Mifflintown, Pennsylvania 17059

## Notice of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of First Community Financial Corporation will be held on Tuesday, April 11, 2023, at 10:30 a.m., in a virtual meeting format only with no physical location, to consider and take action on the following matters:

1. Elect four directors to Class B for three year terms expiring in 2026
2. To ratify the selection of Smith Elliott Kearns & Company, LLC as the Company's independent auditor for the year ending December 31, 2023; and
3. Transact such other business as may properly come before the meeting.

**Your Board of Directors recommends a vote "FOR" the election as directors to Class B of the four nominees listed in the enclosed proxy statement; and "FOR" the ratification of the selection of Smith Elliott Kearns & Company, LLC as the Company's independent auditor for the year ending December 31, 2023.**

This notice of annual meeting of shareholders, proxy statement, proxy card and annual report are first being mailed to Shareholders on or about March 10, 2023. We encourage you to read the proxy statement and annual report carefully.

Scott E. Fritz  
President and CEO

Mifflintown, Pennsylvania  
March 10, 2023

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**FIRST COMMUNITY FINANCIAL CORPORATION**

Two North Main Street  
Mifflintown, Pennsylvania 17059

**PROXY STATEMENT**

**Annual Meeting Information**

This proxy statement contains information about the Annual Meeting of Shareholders of First Community Financial Corporation to be held virtually, Tuesday, April 11, 2023, beginning at 10:30 a.m. The proxy statement was prepared at the direction of the Company's Board of Directors to solicit your proxy for use at the Annual Meeting and at any adjournments or postponements of the meeting. It is being mailed to shareholders on or about March 10, 2023.

***Who is entitled to vote?***

Shareholders owning Company common stock on March 1, 2023 are entitled to vote at the Annual Meeting or any adjournment or postponement of the meeting. Each shareholder has one vote per share on all matters to be voted on. On March 1, 2023 there were 2,829,567 shares of common stock outstanding.

***On what am I voting?***

You will be asked to elect four directors to Class B for three year terms expiring in 2026. You will also be asked to ratify the selection of Smith Elliott Kearns & Company, LLC as the Company's independent auditor for the year ending December 31, 2023.

The Board of Directors is not aware of any other matters to be presented for action at the meeting. If any other matter requiring a vote of the shareholders would be properly presented at the meeting, it is intended that the shares represented by proxies will be voted in accordance with the recommendation of Company management on any matters for which the persons voting such proxies have authority to vote.

***How does the Board of Directors recommend I vote?***

The Board of Directors recommends a vote **"FOR"** the election of each of the four nominees as directors to Class B; and **"FOR"** the ratification of the selection of Smith Elliott Kearns & Company, LLC as the Company's independent auditor for the year ending December 31, 2023.

### ***How do I vote?***

Sign and date each proxy card you receive and return it in the postage-paid envelope provided. If you sign your proxy card but do not mark your choices, the proxy voters will vote “FOR” the four persons nominated for election as directors to Class B; and “FOR” the ratification of the selection of Smith Elliott Kearns & Company, LLC as the Company’s independent auditor for the year ending December 31, 2023.

You may revoke your proxy at any time before it is exercised. To do so, you must give written notice of revocation addressed to the Secretary, First Community Financial Corporation, Two North Main Street, Mifflintown, Pennsylvania 17059, submit another properly signed proxy card with a more recent date, or vote in person at the meeting.

### ***What is a quorum?***

A “quorum” is the presence at the meeting, in person or by proxy, of the holders of a majority of the outstanding shares. There must be a quorum for the meeting to be held. Abstentions are counted for purposes of determining the presence or absence of a quorum, but are not considered a vote cast under Pennsylvania law. Brokers holding shares in street name for their customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. Such shares for which brokers have not received voting instructions from their customers are called “broker non-votes.” Under Pennsylvania law, broker non-votes will be counted to determine if a quorum is present with respect to any matter to be voted upon by shareholders at the meeting only if such shares have been voted at the meeting on another matter other than a procedural motion.

### ***What vote is required to approve the proposals?***

The four (4) nominees for election to the board of directors receiving the highest number of votes cast by shareholders entitled to vote at the meeting will be elected. “Withhold” votes will have the effect of a vote against the election of directors. Abstentions and broker non-votes will have no effect on the election of directors. Cumulative voting does not exist in the election of directors. Each share of Company common stock is entitled to cast one vote for each nominee. For example, if a shareholder owns ten shares of common stock, he or she may cast up to ten votes for each of the four nominees to be elected.

Approval of the ratification of the selection of Smith Elliott Kearns & Company, LLC as the Company’s independent auditor for the year ending December 31, 2023 requires the affirmative vote of a majority of the votes cast at the meeting, in person or by proxy. Abstentions and broker non-votes that are counted only for purposes of determining a quorum are not considered votes cast and will have no effect on this proposal.

***Who will count the vote?***

The Judges of Election appointed by the Board of Directors will count the votes cast in person or by proxy at the Annual Meeting.

***What is the deadline for shareholder proposals for next year's Annual Meeting?***

Shareholders may submit proposals on matters appropriate for shareholder action at future annual meetings by following the procedures set forth in the Company's By-laws. In order to be considered timely, a shareholder must deliver written notice, containing the information specified by the By-laws, to the Secretary of the Company not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting. In connection with the annual meeting anticipated to be held in 2024, such notices would have to be received by the Secretary not before January 11, 2024 nor later than February 10, 2024.

The Company's By-laws also specify procedures by which shareholders may nominate candidates for election to the Board of Directors, as described on pages 6 and 7 of this proxy statement.

***How are proxies being solicited?***

In addition to solicitation by mail, the officers, directors and employees of the Company may, without additional compensation, solicit proxies by telephone or personal interview. Brokers and other custodians, nominees and fiduciaries will be requested to forward soliciting material to the beneficial owners of common stock held by such persons and will be reimbursed by the Company for their expenses. The cost of soliciting proxies for the Annual Meeting will be borne by the Company.

**Internet Availability of Proxy Materials**

This proxy statement and our 2022 Annual Report are available at <http://www.pennian.bank>.

**Share Ownership of Certain Beneficial Owners**

The Company does not know of any person who beneficially owned more than 5% of the Company's common stock on March 1, 2023, except as shown in the following table.

<u>Name and address of Beneficial Owner</u>	<u>Common Stock Beneficially Owned</u>	<u>Percent of Class</u>
Frank L. Wright 4110 McIntosh Road Harrisburg, PA 17112	200,000	7.07%
Pennian Bank Wealth Mgmt. Two North Main Street Mifflintown, PA 17059	151,789 <sup>(1)</sup>	5.36%
Andrew P. Ferrier As trustee of the Andrew P. Ferrier Trust dated 8/16/13 3256 Octavia Street San Francisco, CA 94123	144,944 <sup>(2)</sup>	5.12%
Sharon Ferrier Risse As trustee of the Sharon Ferrier Risse Trust dated 8/16/13 3580 Stetson Avenue San Diego, CA 92122	144,944 <sup>(3)</sup>	5.12%

<sup>(1)</sup> Shares held by Pennian Bank Wealth Management by way of its nominee MIFFCO as fiduciary for certain trusts, estates, agency and other fiduciary accounts that beneficially own the shares. The Bank has sole voting authority as to 75,972 of these shares. Subject to the provisions of governing instruments and/or in accordance with applicable provisions of fiduciary law, the Bank may vote shares as to which it has sole voting power in what it reasonably believes to be in the best interest of the respective trust, estate, agency or other fiduciary account for which it holds such shares. The Bank intends to vote these shares FOR the election of the four nominees identified in this proxy statement, and FOR the ratification of Smith Elliott Kearns & Company, LLC as the Company's independent auditor for the year ending December 31, 2023. The Bank does not have the right to vote the remaining 75,817 shares and disclaims beneficial ownership of such shares.

<sup>(2)</sup> Andrew P. Ferrier, as Trustee of the Andrew P. Ferrier Trust dated 8/16/13 (fbo Andrew P. Ferrier), has sole voting power and sole dispositive power with respect to the shares held of record by the Andrew P. Ferrier Trust and, therefore, may be deemed a beneficial owner of such shares.

<sup>(3)</sup> Sharon Ferrier Risse, as Trustee of the Sharon Ferrier Risse Trust dated 8/16/13 (fbo Sharon Ferrier Risse), has sole voting power and sole dispositive power with respect to the shares held of record by the Sharon Ferrier Risse Trust and, therefore, may be deemed a beneficial owner of such shares.

### **Share Ownership of Management**

The following table shows the number of shares of Company common stock beneficially owned by each incumbent director, each nominee and by all of the incumbent directors, nominees and executive officers of the Company as a group, as of March 1, 2023. Except as otherwise indicated, the named person possesses sole voting power and sole investment power with respect to the shares shown in the table.

<u>Name</u>	<u>Common Stock Beneficially Owned</u>	<u>Percentage of Class <sup>(1)</sup></u>
Daniel L. Benner	3,500	--
Daniel B. Brown	100,000 <sup>(2)</sup>	3.53%
Matthew J. Ford	4,597 <sup>(3)</sup>	--
Scott E. Fritz	5,900 <sup>(4)</sup>	--
John P. Henry, III	15,706 <sup>(5)</sup>	--
Robin Holman Loy	3,600 <sup>(2)</sup>	--
David M. McMillen	12,890 <sup>(6)</sup>	--
James M. Sheaffer	51,972 <sup>(2)</sup>	1.84%
Timothy P. Stayer	10,579	--
David L. Swartz	10,600 <sup>(2)</sup>	--
Directors, nominees and executive officers as a group (11 persons including those named above)	219,544	7.76%

<sup>(1)</sup> Less than 1% unless otherwise noted.

<sup>(2)</sup> Shares held jointly with spouse.

<sup>(3)</sup> Includes 1,054 shares held jointly with spouse, 3,543 shares held in self-directed IRA accounts

<sup>(4)</sup> Includes 2,000 shares held jointly with spouse, 3,900 shares held in self-directed IRA accounts

<sup>(5)</sup> Includes 7,624 shares held jointly with spouse, 162 shares held jointly with spouse and children, 1,580 shares held in a self-directed IRA account

<sup>(6)</sup> Includes 10,858 shares held jointly with spouse, 1,330 shares held in a self-directed IRA, 670 shares held in trust

## **PROPOSAL 1 - ELECTION OF DIRECTORS**

### **Board of Directors**

The By-laws of the Company provide that the directors will serve in three classes, as nearly equal in number as possible, with each class of directors serving a staggered, three year term of office. At each annual meeting of shareholders, a class consisting of approximately one third of all of the Company's directors is elected to hold office for a term expiring at the annual meeting held in the third year following the year of their election and until their successors have been elected. At the Annual Meeting the shareholders will be asked to elect four directors to Class B to serve until the annual meeting of shareholders in 2026 or until their successors are elected.

### **Nominees for Election**

The Board of Directors has nominated the following persons for election as directors to Class B:

Daniel E. Benner  
Scott E. Fritz  
David M. McMillen  
James M. Sheaffer

Each of the nominees is presently serving as a director of the Company and of Pennian Bank, the wholly owned bank subsidiary of the Company (the “Bank”).

Your shares of Company common stock represented by your proxy will be voted “**FOR**” the election of the four named nominees unless you mark the proxy card to withhold authority to vote for one or more of the nominees. If one or more of the nominees is unable or unwilling to serve as a director, the proxy voters will vote for the election of such substitute nominee, if any, as will be named by the Board of Directors. The Company has no reason to believe that any of the nominees will be unable or unwilling to serve as a director. Each nominee has expressed a willingness to serve if elected.

The Board of Directors recommends a vote “**FOR**” the election of the four nominees as directors to Class B.

### **Nominating Process**

*Nominations by the Board of Directors.* The Company’s Board of Directors does not have a standing nominating committee. The Bank’s Personnel Committee, however, reviews the qualifications of and makes recommendations to the Board of Directors regarding potential candidates to be nominated for election to the Board of Directors.

The Bank maintains separate advisory boards for each of the communities in which the Bank maintains branch offices. Members of the advisory boards are appointed by the Bank’s Board of Directors upon recommendation by the Bank’s Personnel Committee. Persons appointed to the advisory boards have tended to be shareholders, customers with significant banking relationships with the Bank, and influential business and community leaders. Service on an advisory board provides advisory board members with the opportunity to demonstrate, and the Board of Directors with the opportunity to observe and evaluate, the qualities described below that are typically considered by the Board of Directors in candidates for director.

The Company’s By-laws require that a director be a natural person of full age, a Pennsylvania resident, and owner of at least 500 shares of the Company’s common stock. The By-laws further provide that no person who is 72 years of age or older at the time of the meeting at which he or she is to be elected may be elected a director.

In addition to the requirements in the By-laws, the Board of Directors has adopted a policy that, to be recommended for director by the Board of Directors, a candidate must commit to own at least 1,000 shares of the Company's common stock by their first anniversary date upon assuming a position on the Board, and commit to a \$100,000 investment in the Company stock within five years of becoming a director. Additionally, the Board of Directors seeks to create a Board that is, as a whole, strong in its collective knowledge of and diversity of skills and experience with respect to the business of banking and the communities and markets in which the Bank competes, together with demonstrated qualities exhibiting leadership, vision and business judgment. When the Board of Directors considers a new candidate, it looks at the candidate's qualifications in light of the needs of the Board of Directors and the Company at that time, including independence. Among other attributes considered by the Board of Directors are:

- the highest ethical standards and integrity;
- a willingness to act and be accountable for Board decisions;
- an ability to provide wise, informed and thoughtful counsel to management on a range of issues;
- a history of achievement; and
- loyalty and commitment to the success of the Company.

*Shareholder Nominations.* Shareholders also may nominate candidates for election to the Board of Directors by following certain specified procedures set forth in the Company's By-laws. In order to make such a nomination, the By-laws require that a shareholder must be entitled to vote in the election of Directors at the relevant meeting and be a shareholder of record on both the record date for and the date of the meeting.

A nominating shareholder must notify the Secretary of the Company of a nomination, in writing, not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. In the event, however, that the annual meeting is called for a date that is not within 30 days before or after the anniversary date of the immediately preceding meeting, then written notice by a nominating shareholder must be given to the Secretary of the Company no later than the 10<sup>th</sup> day following the day on which notice of the date of the annual meeting was mailed by the Company to shareholders.

The nominating shareholder's notice must contain, to the extent known by the nominating shareholder:

- the name and address of each proposed nominee;
- the age of each proposed nominee;
- the principal occupation of each proposed nominee;
- the number of shares of the Company owned by each proposed nominee;
- the total number of shares that to the knowledge of the nominating shareholder will be voted for each proposed nominee;
- the name and residence address of the nominating shareholder; and

- the number of shares of the Company owned by the nominating shareholder.

The Personnel Committee evaluates nominees recommended by shareholders in the same manner it evaluates other nominees as described above.

### **Biographical Summaries of Nominees and Directors**

We provide below information as of the date of this proxy statement about each nominee and director of the Company and the Bank. The information includes information each director has given us about his/her age, all positions held, principal occupation and business experience for the past five years, and the names of other publicly-held companies of which he/she currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led the Board of Directors to conclude that he/she should serve as a director, we also believe that all of our directors and nominees have demonstrated good judgment, strength of character, and an independent mind, as well as a reputation for integrity and the highest personal and professional ethics.

### **NOMINEES FOR CLASS B DIRECTORS – TERM EXPIRES 2026**

#### **Daniel L. Benner**

Director since: 2019

Age: 54

Principal Occupation, Business Experience, Public and Investment Company Directorships: Mr. Benner is the Co-Owner of Benner's Butcher Shoppe LLC, Benner's Swine Barn LLC and Benner's Mobile Court LLC. Mr. Benner was initially appointed to the Delaware Advisory Board in 2012 and appointed a director on January 8, 2019. Mr. Benner's qualifications to serve as a director of the Corporation and the Bank include his 21 years of experience as a local business owner and entrepreneur.

#### **Scott E. Fritz <sup>(1)</sup>**

Director since: 2012

Age: 53

Principal Occupation, Business Experience, Public and Investment Company Directorships: Mr. Fritz has served as President and CEO of the Corporation and the Bank since June 12, 2012, having previously served as Interim President of the Corporation and the Bank from March 23, 2012 until June 12, 2012. Prior to that, Mr. Fritz was Vice President and Commercial Loan Officer of the Bank since March 30, 2007. Mr. Fritz was appointed a director on June 12, 2012. The Board of Directors believes Mr. Fritz's qualifications to serve as a director of the Corporation and the Bank include his position as President and CEO, as well as his experience as a member of the personnel committee and various other committees of the Bank.

**David M. McMillen** <sup>(2)</sup>

Director since: 2009

Age: 68

Principal Occupation, Business Experience, Public and Investment Company Directorships: Mr. McMillen is the owner of David McMillen Custom Contracting, Inc. of Loysville. Mr. McMillen was initially appointed to the West Perry Advisory Board in 2007 and was appointed a director on May 12, 2009. The Board of Directors believes Mr. McMillen's qualifications to serve as a director of the Corporation and the Bank include his experience as a member of various committees of the Bank as well as over 35 years of experience as a local business owner and entrepreneur.

**James M. Sheaffer** <sup>(2)</sup>

Director since: 2019

Age: 62

Principal Occupation, Business Experience, Public and Investment Company Directorships: Mr. Sheaffer is the owner and dealer principal of Sheaffer Dodge-Chrysler-Jeep-Ram in Mexico, PA. Mr. Sheaffer was initially appointed to the Tuscorora Valley Advisory Board in 1994 and appointed a director on January 8, 2019. Mr. Sheaffer's qualifications to serve as a director of the Corporation and the Bank include his 22 years of experience as a local business owner and entrepreneur.

**CLASS C DIRECTORS – TERM EXPIRES 2024**

**Robin Holman Loy**

Director since: 2014

Age: 62

Principal Occupation, Business Experience, Public and Investment Company Directorships: Mrs. Loy is an attorney whose practice is in New Bloomfield. Mrs. Loy was appointed a director on January 14, 2014. The Board of Directors believes Mrs. Loy's qualifications to serve as a director of the Corporation and the Bank include her experience as member of audit, personnel and various other committees of the Bank as well as an attorney and her community and professional leadership experience.

**David L. Swartz** <sup>(1)(2)</sup>

Director since: 2007

Age: 62

Principal Occupation, Business Experience, Public and Investment Company Directorships: Prior to his retirement in January 2022, Mr. Swartz was the Assistant Director for Animal Systems Programs for Penn State Extension. Mr. Swartz was

initially appointed to the West Perry Advisory Board in 2001 and was appointed a director on August 14, 2007. The Board of Directors believes Mr. Swartz's qualifications to serve as a director of the Corporation and the Bank include his experience as a member of the audit and various other committees of the Bank, his community and professional leadership experience and his financial and management expertise in the agricultural community.

## **CLASS A DIRECTORS – TERM EXPIRES 2025**

### **Daniel B. Brown** <sup>(1)</sup>

Director since: 2011

Age: 63

Principal Occupation, Business Experience, Public and Investment Company Directorships: Mr. Brown is the fifth generation President and Owner of Brown Funeral Homes, Inc. since 1989. Mr. Brown was initially appointed to the Fermanagh Advisory Board in 1993 and was appointed a director on December 13, 2011. The Board of Directors believes Mr. Brown's qualifications to serve as a director of the Corporation and the Bank include his experience as a member of the audit committee, a local business owner and entrepreneur, as well as his strategic and management expertise.

### **Matthew J. Ford** <sup>(1)</sup>

Director since: 2017

Age: 53

Principal Occupation, Business Experience, Public and Investment Company Directorships: Mr. Ford was appointed as director on January 10, 2017. Mr. Ford is the CFO at Mammoth Restoration, Inc. Prior to that he was the principal and founder of BFE Associates, Inc., a risk and compliance consulting firm for the banking and credit union industry. Mr. Ford served as Chief Risk Officer for the Bank from October 2011 until April 2015 and has held past positions as a Pennsylvania State Bank Examiner and Chief Financial Officer of a community bank in Maryland. The Board of Directors believes Mr. Ford's qualifications to serve as a director of the Corporation and the Bank include his experience as a certified public accountant as well as his experience in the financial industry.

### **John P. Henry, III** <sup>(1)(2)</sup>

Director since: 2001

Age: 69

Principal Occupation, Business Experience, Public and Investment Company Directorships: Mr. Henry has been the Vice President of JPH Enterprises, LLC since April 2006. Prior to that, Mr. Henry was Project Manager, Owner and Vice President of PHE Mechanical Systems, Inc. Mr. Henry was initially appointed to the Port Royal Advisory Board in 1989 and was appointed a director on June 6, 2001, and has served as

Chairman of the Board of Directors of the Corporation and the Bank since April 2008. The Board of Directors believes Mr. Henry's qualifications to serve as a director of the Company and the Bank include his experience as a member of the audit, personnel and various other committees of the Bank, as well as his experience as a local business owner and entrepreneur.

**Timothy P. Stayer** <sup>(2)</sup>

Director since: 2012

Age: 70

Principal Occupation, Business Experience, Public and Investment Company Directorships: Prior to his retirement in January 2016, Mr. Stayer had served as Executive Vice President and Chief Operating Officer of the Bank since January 1, 2013. Prior to that, Mr. Stayer served as Vice President and Chief Operating Officer since March 23, 2012; and Vice President Marketing and Community Banking Services Division Manager since 1995. Mr. Stayer was appointed a director on December 11, 2012. The Board of Directors believes Mr. Stayer's qualifications to serve as a director of the Corporation and the Bank include his nineteen years of experience as a member of the Bank's management team, as well as his experience as a member of the personnel committee and various other committees of the Bank.

<sup>(1)</sup> Member of the Personnel Committee of the Bank.

<sup>(2)</sup> Member of the Audit Committee of the Bank

**Director Independence**

The Board of Directors has determined that each director, other than Mr. Fritz, is independent as determined in accordance with the independence standards of the NASDAQ Stock Market. In determining the directors' independence, the Board of Directors considered each director's beneficial ownership of Company common stock, loan transactions and other business dealings between the Bank and the directors, their family members and businesses with whom they are associated, as well as any contributions made to non-profit organizations with whom they are associated.

Except with respect to Mr. Fritz, in each case, the Board determined that none of the transactions impaired the independence of the director.

**Shareholder Communications with the Board of Directors**

The Company does not have a formal process for shareholders to send communications to the Board of Directors. Any shareholder may write to the Company, or to one or more of the directors, at the Company's address. The Company will forward all such communications, without prior review, to the persons to whom the communications are directed.

## **Board Committees, Leadership Structure and Meeting Attendance**

The Board attempts to ensure that thorough, open and honest discussions take place at all Board and committee meetings, and that all of the directors are sufficiently informed about each matter that arises so that appropriate action may be taken. Mr. Henry, an independent director, serves as Chairman of the Board. In that role, Mr. Henry acts as the leader and facilitator of Board meetings.

During 2022 the Board of Directors of the Company met 13 times and the Board of Directors of the Bank met 13 times. The Board of Directors of the Company does not have, but the Board of Directors of the Bank does have, a Personnel Committee and an Audit Committee. During 2022 all of the directors of the Company and the Bank attended at least 75% of all meetings of the respective Boards and Committees on which they served. In addition, although the Company does not have a formal policy regarding the attendance by directors at the Annual Meeting of Shareholders, it is generally expected that each director will attend. The Board of Directors has also adopted a resolution providing that if a member of the Board of Directors, or a member of one of the Bank's advisory boards, does not attend the Annual Meeting of Shareholders, such director or advisory board member will forfeit his or her monthly director fee for the month in which the Annual Meeting was held. All of the Company's directors attended the Annual Meeting of Shareholders in 2022.

*Personnel Committee.* The Personnel Committee of the Bank's Board of Directors acts on matters between regular meetings of the Board of Directors. The Personnel Committee also makes recommendations regarding compensation to the Board of Directors and reviews the qualifications of and makes recommendations to the Board of Directors regarding potential candidates to be nominated for election to the Board of Directors. The Company did not retain a compensation consultant during 2022. When acting in the capacity of compensation committee, the duties of the Personnel Committee are as follows: to establish the compensation of officers and employees of the Company and Bank; to examine periodically the compensation structure of the Company; and to supervise welfare, pension and other compensation plans of the Bank and the Company. Mr. Fritz does not participate in the establishment of his compensation.

The Personnel Committee met three (3) times during 2022. The members of the Personnel Committee were Scott E. Fritz, John P. Henry, III, David L. Swartz, Matthew J. Ford and Daniel B. Brown. Messrs. Henry, Brown, Swartz and Ford are considered independent directors in accordance with the independence standards of the NASDAQ Stock Market. Although he holds an office of the Company and the Bank, the Board of Directors has determined that Mr. Henry is independent because he holds such office in his capacity as a director and because he does not, except as a director, perform a policy making function, and is not otherwise in charge of a principal business unit, division or

function of the Company or the Bank. As the current President and CEO of the Company and the Bank, Mr. Fritz is not considered an independent director.

*Audit Committee.* The Audit Committee of the Bank's Board of Directors is responsible for providing independent oversight of both the Bank's and the Company's accounting functions and internal controls. The Audit Committee monitors the preparation of quarterly and annual financial reports by Bank and Company management, including holding discussions with management and the Company's independent auditors about key accounting and reporting matters. The Audit Committee also is responsible for matters concerning the relationships between the Company and the Bank, on the one hand, and its independent auditors, on the other hand, including recommending their appointment or removal; reviewing the scope of their audit services and related fees, as well as other services they provide to the Company and the Bank; and determining whether the independent auditors are "independent." In addition, the Audit Committee oversees management's implementation of internal control systems, including reviewing policies relating to legal and regulatory compliance, ethics and conflicts of interest; and reviewing the activities and recommendations of the Company's and the Bank's internal auditing program. The Audit Committee pre-approves all audit and non-audit services provided by the independent auditors prior to the engagement of the independent auditors with respect to such services. The Committee has not delegated this authority or responsibility to any person or persons. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is available online at <http://www.pennian.bank>.

The Audit Committee met four (4) times in 2022. The members of the Audit Committee were John P. Henry, III, David M. McMillen, James M. Sheaffer, Timothy P. Stayer and David L. Swartz, each of whom is considered independent in accordance with the independence standards of the NASDAQ Stock Market.

### **Cash Compensation of Directors**

The following table sets forth cash compensation received by directors of the Company for their services as such in 2022.

### Director Cash Compensation Table

Name	Fees Earned or Paid in Cash (\$)
Daniel L. Benner	22,800
Daniel B. Brown <sup>(1)</sup>	25,800
Matthew J. Ford	23,100
Scott E. Fritz	18,600
John P. Henry, III <sup>(2)</sup>	43,500
Robin Holman Loy	23,100
David M. McMillen	23,100
James M. Sheaffer	23,100
Timothy P. Stayer	22,800
David L. Swartz <sup>(3)</sup>	25,700

<sup>(1)</sup> Includes \$2,100 paid for service as the non-employee Vice Chairman of the Board of Directors.

<sup>(2)</sup> Includes \$15,000 paid for service as the non-employee Chairman of the Board of Directors.

<sup>(3)</sup> Includes \$800 paid for service as Audit Committee Chairman

Each director of the Company receives a monthly fee of \$1,550, provided that a director who does not attend the Annual Meeting or is absent from more than one meeting of the Board of Directors will forfeit the monthly fee for the month in which he or she fails to attend such meeting. Each non-employee director also receives \$300 for each committee meeting attended. As the non-employee Chairman of the Board of Directors during 2022, Mr. Henry received an additional annual stipend of \$15,000 and as the non-employee Vice Chairman of the Board of Directors, Mr. Brown received an additional annual stipend of \$2,100 during 2022.

### Information about Executive Officers

The following identifies each of the executive officers of the Company and the Bank, their age as of March 1, 2023, the position they currently hold and their professional experience during the prior five years.

**Scott E. Fritz** - age 53; President and CEO of the Company and the Bank since June 2012; Interim President of the Company and the Bank since March 2012; Vice President and Commercial Loan Officer of the Bank since March 2007.

**Kimberly A. Benner** - age 62; Executive Vice President and Trust and Financial Services Division Manager since January 2020; Senior Vice President and Trust and Financial Services Division Manager of the Bank since January 2013; Vice President and Trust and Financial Services Division Manager of the Bank since May 2008.

**William R. Feist IV** - age 51; Executive Vice President and Chief Lending Officer of the Bank since January 2020; Senior Vice President and Chief Lending Officer of the Bank since March 2018; Senior Vice President and Business Banking Team Leader at FNB of PA May 2016 to March 2018; Vice President and Commercial Services Relationship Manager at F & M Trust from March 2014 to May 2016.

**William B. Martin** - age 61; Treasurer of the Company and Executive Vice President and Chief Financial Officer of the Bank since January 2022; Senior Vice President and Controller of the Bank since January 2020; Vice President and Controller of the Bank since 2015.

**Michael A. Moore** - age 49; Executive Vice President and Chief Risk Officer of the Bank since January 2020; Senior Vice President and Chief Risk Officer since April 2015; Vice President and Commercial Loan Officer since March 2013; Senior Vice President and Chief Credit Officer at Centric Bank July 2012 to March 2013.

**Executive Cash Compensation Table**

The following table sets forth information as to the cash compensation paid by the Bank for the year ended December 31, 2022 for services rendered in all capacities by the Company’s Executive Officers who were serving at December 31, 2022.

**Cash Compensation Table**

	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Total (\$)</u>
Executive Officers (5)	2022	936,598	186,432	1,123,030

**PROPOSAL 2 –  
RATIFICATION OF  
INDEPENDENT AUDITOR**

The Board of Directors has selected Smith Elliott Kearns & Company, LLC to act as the Company’s independent auditor for the year ending December 31, 2023. The Board of Directors proposes that the shareholders ratify this selection.

The Board of Directors recommends a vote “**FOR**” the ratification of the selection of Smith Elliott Kearns & Company, LLC as the Company’s independent auditor for the year ending December 31, 2023.

**Annual Report**

A copy of the Company’s Annual Report for the year ended December 31, 2022, is being mailed with this proxy statement to all shareholders of the Company.

